

Consolidated Condensed Interim Financial Statements
(Expressed in Canadian dollars)



March 31, 2011 and 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Panoro Minerals Ltd. are the responsibility of the Company's management. The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and reflect management's best estimates and judgments based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls through its Audit Committee, which is comprised primarily of non-management directors. The Audit Committee reviews the results of the audit and the annual consolidated financial statements prior to their submission to the Board of Directors for approval.

"Luquman Shaheen" (signed)

Luquman Shaheen
President
Vancouver, British Columbia

"David W. Huber" (signed)

David W. Huber
Chief Financial Officer
Vancouver, British Columbia

PANORO MINERALS LTD.

An Exploration Stage Company

Condensed Consolidated Interim Balance Sheets
Unaudited – Prepared by Management
(Expressed in Canadian dollars)

	March 31 2011	December 31 2010 (note 9)	January 1 2010 (note 9)
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,445,713	\$ 1,060,487	\$ 595,793
Short-term investment	-	3,526,376	-
Marketable securities	39,000	21,000	72,300
Accounts and advances receivable	262,897	263,856	5,023
Prepaid expenses	47,284	40,672	11,893
	4,794,894	4,912,391	685,009
Mineral interests (note 4)	30,057,965	28,904,641	27,618,596
Equipment	131,272	110,620	117,764
Total Assets	\$ 34,984,131	\$ 33,927,652	\$ 28,421,369
Liabilities and Shareholders' Equity			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,239,824	\$ 829,147	\$ 645,674
Shareholders' equity:			
Capital stock (note 5)	39,038,361	37,658,738	31,584,526
Contributed surplus	4,709,137	5,065,809	3,985,451
Accumulated other comprehensive gain	34,000	16,000	(321,675)
Deficit	(10,037,191)	(9,642,042)	(7,472,607)
Total equity	33,744,307	33,098,505	27,775,695
Total liabilities and equity	\$ 34,984,131	\$ 33,927,652	\$ 28,421,369

Nature of operations (note 1)

Commitments (note 8)

See accompanying notes to condensed consolidated interim financial statements.

Approved on behalf of the Board:

"Luquman Shaheen" (signed) Director
Luquman Shaheen

"William J. Boden" (signed) Director
William J. Boden

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Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
Unaudited – Prepared by Management
(Expressed in Canadian dollars)

For the three months ended March 31, 2011 and 2010

	2011	2010
Expenses:		
Amortization	\$ 3,717	4,049
Audit	11,500	11,419
Consulting	7,560	-
Investor relations	25,327	19,002
Legal	9,811	12,140
Office and miscellaneous	17,197	25,528
Regulatory fees	17,640	15,129
Rent	25,466	13,578
Salaries and fees	191,595	120,022
Stock-based compensation	9,372	8,324
Telephone	13,451	7,927
Transfer agent	2,444	1,433
Travel	17,223	16,858
Total expenses	352,303	255,409
Interest income	(10,441)	(2)
Foreign exchange loss/(gain)	53,287	(12,588)
Loss on disposition of marketable securities	-	62,522
Loss for the period	\$ 395,149	\$ 305,341
Unrealized gain on marketable securities	(18,000)	(125,312)
Comprehensive loss for the period	\$ 377,149	\$ 180,029
Loss per share, basic and fully diluted	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding	\$ 115,260,171	87,753,390

See accompanying notes to condensed consolidated interim financial statements.

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Condensed Consolidated Interim Statements of Cash Flows
Unaudited – Prepared by Management
(Expressed in Canadian dollars)

For the three months ended March 31, 2011 and 2010

	2011	2010
Cash provided by (used for):		
Operations:		
Loss for the period	\$ (377,150)	\$ (431,955)
Items not involving the use of cash:		
Amortization	9,168	4,049
Stock-based compensation	9,372	8,324
Future income tax recovery	(17,999)	(42,937)
Unrealized foreign exchange loss (gain)	-	(64,230)
Loss on disposition of marketable securities	-	62,522
	(376,609)	(289,447)
Changes in non-cash operating working capital:		
Accounts and advances receivable	959	(2,444)
Prepaid expenses	(6,162)	(4,391)
Accounts payable and accrued liabilities	410,677	(96,582)
Net cash from(used) in operating activities	28,415	(392,864)
Financing:		
Proceeds from exercise of options	446,500	-
Proceeds from exercise of warrants	567,079	-
Cash proceeds from issue of shares	-	100,000
Net cash from (used) in financing activities	1,013,579	100,000
Investments:		
Proceeds from short-term investment	3,526,376	-
Proceeds on sale of marketable securities	-	29,652
Mineral interest exploration and development expenditures	(1,153,376)	(83,614)
Purchase of equipment	(29,766)	-
Net cash from (used) in investing activities	2,343,232	(53,962)
Increase (decrease) in cash and cash equivalents	3,385,226	(346,826)
Cash and cash equivalents, beginning of period	1,060,487	595,793
Cash and cash equivalents, end of period	\$ 4,445,713	\$ 248,967
Supplemental cash flow information:		
Interest paid	\$ -	\$ -
Income taxes paid	-	-

See accompanying notes to condensed consolidated interim financial statements.

PANORO MINERALS LTD.

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Condensed Consolidated Interim Statements of Changes in Equity
Unaudited – Prepared by Management
(Expressed in Canadian dollars)

For the three months ended March 31, 2011

Description	Capital Stock	Contributed Surplus	Accumulated Comprehensive Income	Deficit	Total
Beginning Balance	\$37,658,738	\$5,065,809	\$16,000	(\$12,084,700)	\$30,655,847
Net Income	-	-	-	(395,149)	(395,149)
Unrealized Gain on Marketable Securities	-	-	18,000	-	18,000
Issuance of Stock Options	-	9,372	-	-	9,372
Exercise of Stock Options	780,503	(334,003)	-	-	446,500
Exercise of Warrants	599,120	(32,041)	-	-	567,079
Ending Balance	\$39,038,361	\$4,709,137	\$34,000	(\$12,479,849)	\$31,301,649

Comparatives for the three months ended March 31, 2010

Description	Capital Stock	Contributed Surplus	Accumulated Comprehensive Income	Deficit	Total
Beginning Balance	\$31,584,525	\$3,985,451	(\$321,675)	(\$7,472,607)	\$27,775,694
Net Income	-	-	-	(305,341)	(305,341)
Unrealized Gain on Marketable Securities	-	-	139,964	-	139,964
Issuance of Stock Options	-	8,324	-	-	8,324
Share Subscriptions	100,000	-	-	-	100,000
Ending Balance	\$31,684,525	\$3,993,775	(\$181,711)	(\$7,777,948)	\$27,718,641

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1. Nature of operations:

The Company is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties.

The Company's investment in its mineral interests comprises a significant portion of the Company's assets. Recovery of the carrying value of the investment in these assets and the Company's ability to continue as a going concern is dependent upon the existence of economically recoverable reserves, establishing legal ownership of the resource properties, the ability of the Company to obtain necessary financing to complete the exploration and development, and the attainment of future profitable production or the disposition of these assets for proceeds in excess of their carrying values.

Panoro Minerals Ltd. is a publicly listed Company incorporated in Canada with limited liability under the legislation of the Province of British Columbia.

The Company's registered office is located at 1610 – 700 West Pender Street, Vancouver, BC V6C 1G8 Canada.

2. Basis of presentation and adoption of IFRS:

The Company prepares its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate international financial reporting standard and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced reporting on this basis in this 2011 interim condensed consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian Generally Accepted Accounting Principles before the adoption of IFRS.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* and IFRS 1 as issued by the International Accounting Standards Board ("IASB"). Subject to certain transition elections disclosed in note 9, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 11 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010. Comparative figures for 2010 in these financial statements have been restated to give effect to these changes.

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2. Basis of Preparation and adoption of IFRS (*continued*):

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of August 12, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including transition adjustments recognized on change-over to IFRS.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2010 annual financial statements and in consideration of the IFRS transition disclosures included in the condensed consolidated interim financial statements for the year ended December 31, 2010.

3. Significant accounting policies:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared by management in conformity with IAS 34, Interim Financial Reporting and do not include all the disclosures required for full annual financial statements in accordance with International Financial Reporting Standards (IFRSs).

These are the Company's first IFRS condensed consolidated interim financial statements. An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 12. This note includes reconciliation of equity and total comprehensive income for the comparative periods and of equity at the date of transition reported under Canadian GAAP to those reported for those periods and at the date of transition under IFRS.

Certain comparative figures have been reclassified to conform to the current period's presentation.

(b) Basis of presentation:

The Company prepares its financial statements in accordance with Canadian Generally accepted accounting as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate international financial reporting standard and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced reporting on this basis in this 2011 interim condensed consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

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3. Significant accounting policies (continued):

(b) Basis of presentation:

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). The accounting policies followed in these interim financial statements are the same as those applied in the company’s interim financial statements for the period ended March 31, 2011. The company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2011, as issued and outstanding as of August 12, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the company’s annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including transition adjustments recognized on change-over to IFRS.

(c) Use of estimates:

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of site rehabilitation and environmental obligations, impairment of mineral claims and deferred exploration expenditures, determination of the variables used in the calculation of share based payment compensation, valuation of deferred income tax assets, accrued liabilities, and rates for amortization. While management believes the estimates to be reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(d) Principles of consolidation:

The condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries, Panoro Cayman Ltd., Minera Panoro (Peru) S.A.C, Panoro, Apurimac, (formerly Cordillera de las Minas “CDLM”), Cordillera Copper Ltd., and Panoro Pacific.

All significant intercompany transactions and balances have been eliminated.

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3. Significant accounting policies (continued):

(e) Foreign currency:

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company and all its subsidiaries functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

(f) Mineral interests:

The amounts shown for acquisition costs and deferred exploration expenditures will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

All deferred mineral exploration and evaluation expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value. From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

(g) Equipment:

Equipment is recorded at cost and is amortized using the declining-balance method at an annual rate of 20% for office equipment and 30% for computer equipment, mining equipment and vehicles. Leasehold improvements are amortized over the period of the lease. Additions during the year are amortized at one-half the annual rates.

(h) Stock-based compensation:

The Company accounts for stock-based compensation using the fair value based method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this standard, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock.

(i) Income taxes:

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax

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3. Significant accounting policies (continued):

(i) Income taxes (continued):

basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(j) Value added taxes recoverable:

The Company incurs value added tax (“VAT”) in Peru. The Company has entered into an agreement with the Ministry of Energy and Mines to recover such amounts which relate to approved properties. VAT paid related to non-approved mineral property expenditures are only recoverable when future sales revenues are earned from the related mineral properties by offsetting the VAT otherwise payable at that time. As the VAT payments incurred at non-approved properties are uncertain of collection, they have been included in mineral property exploration expenditures. VAT expenditures relating to approved mineral properties and not yet recovered are recorded as receivables to the extent that they are receivable under the agreement.

(k) Site rehabilitation obligations:

Site rehabilitation obligations are recognized when a legal or constructive obligation arises. The liability is recognized at the present value of management’s best estimate of the site rehabilitation obligation. The estimate is discounted to the present value using a discount rate specific to the obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized on the same basis as the related asset. Upon settlement of the liability, the Company may incur a gain or loss. Management has determined that there is no material Site rehabilitation liability as at March 31, 2011 and December 31, 2010.

(l) Financial instruments:

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

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3. Significant accounting policies (continued):

- (l) Financial instruments (continued):
 - (i) Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net income (loss).
 - (ii) Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income (loss) until the asset is removed from the balance sheet or an impairment loss is recognized from an other than temporary decline in value.
 - (iii) Held-for-trading financial instruments are measured at fair value. All gains and losses are included in net income (loss) in the period in which they arise.
 - (iv) All derivative financial instruments are classified as held-for-trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in net income (loss) in the period they arise.

The Company has classified and measures its financial instruments as follows:

Cash and cash equivalents and short-term investments were classified as held-for-trading and accordingly carried at their fair value. Accounts and advances receivable were classified as loans and receivables and are recorded at their amortized cost.

Marketable securities are classified as available-for-sale securities. Such securities are measured at fair market value in the consolidated financial statements with unrealized gains or losses recorded in comprehensive income (loss). At the time securities are sold or otherwise disposed of, gains or losses are included in net income (loss).

Accounts payable and accrued liabilities were classified as other financial liabilities and are currently carried at their amortized cost.

In addition, the Company must disclose the fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs and description of inputs is described as follows:

- Level 1 – fair values are based on quoted prices (unadjusted in active markets for identical assets or liabilities);
- Level 2 – fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
- Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data, which are unobservable inputs.

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3. Significant accounting policies (continued):

(l) Financial instruments (continued):

Changes in valuation methods may result in transfers into or out of an investment's assigned level. This additional disclosure has been provided in note 4.

(m) Comprehensive income:

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. Gains and losses that would otherwise be recorded as part of net income(loss) are presented in other "comprehensive income" until it is considered appropriate to recognize into net income (loss). The Company reports a consolidated statement of comprehensive loss and includes the account "accumulated other comprehensive loss" in the shareholders' equity section of the consolidated balance sheet.

(n) Loss per share:

Loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company follows the treasury stock method of calculating diluted loss per share however, diluted loss per share is anti-dilutive when considering the effects of the exercise of outstanding options and warrants.

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4. Mineral interests:

Expenditures made on mineral interests by the Company during the period are as follows:

	Antilla (i)	Cotabambas (ii)	El Rosal	Other	Total
Balance, December 31, 2010	12,581,066	7,120,598	4,788,189	4,414,788	13,707,020
Deferred exploration expenditures in 2010:					
Amortization	-	5,451	-	-	5,451
Assay	-	60,786	-	-	60,786
Camp, materials and exploration support	999	21,818	-	22	22,839
Community relations	6,406	30,053	-	-	36,459
Contract labor	-	46,270	-	-	46,270
Drilling	-	422,202	-	-	422,202
Environmental	-	44,075	-	-	44,075
Geology	10,913	95,719	-	2,400	109,032
Geophysics	-	25,131	-	-	25,131
Legal	112,955	802	-	-	113,757
Mineral concession fees	10,746	58,012	20,400	56,638	145,796
Project management	27,289	40,867	-	7,676	75,832
Travel and accommodation	14,408	30,959	-	327	45,694
	183,716	882,145	20,400	67,063	1,153,324
Balance, March 31, 2011	\$ 12,764,782	\$ 8,002,743	\$ 4,808,589	\$ 4,481,851	\$ 30,057,965

The investment in and expenditures on mineral interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Panoro Apurimac S.A., Peru:

On June 7, 2007, the Company completed the acquisition of 100% of the issued and outstanding shares of Panoro Apurimac (formerly Cordillera de las Minas S.A.), a Peruvian corporation, from CVRD International S.A. and El Tesoro CDLM owns a 100% interest in 13 properties located in the Andahuaylas – Yauri Belt of Peru south of Cuzco.

Antilla and Cotabambas are two of the Panoro Apurimac properties that are in an advanced exploration stage. The remaining 11 properties are Kusiocco, Cochasyhuas, Checca, Alicia, Promesa, Pistoro Norte, Sancapampa, Humamantata, Pataypampa, Anyo, and Morosayhuas and are all in various stages of exploration.

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4. Mineral interests (continued):

The Company has focused on advancing Antilla, Cotabambas and Kusiorcco and will further the other properties as resources become available.

(i) Antilla Property, Peru:

The Antilla project is in an advanced exploration stage. On April 8, 2010, the Company entered into a joint venture agreement (JV) with Chancadora Centauro SAC (Centauro) for the development of the Antilla copper molybdenum project in Peru. Under the terms of the agreement, Centauro committed to making cash payments of US\$8 million and spending US\$17 million over a 30 month period. Payments were scheduled as follows.

- US\$1 million on signing, pursuant to the terms outlined below (received);
- US\$0.1 million for equipment at the Antilla project - not received;
- US\$4 million 90 days after reaching a community agreement with Antilla - July 17, 2010 - not received;
- US\$3 million by March 17, 2012; and
- US\$17 million to be applied towards the completion of bankable feasibility studies on the project and could include Panoro's share of such costs within 30 months of the contract signing date.

Centauro received the following:

- A right to match any offer by a third party on Panoro's 100% owned Cotabambas project and a US\$1,000,000 (CAD\$1,064,600) credit towards any such offer accepted by Centauro, provided they maintain an interest in Antilla.
- Equipment at the Antilla project including trucks, tents, computers, and a generator.

On July 17, 2010, the scheduled second cash payment from Centauro due under the Antilla agreement was not received. The Company subsequently provided Centauro with the required notifications relating to the lack of receipt of payment and the fact that this constituted a breach of the agreement.

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4. Mineral interests (continued):

After receiving independent legal opinions from prominent Peruvian law firms, on September 16, 2010, the Company notified Centauro that the agreement was terminated due to their breach of the JV agreement. In addition, Centauro's right of first refusal for the Cotabambas Project was also terminated as this right was only in force as long as the Antilla agreement was in place. As required by Peruvian law, the Company registered the termination of the agreement with the Public Registry and then transferred all of the mineral concessions related to the Antilla Project back to the Company's subsidiary in Peru. The termination of the Antilla agreement and the transfer of all the concessions was completed and registered on September 30, 2010. The termination of the Cotabambas option was registered with the Public Registry on October 13, 2010.

Subsequent to the termination of the agreement, Centauro informed the Company that it would seek arbitration, as provided for in the contract with the Arbitration Center of the Lima Chamber of Commerce disputing the termination of the agreement. Both sides have submitted claims to the Arbitration Committee. The arbitration process is advancing and is expected to take a number of months to complete. Management is confident that the agreement has been legally terminated.

(ii) Cotabambas Property, Peru:

Cotabambas is an advanced exploration project consisting of a cluster of copper gold porphyry systems.

Cochasayhuas and Checca Properties, Peru

On March 17, 2008 the Company granted Consorcio Minero Horizonte ("CMH"), a privately owned gold mining company of Peru, an option to earn a 50% interest in two of their projects. In June 2008, after assessing the permitting issues at both properties, CMH elected only to proceed with the Cochasayhuas Project. On March 6, 2009, CMH decided not to proceed with the joint venture on either property after Panoro did not accept proposed changes to the joint venture agreement and the properties were returned to Panoro.

El Rosal Property, Peru:

The Company has a 100% interest in 12 mineral concessions located in the Province of Chiclayo, Department of Lambayeque, Perú. The 2008 exploration program at El Rosal commenced on January 26, 2008 and was completed on April 30, 2008.

Alicia Property, Peru:

On September 25, 2009, the Company entered into an agreement with Strait Gold Corporation whereby Strait Gold may earn up to 100% in the Company's early stage Alicia copper-gold property in Southern Peru, subject to a 2% net smelter return royalty.

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4. Mineral interests (continued):

In order to earn 55% of the Alicia project, Strait Gold will have to perform the following:

- Issue 100,000 shares of Strait Gold to Panoro on signing; – completed
- Obtain an authorization-to-explore agreement with the local community before March 25, 2011 – completed February 10, 2011.
- Spend at least US\$150,000 on the Alicia property within the first year after obtaining an agreement - completed;
- Issue 200,000 common shares of Strait Gold one year after obtaining the community agreement – received February 16, 2011;
- Spend at least US\$500,000 within the second year after obtaining the community agreement; and
- Issue 300,000 common shares of Strait Gold two years after obtaining the community agreement.

In order to earn the remaining 45% of the Alicia project, Strait Gold will be required to spend an additional US\$600,000 in the third year after obtaining the community agreement and issue an additional 400,000 Strait Gold common shares. The net smelter royalty can be reduced from 2% to 1% for a payment of US\$2,300,000 which is payable by Strait Gold within six months of obtaining 100% ownership.

Surigao Project, Philippines:

The Company formerly had an interest in the Surigao project belonging to Mindoro Resources Ltd. (“Mindoro”). As part of the sale agreement, in the event that the nickel laterite prospect, located on the Agata project should proceed to production and upon shipment of an aggregate one million wet tonnes of nickel laterite, Mindoro will pay the Company an additional \$500,000 cash, plus an additional \$500,000 cash on the first anniversary of the shipment. The likelihood of the nickel laterite prospect coming into production is unknown at this time. Accordingly, any proceeds to be received by the Company will be included in operations when received.

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5. Capital stock:

Authorized – unlimited common shares without par value

Issued and outstanding:

	Number of shares	Amount
Balance, December 31, 2010	113,716,640	\$ 37,658,738
Proceeds on exercise of options	1,650,000	446,500
Transfer from contributed surplus on exercise of options	0	334,002
Proceeds on exercise of agents warrants	1,524,500	493,815
Transfer from contributed surplus on exercise of finders warrants	309,794	73,265
Balance, March 31, 2011	117,200,934	\$ 39,006,320

(a) Stock options outstanding:

Stock options to purchase common shares have been granted to directors and employees at exercise prices determined by reference to the market value on the date of the grant. The number of shares available for options to be granted under the Company's stock option plan is 12,000,000 as approved at the 2008 Annual General Meeting. Options granted under the plan vest immediately or over a period of time at the discretion of the board of directors.

A summary of the status of the Company's stock options as at March 31, 2011 and changes are as follows:

	Number of options	Weighted average exercise price
Outstanding at December 31, 2010	7,575,000	0.36
Granted	100,000	0.52
Exercised	(1,650,000)	0.27
Expired	(150,000)	0.33
Outstanding at March 31, 2011	5,875,000	\$ 0.39

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5. Capital stock (continued):

(a) Stock options outstanding (continued):

The following summarizes information about stock options outstanding and exercisable at March 31, 2011:

Year of expiry	Options outstanding at March 31, 2011		Options exercisable
	Number of options	Weighted average exercise price	Number of shares
2011	200,000	\$ 0.36	200,000
2012	1,800,000	0.56	1,800,000
2013	750,000	0.46	750,000
2014	500,000	0.17	500,000
2015	2,525,000	0.30	2,525,000
2016	100,000	0.52	100,000
	5,875,000	\$ 0.39	5,875,000

The weighted average life of exercisable options outstanding is 2.9 years as of March 31, 2011 (2009 - 2.2 years).

(b) Stock-based compensation:

For the three months ended March 31, 2011, the Company granted 100,000 stock options (2010 - 250,000) to an officer of the Company with a weighted average exercise price of \$0.52 (2010 - \$0.20) per share, which can be exercised for a period of up to five years.

Stock-based compensation expense was \$9,372 for the three months ended March 31, 2011 (2009 - \$8,324), of which \$nil (2009 - \$nil) was capitalized to mineral properties.

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes option pricing model with the following assumptions:

	2010
Risk-free interest rate	1.68%
Expected dividend yield	0.0%
Expected stock price volatility	135%
Expected option life in years	2

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

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5. Capital stock (continued):

(c) Share purchase warrants:

At March 31, 2011, the Company had outstanding warrants to purchase an aggregate 15,861,129 common shares as follows:

Expiry date		Exercise price	Outstanding at December 31, 2010	Issued	Exercised	Expired	Outstanding at March 31, 2011
June 30, 2011	Warrants	0.30	3,114,000	-	(855,000)	-	2,259,000
June 30, 2011	Agents warrants ⁽¹⁾	0.20	240,870	-	(234,420)	-	6,450
June 30, 2011	Agents warrants	0.30	249,120	-	-	-	249,120
March 31, 2012	Warrants	0.35	2,689,810	-	-	-	2,689,810
April 15, 2012	Warrants	0.35	2,811,148	-	(457,500)	-	2,353,648
April 29, 2012	Warrants	0.35	7,401,542	-	(212,000)	-	7,189,542
April 15, 2012	Agents warrants	0.35	7,401,542	-	(73,700)	-	143,110
April 29, 2012	Agents warrants	0.35	216,810	-	(1,674)	-	970,449
Total			17,695,423	-	(1,834,294)	-	15,861,129

⁽¹⁾ Each \$0.20 agents warrants can be exercised for one common share and one new share purchase warrant, each share purchase warrant can be exercised for \$0.30 in return for one common share. The \$0.20 warrant must be exercised before the \$0.30.

All of the warrants expiring June 30, 2011 carry a forced conversion feature whereby if the stock price trades over \$0.45 for ten consecutive days, the Company can give notice to warrant holders that the warrants must be exercised within 30 days.

6. Compensation of key management:

The remuneration of directors and other members of key management personnel included:

For the three months ended March 31:	2011
Salaries, consulting fees and director's fees	\$142,635
Short-term employee benefits	1,670
Stock based compensation	9,372
Total compensation of key management	\$153,677

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7. Related party transactions:

The Company entered into the following transactions with related parties and/or the companies of related parties. All services provided are considered to be in the normal course of business and the transactions have been recorded at the exchange amount.

	2011	2010
Fees paid to companies controlled by directors/officers for equipment and exploration supplies	\$16,461	\$0

The above costs were capitalized to the mineral properties.

8. Commitments:

The following is a summary of the Company's contractual obligations and commitments as at June 30, 2011:

	2011	2012	2013	2014	2015	Total
Office Lease Lima US\$	42,550	56,733	56,733	56,733	56,733	269,482
Office Lease Van CDN\$	16,471	-	-	-	-	16,471

The Company has two office leases, one in Lima Peru that is payable in United States Dollars, and the other for the head office in Vancouver, BC which is payable in Canadian Dollars.

9. Transition to IFRS:

As stated in Note 2, these are the Company's first condensed consolidated interim financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS. The accounting policies in Note 2 have been applied in preparing the condensed consolidated interim financial statements for the three months ended March 31, 2011, the comparative information for the three months ended March 31, 2010, the financial statements for the year ended December 31, 2010 and the preparation of an opening IFRS statement of financial position on the Transition Date, January 1, 2010.

In preparing its opening IFRS statement of financial position, comparative information for the three months ended March 31, 2010 and financial statements for the year ended December 31, 2010, the Company has adjusted amounts reported previously in financial statements prepared in accordance with GAAP. An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

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9. Transition to IFRS (continued):

	December 31, 2010			March 31, 2010			January 1, 2010		
	Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS
Assets									
Current assets									
Cash and cash equivalents	\$1,060,487		\$1,060,487	\$248,967		\$248,967	\$595,793		\$595,793
Short-term investment	3,526,376		3,526,376	0		0	0		0
Marketable securities	21,000		21,000	120,090		120,090	72,300		72,300
Accounts and advances receivable	263,856		263,856	7,467		7,467	5,023		5,023
Prepaid expenses	40,672		40,672	16,284		16,284	11,893		11,893
	4,912,391		4,912,391	392,808		392,808	685,009		685,009
Non-current assets									
Mineral interests	33,493,420	(4,588,779)	28,904,641	32,037,961	(4,271,482)	27,766,479	31,870,004	(4,251,408)	27,618,596
Equipment	110,620		110,620	108,446		108,446	117,764		117,764
Total Assets	\$38,516,431	(\$4,588,779)	\$33,927,652	\$32,539,215	(\$4,271,482)	\$28,267,733	\$32,672,777	(\$4,251,408)	\$28,421,369
Liabilities									
Current liabilities									
Accounts payable and accrued liabilities	829,147		829,147	549,092		549,092	645,674		645,674
	829,147		829,147	549,092		549,092	645,674		645,674
Non-current liabilities									
Future income tax liability	4,867,739	(4,867,739)	0	4,360,647	(4,360,647)	0	4,447,740	(4,447,740)	0
Total liabilities	5,696,886	(4,867,739)	829,147	4,909,739	(4,360,647)	549,092	5,093,414	(4,447,740)	645,674
Shareholders' equity									
Capital stock	37,658,738		37,658,738	31,684,525		31,684,525	31,584,526		31,584,526
Contributed surplus	5,065,809		5,065,809	3,993,775		3,993,775	3,985,451		3,985,451
Accumulated other comprehensive gain (loss)	16,000		16,000	(181,711)		(181,711)	(321,675)		(321,675)
Deficit	(9,921,002)	278,960	(9,642,042)	(7,867,113)	89,165	(7,777,948)	(7,668,939)	196,332	(7,472,607)
Total shareholders' equity	32,819,545	278,960	33,098,505	27,629,476	89,165	27,718,641	27,579,363	196,332	27,775,695
Total liabilities and shareholders' equity	\$38,516,431	(\$4,588,779)	\$33,927,652	\$32,539,215	(\$4,271,482)	\$28,267,733	\$32,672,777	(\$4,251,408)	\$28,421,369

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9. Transition to IFRS (continued):

	Year ended December 31, 2010			Three months ended March 31, 2010		
	CND GAAP	Transition Adjustments	IFRS	CND GAAP	Transition Adjustments	IFRS
Expenses						
Amortization	\$18,981		\$18,981	\$4,049		\$4,049
Audit	57,698		57,698	11,419		11,419
Consulting	5,329		5,329	0		0
Investor Relations	91,794		91,794	19,002		19,002
Legal	67,406		67,406	12,140		12,140
Office and miscellaneous	61,842		61,842	25,528		25,528
Regulatory fees	48,166		48,166	15,129		15,129
Rent	62,137		62,137	13,578		13,578
Salaries and fees	639,634		639,634	120,022		120,022
Stock-based compensation	702,828		702,828	8,324		8,324
Telephone	37,567		37,567	7,927		7,927
Transfer Agent	10,878		10,878	1,433		1,433
Travel	85,948		85,948	16,858		16,858
Loss before other items	1,890,208		1,890,208	255,409		255,409
Other items:						
Interest Income	(7,113)		(7,113)	(2)		(2)
Foreign exchange loss (gain)	(99,279)	(308,730)	(408,009)	(76,818)	64,230	(12,588)
Loss on disposition of marketable securities	274,304		274,304	62,522		62,522
Net loss for the period before tax	2,058,120	(308,730)	1,749,390	241,111	64,230	305,341
Future income tax recovery	193,943		193,943	(42,937)	42,937	0
Net loss	2,252,063	(308,730)	1,943,333	198,174	107,167	305,341
Unrealized loss (gain) on marketable securities	(63,371)		(63,371)	(125,312)		(125,312)
Reclassification on realization of loss on disposition of marketable securities	(274,304)		(274,304)	0		0
Comprehensive loss before other items	1,914,388	(308,730)	1,605,658	72,862	107,167	180,029
Other items	57,034	(57,034)				
Comprehensive loss	\$1,971,422	(\$365,764)	\$1,605,658	\$72,862	\$107,167	\$180,029

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9. Transition to IFRS (continued):

Reconciliation of comprehensive income for three months ended March 31, 2010

	Three months ended March 31, 2010
Comprehensive loss - Previous Canadian GAAP	\$ 72,862
Future income tax recovery ¹	42,937
Foreign exchange gain/loss ²	64,230
Comprehensive income IFRS	\$ 180,029

Notes to the Reconciliations

- 1) Note 1 - Under Canadian GAAP, the Company recorded deferred tax liabilities on share based payments capitalized in mineral interests, because the stock based payments are not deductible for tax purposes. IAS 12 exempts the Company from recognizing deferred tax liability arising from the initial recognition of an asset or liability in a transaction which is not a business acquisition that affects neither accounting profit nor tax profit. Capitalization of stock based payments falls under this exemption. The Company accordingly reversed the effect of all deferred tax liabilities from mineral interests under IFRS.
- 2) Note 2 – Under Canadian GAAP, the Company recorded a foreign exchange gain or loss on deferred tax liabilities based on payments capitalized in mineral interests that were made in currencies other than the functional currency, as the tax basis of these payments fluctuate with the exchange rate difference. IAS 12 exempts the Company from recognizing deferred tax liability arising from the initial recognition of an asset or liability in a transaction which is not a business acquisition that affects neither accounting profit nor tax profit. The Company accordingly reversed the effect of all deferred tax liabilities from mineral interests under IFRS.

The guidance for the first time adoption of IFRS are set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemption:

- *Share-based payments* – IFRS 1 permits the Company to apply IFRS 2 Share-based payments only to awards granted on or after the transition date. The Company is also required to apply IFRS 2 to equity instruments that were granted after November 7, 2002 that vest after the date of transition to IFRS. Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the estimated lives of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods. The Company has elected this exemption under IFR

Statement of Cash flows

The effects of transition from Canadian GAAP to IFRS on the cash flow are not material therefore a reconciliation of cash flows has not been presented.

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9. Transition to IFRS (continued):

Initial recognition exemption

Under Canadian GAAP, using a simultaneous equation the Company, recognized a deferred income tax liability on temporary differences arising on the initial recognition of the mineral property interest (where the fair value of the asset acquired exceeded its tax basis) in a transaction which was not a business combination and affected neither accounting profit or loss nor taxable profit or loss. IFRS does not permit the recognition of deferred taxes on such transactions.

As of the Transition Date and December 31, 2010, the Company has derecognized the impacts of all deferred tax liabilities which had previously been recognized on the initial acquisition of the investment through transactions deemed not to be business combinations and affecting neither accounting profit or loss nor taxable profit or loss.

10. Subsequent events:

On June 13, 2011 the Company announced a private placement of \$8,000,000 at \$0.45 per share with a half warrant at \$0.60 expiring in 18 months.