

Management's Discussion and Analysis



For the three months ended June 30, 2011

*This management's discussion and analysis ("MD&A") focuses on significant factors that affected Panoro Minerals Ltd. (the "Company") during the three months ended March 31, 2011 and to the date of this report. The MD&A supplements, but does not form part of, the unaudited condensed consolidated interim financial statements of the Company and the notes thereto for the three months ended March 31, 2011. Consequently, the following discussion and analysis should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2010, as well as the e prior MD&A filed at the time of and coinciding with the consolidated financial statements for the year ended December 31, 2010.*

*The information in the MD&A may contain forward-looking statements. These statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth below.*

## **Overview**

Panoro Minerals Ltd. (the Company) is a Canadian public company engaged in the acquisition, exploration, and development of natural resource properties in Peru. The Company's common shares trade on the TSX Venture Exchange ("PML"), the Frankfurt Exchange ("PZM") and on the Junior Board of the Bolsa de Valores de Lima (Lima Stock Exchange).

### **Highlights in 2011 to August 15, 2011.**

- **Completed five exploration drill holes for a total of 2,800 m at the Ccalla and Azulccaca deposits at the Cotabambas Project**
- **Completed agreement with the indigenous community of Cochapata at the Cotabambas Project**
- **Commenced Magnetic and Induced Polarization geophysical surveys at the Cotabambas Project**
- **Completed \$7.8 million brokered private placement**
- **Commenced 20,000 m plus exploration program at Cotabambas copper/gold project**

As of the date of this MD&A, the Company has mineral interests in Peru as follows:

### Panoro Apurimac Properties

On June 7, 2007, Panoro completed the transaction to purchase all of the issued and outstanding shares of Cordillera del las Minas S.A. ("CDLM"), a Peruvian corporation, from CVRD International S.A. and El Tesoro (SPV Bermuda) Limited, a wholly-owned subsidiary of Antofagasta PLC. The Company purchased CDLM for cash of \$US 13,000,000 and 6,000,000 common shares of Panoro Minerals Ltd. On April 7, 2008 the Company changed the name of CDLM to Panoro Apurimac S.A.

Panoro Apurimac owns 100% of 13 properties located in the Andahuaylas – Yauri Belt of Peru south of Cuzco where a number of recently discovered significant porphyry copper and copper-gold deposits are at various stages of advanced exploration or pre-development. The 13 projects are Antilla, Cotabambas, Kusiorcco, Chochasayhuas, Alicia, Promesa, Pistoro Norte, Sancapampa, Humamantata, Pataypampa, Anyo, Morosayhuas, and Checca.

The Antilla project

The Antilla copper-molybdenum project (7,400 hectares) is at an advanced exploration stage and is located approximately 25 kilometers southeast of Grupo Mexico's Las Chancas project which has reported resources of 200 million tonnes at a grade of 1% copper.

A resource estimate for Antilla was prepared by AMEC Engineering-Peru in 2009. Based on the results of a total of 67 drill holes, including the 48 drill holes from the Company's exploration program completed in December 2008, AMEC reported a global Inferred mineral resource estimate for the East Block area of 154.4 million tonnes at an average grade of 0.47% copper and 0.009% molybdenum using a 0.25% copper cut-off grade. This resource includes a higher grade zone of 70.4 million tonnes at an average grade of 0.56% copper and 0.011% molybdenum.

The mineral deposit is a tabular blanket of supergene sulphide mineralization dominated by chalcocite and molybdenite but also includes primary chalcopyrite, hosted by quartzites and quartz arenites of the Soraya Formation. Alteration and mineralization patterns suggest that it may be associated with an as yet undiscovered, underlying porphyry copper system.

In order to define the Mineral Resource, a reasonable assessment of extraction costs and pit design was made. The following economic parameters were used:

- Long term metal prices of \$US 2.00/lb copper and \$US 10.00/lb molybdenum
- Mining costs of \$US 1.10/t
- Total operating costs \$US 10.00/t
- Metallurgical recoveries of 90% for copper and 40% for molybdenum
- Final pit slopes of 45 degrees

A potential starter pit within the conceptual life of mine pit contains 15 million tonnes at a grade of 0.72% copper and 0.017% molybdenum at a strip ratio of 0.9 and provides an opportunity to improve the economics of a future operation. At a nominal 20,000 tonne per day open pit operation, the East Block of the Antilla Project would have a 21 year mine life at an overall strip ratio of 2.5.

The technical report identified potential to increase the resource at the Antilla Project in three areas; the possible extension of the supergene sulphide mineralization in the East Block to the north and northwest; the West Block, located 2.5 km from the East Block, where there may be supergene sulphide mineralization similar to that in the East Block; and thirdly, in the potential for underlying hypogene porphyry mineralization in both the East and West Blocks.

On April 8, 2010, the Company entered into a joint venture agreement 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 4 million 90 days after reaching a community agreement with Antilla - July 17, 2010 (not received)
- \$US 3 million by March 17, 2012
- \$US 17 million will be invested towards the completion of bankable feasibility studies on the

project and will include Panoro's share of such costs

Centauro was to receive 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 credit towards any such offer accepted by Centauro, provided they maintain an interest in Antilla.
- Equipment at the Antilla project including trucks, tents and a generator with a net book value of \$62,320

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

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 concessions was completed and registered on December 31, 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.

The company has carried out a review of the core from the 2010 drilling program. The core samples were also inventoried and a survey of the 2010 drill hole locations was completed.

#### The Cotabambas project

Cotabambas (9,900 hectares) is an advanced exploration project encompassing a cluster of copper gold porphyry systems located about 38 kilometers due north of Xstrata's Las Bambas project which has reported resources of 860 million tonnes at a grade of 0.93% copper. A total of 11,770 metres of diamond drilling in 33 holes have been carried out on the project by previous operators. In 2007, SRK Consulting estimated an Inferred mineral resource of 90 million tonnes at a grade of 0.77% copper and 0.42 grams of gold per tonne, using a cut-off grade of 0.4% copper.

In November 2010, the Company started a 5,500 m drill hole and geophysical program at Cotabambas using a man-portable rig. As of June 15, 2011, five drill holes have been completed totaling 2,800m. The first two holes were drilled in the smaller Azulccacca deposit located approximately 900m to the southwest of Ccalla, the main deposit. Additionally, three holes have been drilled at the main Ccalla deposit. The results of these holes have been reported via press releases and are summarized in the table below.

2011 Cotabambas Drill Results

<b>Drill Hole</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Interval (m)</b>	<b>% Cu</b>	<b>% Mo</b>	<b>g/t Au</b>	<b>ppm Ag</b>
CB-34 <i>including</i>	0	54.25	54.25	0.33	0.0009	0.32	4.7
	10	34.9	24.9	0.41	0.0009	0.42	5.2
	132.25	149.45	17.2	0.33	0.0011	0.21	3
CB-35 <i>including</i>	8	51.5	43.5	0.31	0.0011	0.29	2.1
	27.5	35.5	8	0.44	0.001	0.39	2.5
	67.5	75.5	8	0.31	0.001	0.26	2.8
	85.5	107.1	21.6	0.34	0.0012	0.27	2.8
CB-36 <i>including</i>  <i>including</i>	112	131.8	19.8	0.71	0.0015	0.28	4.2
	112	121.5	9.5	1.25	0.0018	0.43	6.6
	293	365.5	72.5	0.57	0.0015	0.26	3.1
	317	365.5	48.5	0.71	0.0014	0.33	3.6
	378.25	401	22.75	0.39	0.0014	0.23	2
	409	419	10	0.35	0.0064	0.08	3
	576	594	18	0.31	0.055	0.06	1.6
	712	720	8	0.4	0.0023	0.14	4.3
774.35	790	15.65	0.34	0.0081	0.03	6.6	
CB-37 <i>including</i>	218.6	274.55	55.95	0.26	0.14	0.001	2
	256	274.55	18.55	0.34	0.16	0.001	4
	311.5	360	48.5	0.58	0.47	0.001	3
	389.6	420.55	30.95	0.47	0.26	0.001	2
	435.6	492	56.4	0.42	0.15	0.004	4
554	570	16	0.26	0.08	0.008	1	
CB-38 <i>including</i> <i>including</i> <i>including</i>	186	392	206	0.51	0.31	0.002	4
	188	224	36	0.85	0.56	0.001	4
	229.2	254	24.8	0.7	0.51	0.001	7
	330	346	16	0.72	0.45	0.002	3
	422	440	18	0.23	0.07	0.001	3
494	538	44	0.23	0.05	0.017	2	

The results to date of the drilling program have confirmed the continuity of mineralization over a 500-metre strike length along the east flank of the Ccalla zone and open the possibility that it extends toward the Azulccaca zone about 900 m to the south. Mineralization also remains open to the north and to depth.

The Company has completed a magnetometer and induced polarization survey within the areas falling under the jurisdiction of the communities of Ccalla and Huacle. The induced polarization survey has also been completed within the Cochapata community lands while the magnetometer survey there is expected to be completed in August.

In March 2011, the Company completed an agreement with the indigenous community of Cochapata, the third of the three communities in the vicinity of the Cotabambas project.. This allowed it to finalize the permit application for the proposed drill program in that area. Government approval of the permit is expected in August 2011.

The proposed drilling program within the Cochapata community area targets the lateral extensions of the Ccalla zone, particularly to the west and to depth.

The Kusiorcco project

The Kusiorcco project is located near Norsemont's, now HudBay, Constancia project (Indicated resources of 256 million tonnes at 0.50% copper, Inferred resources of 156 million tonnes at 0.33% copper) and the historical Katanga Mine formerly operated by Mitsui Mining and Smelting. It consists of strong, coincident one kilometer by two kilometer Induced Polarization and Resistivity anomalies overlying a 300 metre by 500 metre alteration zone characterized by an intensive stock-work of quartz veins with the weathered out voids filled by iron oxides after sulphides. Management believes this to be a leached outcrop of part of an altered porphyry system. The leached outcrop also suggests the possibility of a supergene enriched zone at depth. The potential of this system to host a significant porphyry copper deposit is further supported by the presence of a number of copper skarn occurrences located at the periphery of the Kusiorcco intrusive stock which are currently being mined by locals on a small scale.

The Company's Environmental Impact Statement (EIS) for the proposed drilling program at the Kusiorcco Project was approved in December of 2009. The process of obtaining a community agreement with the indigenous community of Uchucarco, which will be required to commence the 2011 exploration program, has been initiated. The proposed exploration program will include the first drilling at the site and is scheduled for the second half of 2011.

Cochasayhuas Project

The Company was successful in negotiating the terms of agreements with the community of Progreso and the agreement was signed on October 3, 2009. A parallel agreement involving the local artisanal miners has still to be finalized.

A site reconnaissance and inspection was carried out by the Company. The presence and extent of artisanal mining was mapped and samples of mineralized zones were collected for assaying. Samples from mineralized outcrops confirmed grades of up to 4.7 g/t of gold in the Cochasayhuas vein and 2.2 g/t gold in the San Lucas vein, where artisanal mining is currently concentrated.

In January 2011, the Company engaged a consulting company based in Lima to prepare a NI 43-101 compliant technical report on the project. The consulting company has completed its field investigation and is finalizing its report.

Alicia Project

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.

Phase 1 exploration at Alicia consisted of a program of community engagement, detailed mapping of outcropping skarn zones, a grid sampling program and geophysical surveys. As reported by Strait on October 13, 2010, chip and panel sampling over 2-4 metre lengths of at least nine individual skarn zones returned elevated copper, gold and silver values ranging from 0.03-13.05% Cu, 0.005 to 3.55 g/t gold and 0.3-100.0 g/t silver.

Approval to conduct drilling in Phase 2 of the exploration program required reaching a surface-rights agreement, preparing baseline archaeological and environmental studies, and obtaining water-use approval, all of which have been achieved. As reported by Strait in February 2011, it completed a 15 hole

drill program, total of 2,000 m, aimed at testing a number of the skarn zones and associated geophysical anomalies has commenced.

It plans to conduct additional drilling in 2011 and has initiated the permitting process. Based on the results published on its website dated January 10, 2011, drilling intersected copper-gold in every drill hole extending mineralized strike length to 600m. The assay results of all the holes that were drilled have been reported in several press releases that were issued by Strait Gold. The highlights include 134.0m of 0.29%Cu and 0.03g/t Au in hole ALC11-16 including 9.75m of 1.27%Cu, 0.07g/tAu and 0.032% Mo. Based on its press release on April 20, 2011, it has signed a contract for airborne geophysical surveys to be implemented within a month and the final due before the end of June.

Strait Gold delivered to the Company the second payment of 200,000 shares of Strait Gold stock in February of 2011 as well as the third payment of 300,000 shares in June 2011. The Company has received the investment report detailing Strait Gold's investment at the Alicia Project confirming it has met the investment requirement for a 55% earn in on the Alicia Project and has been informed that Strait Gold intends to complete the investment requirement to earn in the remaining 45% interest.

#### The El Rosal Project

The Company has a 100% interest in 12 mineral concessions totaling 8,200 hectares located in the Province of Chiclayo, Department of Lambayeque, Peru. The project has been explored by several drilling campaigns, the latest of which was in 2008. In that campaign, both porphyry copper and replacement-style silver-zinc mineralization were identified in the La Ramada area. The Company is currently evaluating options for advancing this property, including joint venture and/or option opportunities.

**Selected Annual Information**

*(all amounts in the notes and tables of the financial section are in Canadian Dollars unless otherwise indicated)*  
*(all amounts in the notes and tables of the financial section that relate to fiscal 2010 and earlier are recorded in Canadian GAAP; all amounts relating to fiscal 2011 are recorded in IFRS)*

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Interest Income	\$ 7,113	\$ 2,907	\$ 154,944
Net loss	225,063	852,832	2,599,766
Loss per share, basic and diluted	0.02	0.01	0.03
Total assets	38,516,431	32,672,777	33,224,012

*(The amounts above are recorded in Canadian GAAP)*

**Results of Operations**

*Background*

The Company is an exploration stage company engaged principally in the exploration and development of mineral properties. The factors critical for the success of a junior mining Company are:

- (a) obtaining and securing properties with sufficient resources which is discussed at the beginning of the MD&A,
- (b) the ability of the Company to obtain necessary financing to explore and develop the properties. This information can be found under the headings "Financing, Liquidity and Capital Resources" along with the "Development of Mineral Properties" and,
- (c) the ability to obtain environmental and community approvals to conduct its exploration and development plans.

*Accounting*

At the time of Company formation, the Company had the accounting option of expensing all expenditures for exploration and development of mineral properties through the income statement or capitalizing on the balance sheet. The Company has elected to capitalize all expenditures for exploration as an asset called "Mineral Properties". Common items that run through the income statement include general administration expenses, interest income and foreign exchange gain/loss. These items are not deemed to have a significant impact on the value of the properties. The board of directors approves a budget for the expenditures on the exploration and development of mineral properties and administration costs which they review on a regular basis.

*Financing, Liquidity and Capital Resources*

The primary financial event in Q2, 2011 occurred on June 30, 2011 when the Company closed a \$7.4 Million private placement (private placement) for net proceeds of \$6.9 Million. At June 30, 2011 the Company had cash and cash equivalents of \$4,928,715 (12/2010 - \$1,060,487) and received an additional \$5,840,978 in share subscriptions from the private placement in July 2011. The board of directors intends to use the funds for an expanded drilling program to further explore and develop the mineral properties primarily at Cotabambas and Kusiorcco. The board of directors approved an expenditure budget for development of the mineral properties which is expected to take the Company through fiscal 2011 and through Q1 of fiscal 2012.

*Development of Mineral Properties*

During the second quarter of 2011 the Company further developed their properties by \$816,500 (2010: \$201,242) which were capitalized to the balance sheet. The increase in development (expenditures) from the prior year Q2 results are a reflection of the availability of funds for exploration and expenditures were low compared to budgeted expectations as drill rigs were difficult to secure for the entire quarter.

The second quarter of 2011 saw a continuation of the exploration and development of the mineral properties. Second quarter expenditures on the advancement of the exploration program at the Cotabambas project were under the approved budgets due to the lack of drill rig availability. This deficiency has been rectified in July 2011 and it is expected the Company will contract additional drill rigs to advance their exploration and development program in August 2011. The private placement in June 2011 leaves the Company in a good financial position to achieve their future exploration and development plans for Cotabambas and Kusiorcco.

*Financial Results for the three months ended June 30, 2011(Q2-2011)*

*(all amounts in the notes and tables of the financial section that relate to fiscal 2010 and earlier are recorded in Canadian GAAP; all amounts relating to fiscal 2011 are recorded in IFRS)*

The Company's net loss for the period ended June 30, 2011 was \$420,476 (2010: \$1,022,122) or \$0.00 per share (2010: \$0.01). During the second quarter of 2011 the Company incurred \$466,170 (2010: \$973,687) in administration expenses. The primary reason for the change of both the net loss and administration expenses was the issuance of stock options to directors and officers in Q2, 2010. These stock options were valued using the Black Scholes Model at \$643,804. Another significant impact on the net income was a foreign exchange gain in Q2, 2011 of \$19,168 compared to a gain of \$62,791 in Q2, 2010. This increased loss of \$43,623 is due primarily to the fluctuation of the United States Dollar relative to the functional currency (Canadian Dollars). This affects the Company as the majority of the expenditures on the development of the properties are in USD.

Non-significant differences in expenses between the comparable periods include: Audit, tax and accounting expenditures increased by \$32,771 (Q2: 2011 \$44,190; 2010 \$15,601) due to: (a) the conversion to IFRS, (b) the additional audit work during the 2010 audit, (c) tax advice relating to the corporate structure. Salaries and fees increased \$14,487 (Q2: 2011 \$183,315; 2010 \$168,828) due to two factors (a) additional staff with regards to the additional exploration and development activities and (b) regular annual employee salary reviews. Legal fees decreased \$15,369 in Q2, 2011 as the Company incurred legal work surrounding the joint venture with Centauro in Q2, 2010. Rent increased \$14,839 in Q2 from the prior Q2 (2010) due to (a) the new warehouse being rented in Peru to store core samples and (b) both the offices in Lima and Canada moving into new facilities, plus the overlap in rent that Canada had to pay for June 2011.

Total assets at June 30, 2011 were \$42,114,662 (December 31, 2011: \$33,941,029) which is an increase of slightly more than \$8 million dollars. This increase is primarily due to the financing that closed on June 30, 2011 of \$6.9 million plus the exercise of warrants and options during the period of over \$2 Million.

**PANORO MINERALS LTD.**  
**Management's Discussion and Analysis**  
**For the three months ended June 30, 2011**

**August 15, 2011**

The following is a summary of certain consolidated financial information concerning the Company for each of the last eight reported quarters:

	30-Jun-11	31-Mar-11	31-Dec-10	30-Sep-10	30-Jun-10	31-Mar-10	31-Dec-09	30-Sep-09
Change in mineral property	\$816,500	\$1,153,324	\$1,845,599	\$278,765	\$(688,905)	\$167,957	\$786,105	\$242,105
General and administrative	466,170	352,303	410,310	250,802	973,687	255,409	186,347	196,275
Interest and foreign exchange	(27,694)	(42,835)	(18,533)	51,570	(62,791)	(76,818)	6,218	23,728
Net Loss	420,476	395,149	739,262	292,505	1,022,122	198,174	304,567	(84,444)
Loss per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

*(all amounts in the notes and tables of the financial section that relate to fiscal 2010 and earlier are recorded in Canadian GAAP; all amounts relating to fiscal 2011 are recorded in IFRS)*

**Outlook**

With the closing of the \$7.8 million private placement in June and July of 2011, the Company is positioned to continue exploring its significant portfolio of projects.

The principal focus of exploration during 2011 remains the Cotabambas Project. The exploration program commenced in November 2010. The drill hole program to date has confirmed the mineralization at the smaller Azulccaca deposit and demonstrated a significant potential to increase the resource at the main Ccalla deposit. In particular the results confirm management's expectations for the extension of the mineralization at the Ccalla deposit to the eastern side of the deposit and at depth. Three drillholes completed to the east side of Ccalla together with a single hole drilled by the previous owners have identified a 200 m vertical extension of the mineralization over 500 m along strike. The company has expanded the exploration program at the Cotabambas Project to include a 20,000 m plus exploration program targeting the expansion of the resource.

With the completion of the third and final community agreement with the indigenous community of Cochapata, the Company will conduct a drilling program that aims to increase the resources of the deposit by targeting the possible mineralized extensions of the main Ccalla deposit both laterally and at depth.

The Company is considering plans to advance the Antilla project with infill and stepout drilling in preparation for a future scoping study. Further work at site will be possible when the arbitration process has been completed. The Company has completed a review of the exploration work carried out in 2010.

**Related Party Transactions**

The only change to related party transactions for fiscal 2011 is the previous CFO, who was remunerated through his management company, has voluntarily terminated his contract with the Company. No additional related party management contracts or suppliers have been contracted in the first six months of 2011. During the six months ending June 30, 2011, the Company paid \$157,331 (Q2: 2010 - \$197,694) to companies controlled by the Directors of the Company in return for management and project management services.

Crescent Park Consulting received \$100,000 for the six months ending June 30, 2011 in return for CEO services provided. Crescent Park Consulting is owned by CEO, President and Director, Mr. Luquman A. Shaheen PEng. The transactions were measured at cost and are part of a service contract. The contract can be cancelled by the Company without cause for \$50,000.

Mr. Christian G. Pilon received \$30,819 for the six months ending June 30, 2011 in return for project management and VP South America services to the Company. Fees of \$21,347 were paid to a company controlled by Mr. Pilon for equipment and exploration supplies. The transactions were measured at cost and the contract can be cancelled at any time.

### **Basis of Preparation 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* 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.

### **Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness and operation of the Company's disclosure controls and procedures as at June 30, 2011 as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of June 30, 2011, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's Interim filings (as such terms are defined under National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within

the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for accurate disclosure to be made on a timely basis.

### **Internal Controls over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the design and operation of the Company's internal control over financial reporting based on the criteria set forth in *Internal Control over Financial Reporting –Guidance for Smaller Public Companies* by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of June 30, 2011 and no material weaknesses were discovered.

### **Changes in Internal Controls over Financial Reporting**

There has been no change in the Company's internal control over financial reporting during the period ended June 30, 2011 that has materially affected, or is reasonably likely to materially affect the Company's internal control over financial reporting.

### **Summary of Outstanding Share Data**

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 10% of the Company's Capital Stock as approved at the 2011 Annual General Meeting. Options granted under the plan vest immediately or over a period of time at the discretion of the board of directors.

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**August 15, 2011**

A summary of the status of the Company's stock options as at August 15, 2011 and changes during the period then ended is as follows:

	Number of options	Weighted average exercise price
Outstanding at December 31, 2010	7,575,000	0.35
Granted	100,000	0.52
Exercised	(2,400,000)	0.28
Expired	(300,000)	0.26
Outstanding at June 30, 2011	4,975,000	\$ 0.41

On February 21, 2011, the Company granted 100,000 share purchase options to an officer of the Company. The options have an exercise price of \$0.52 and will expire in five years.

The following summarizes information about stock options outstanding and exercisable at June 30, 2011:

Year of expiry	Options outstanding at June 30, 2011	
	Weighted average exercise price	Number of options
2012	0.63	1,425,000
2013	0.46	750,000
2014	0.17	500,000
2015	0.30	2,200,000
2016	0.52	100,000
	\$ 0.41	4,975,000

The weighted average life of exercisable options outstanding is 2.3 years as of June 30, 2011 (2010 – 3.1 years).

**PANORO MINERALS LTD.**  
**Management's Discussion and Analysis**  
**For the three months ended June 30, 2011**

**August 15, 2011**

At June 30, 2011, the Company had outstanding warrants to purchase an aggregate 21,920,966 common shares as follows:

Expiry date		Exercise price	Outstanding at December 31, 2010	Issued	Exercised	Expired	Outstanding at June 30, 2011
June 30, 2011	Warrants	0.30	3,114,000	-	(3,089,000)	(25,000)	-
June 30, 2011	Agents warrants	0.20	240,870	-	(240,870)	-	-
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	-	(602,106)	-	2,209,042
April 29, 2012	Warrants	0.35	7,401,542	-	(212,000)	-	7,189,542
April 15, 2012	Agents warrants	0.35	216,810	-	(73,700)	-	143,110
April 29, 2012	Agents warrants	0.35	972,123	-	(1,674)	-	970,449
Dec 31, 2012	Warrants	0.60	-	8,220,862	-	-	8,220,862
Dec 31, 2012	Warrants	0.45	-	498,151	-	-	498,151
<b>Total</b>			<b>17,695,423</b>	<b>8,719,013</b>	<b>(4,468,470)</b>	<b>(25,000)</b>	<b>21,920,966</b>

At June 30, 2011 there were 116,076,810 common shares outstanding.

**Commitments**

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

	2011	2012	2013	2014	2015	2016	Total
Office Lease US\$	28,366	56,733	56,733	56,733	56,733	56,733	312,029
Office Lease CDN\$	23,238	64,475	64,475	64,475	64,475	64,475	354,615

The above are two leases, one for the office in Lima and the commitments are recorded in United States Dollars, the other is for the office lease of the head office in Vancouver and is stated in Canadian Dollars.

**Risk Factors**

The following are the material risk factors which the Issuer has identified in respect of any investment in its securities

**Reserves**

The Issuer's properties are in the exploration stage and are without a known body of commercial ore. Development of any of the Issuer's properties will only follow upon obtaining satisfactory exploration results. There is no certainty that the expenditures made by the Issuer in exploring its mineral properties will result in discoveries of commercial quantities of ore. Most exploration projects do not result in the discovery of a commercially mineable deposit of ore.

**Regulations and Mining Law**

Mining operations and exploration activities are subject to extensive local and overseas' laws and regulations governing exploration, development, production, taxes, labor standards, occupational health, waste disposal, protection and remediation of the environment, reclamation, mine safety, toxic

substances and other matters. Compliance with such laws and regulations increases the costs of planning, designing, developing, constructing, operating and closing mines and other facilities. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that the Company would not proceed with or would postpone the development and operation of a mine or mines.

### **Exploration**

The business of exploration for minerals involves a high degree of risk and few properties become producing mines. Unprofitable efforts result not only from the failure to discover mineral deposits, but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. There is no assurance that the Issuer's future exploration and development activities will result in any discoveries of commercial bodies of ore. The marketability of minerals acquired or discovered by the Issuer may be affected by numerous factors which are beyond the control of the Issuer and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of mining facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Issuer's not receiving an adequate return on invested capital.

### **Market Forces**

There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for the sale of same. Factors beyond the control of the Issuer may affect the marketability of any mineral occurrences discovered. The price of gold has experienced volatile and significant price movements over short periods of time, and is affected by numerous factors beyond the control of the Issuer, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the United States dollar relative to the Canadian dollar and other currencies), interest rates and global or regional consumption patterns (such as the development of gold coin programs), speculative activities and increased production due to improved mining and production methods.

### **Insufficient Capital**

The Issuer does not have sufficient funds to complete all of its exploration and development programs. Therefore, additional funds will be required. The only sources of future funds for its exploration and development programs is the sale of equity capital or by entering into an option and joint venture agreement with another party. There is no assurance that the Issuer will be successful in obtaining further financing. A failure to obtain further financing could result in the loss or substantial dilution of the Issuer's interests in its properties.

### **Environmental Regulation**

Existing and possible future environmental legislation, regulations and actions could give rise to additional expense, capital expenditures, restrictions and delays in the activities of the Issuer, the extent of which cannot be predicted. Regulatory requirements and environmental standards are subject to constant evaluation and may be significantly increased, which could materially affect the business of the Issuer or its ability to develop its properties. Before production can commence on any of its mineral properties, the Issuer must obtain regulatory and environmental approvals. There is no assurance that such approvals will be obtained on a timely basis. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or preclude entirely the economic development of the Property.

### **No History of Earnings**

The Issuer has no history of earnings. The Issuer has paid no dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Issuer is through the sale of its equity shares or by way of loans. While the Issuer may generate additional working capital through the operation, development, sale or possible syndication of its prospects, there is no assurance that any such funds will be generated.

### **Mining Operations**

Mining operations generally involve a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The business of gold mining is subject to a variety of risks such as fires, power outages, labour disruptions, industrial accidents, flooding, explosions, cave-ins, land slides, and other environmental hazards, technical failures, the inability to obtain suitable or adequate machinery, equipment or labour, are some of the risks involved in the operations of mines and the conduct of exploration programs. Such occurrences, against which the Issuer cannot, or may elect not to insure, may delay production, increase production costs or result in liability. The payment of such liabilities may have a material adverse effect on the Issuer's financial position. The economics of developing mineral properties are affected by such factors as the cost of operations, variations in the grade and metallurgy of the ore mined, fluctuations in mineral markets, costs of processing and equipment, transportation costs, government regulations including regulations relating to royalties, allowable production, importing and exporting of mineral product, and environmental protection rules and regulations.

### **Competition**

The resource industry is intensely competitive in all of its phases, and the Issuer competes with many companies possessing greater financial resources and technical facilities than itself. Competition could adversely affect the Issuer's ability to acquire suitable producing properties or prospects for exploration in the future.

### **Mineral Tenure**

In those jurisdictions where the Issuer has property interests, the Issuer makes a search of mining records in accordance with mining industry practices to confirm satisfactory title to properties in which it holds or intends to acquire an interest, but does not obtain title insurance with respect to such properties. The possibility exists that title to one or more of its properties, particularly title to undeveloped properties, might be defective because of errors or omissions in the chain of title, including defects in conveyances and defects in locating or maintaining such claims, prior unregistered agreements or transfers, and title may be affected by undetected defects or native land claims. For unsurveyed mineral claims, the boundaries of such mining claims may be in doubt. The ownership and validity of mining claims are often uncertain and may be contested. The Issuer is not aware of any challenges to the location or area of its mineral claims. There is, however, no guarantee that title to the Issuer's properties will not be challenged or impugned in the future. The properties may be subject to prior unregistered agreements or transfers.

### **Key Personnel**

The success of the Issuer and its ability to continue to carry on operations is dependent upon its ability to retain the services of certain key personnel. The loss of their services to the Issuer may have a material adverse effect on the Issuer.

**Dilution**

There are a number of outstanding securities and agreements pursuant to which common shares of the Issuer may be issued in the future. If these common shares are issued, this will result in further dilution to the Issuer's shareholders. An investor's equity interest in the Issuer may also be diluted by future equity financings of the Issuer.

**Conflicts of Interest**

Certain directors of the Issuer are or may become directors and/or officers of other companies engaged in mineral exploration and development, as well as mineral property acquisition. Accordingly, mineral property acquisition and/or exploration opportunities or prospects of which they become aware will not necessarily be made available to the Issuer. The directors intend to allocate these opportunities or prospects from time to time among the various companies in which they are involved, on the basis of prudent business judgment, the relative financial ability, the need of each company in which they are directors and/or officers to participate. In the event of any conflict of interest, the directors will act in accordance with the common law and the provisions of the Company Act (British Columbia).

**Additional Sources of Information**

Additional disclosures pertaining to the Company's technical report, management information circulars, material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com) or on the Company's website [www.panoro.com](http://www.panoro.com)