



**PANORO MINERALS LTD.**  
**An Exploration Stage Company**

**Consolidated Financial Statements**  
**September 30, 2009**  
Unaudited – Prepared by Management

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## **NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim statements by an entity's auditors.

**PANORO MINERALS LTD.**  
**An Exploration Stage Company**  
**Consolidated Balance Sheets**  
**Unaudited – Prepared by Management**

	<b>September 30, 2009</b>	<b>December 31, 2008</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 347,057	\$ 2,533,898
Marketable securities (note 3)	134,760	171,680
Accounts and advances receivable	170,439	189,612
Prepaid expenses	12,475	37,297
	<u>664,731</u>	<u>2,932,487</u>
<b>Mineral Interests</b> (note 4)	31,083,989	30,124,779
<b>Equipment</b> (note 5)	129,970	166,746
	<u>\$ 31,878,690</u>	<u>\$ 33,224,012</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 149,108	\$ 910,965
<b>Future Income Tax Liability</b>	4,537,263	4,871,222
<b>Shareholders' Equity</b>		
<b>Capital Stock</b> (note 6)	31,191,029	31,191,029
<b>Contributed Surplus</b> (note 6(d))	3,896,255	3,554,576
<b>Accumulated Other Comprehensive Loss</b>	(530,593)	(487,673)
<b>Deficit</b>	<u>(7,364,372)</u>	<u>(6,816,107)</u>
	<u>27,192,319</u>	<u>27,441,825</u>
	<u>\$ 31,878,690</u>	<u>\$ 33,224,012</u>

Nature of Operations and Going Concern (note 1)

Approved by the Board:

*"Luquman Shaheen" (signed)*

..... Director  
Luquman Shaheen

*"William J. Boden" (signed)*

..... Director  
William J. Boden

See notes to the unaudited interim consolidated financial statements.

**PANORO MINERALS LTD.**  
**An Exploration Stage Company**  
**Consolidated Statements of Operations and Deficit**  
**Unaudited - Prepared by Management**

	For the Three Months Ended September 30,		For the Nine Months September 30,	
	2009	2008	2009	2008
<b>Expenses</b>				
Audit	\$ 18,187	\$ 9,560	\$ 55,334	\$ 38,871
Consulting	18,812	-	18,812	-
General exploration	-	-	-	1,506
Investor relations	2,140	10,431	9,293	38,936
Legal	14,409	11,727	36,897	64,802
Office and miscellaneous	6,373	14,305	41,119	64,830
Regulatory fees	5,121	10,766	24,822	44,415
Rent	15,624	16,266	47,513	50,394
Salaries and fees	52,625	138,560	294,196	559,876
Telephone	6,307	9,317	24,119	20,119
Transfer agent	1,180	285	4,194	1,791
Travel	5,488	21,255	27,311	40,387
Stock-based compensation	45,222	155,790	341,679	479,177
Amortization	4,787	2,944	15,171	6,660
	196,275	401,206	940,460	1,411,764
Interest income	(16)	(29,273)	(4,178)	(142,255)
Foreign exchange loss (gain)	23,744	20,578	6,088	40,085
Net Loss for the Period before tax	220,003	392,511	942,370	1,309,594
Future income tax expense (recovery)	(304,447)	-	(394,105)	-
<b>Net Loss (Gain) for the Period</b>	<b>(84,444)</b>	<b>392,511</b>	<b>548,265</b>	<b>1,309,594</b>
Deficit, beginning of the period	7,448,816	5,329,153	6,816,107	4,412,070
<b>Deficit, end of the Period</b>	<b>\$ 7,364,372</b>	<b>\$ 5,721,664</b>	<b>\$ 7,364,372</b>	<b>\$ 5,721,664</b>
Basic and diluted Loss per share	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.02
Weighted average number of common shares outstanding	84,639,390	84,322,723	84,639,390	84,115,850

See notes to the unaudited interim consolidated financial statements.

**PANORO MINERALS LTD.**

An Exploration Stage Company

**Consolidated Statements of Comprehensive Loss and Accumulated Other Comprehensive Loss**

Unaudited – Prepared by Management

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<b>Consolidated Statements of Comprehensive Loss</b>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Net loss (gain) for the period	\$ (84,444)	\$ 392,511	\$ 548,265	\$ 1,309,594
Unrealized loss on marketable securities	16,095	160,950	42,920	548,303
<b>Comprehensive loss (gain) for the Period</b>	<b>\$ (68,349)</b>	<b>\$ 553,461</b>	<b>\$ 591,185</b>	<b>\$ 1,857,897</b>

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<b>Consolidated Statements of Accumulated Other Comprehensive Loss</b>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>Balance, Beginning of the Period</b>	<b>\$ (514,498)</b>	<b>\$ (107,233)</b>	<b>\$ (487,673)</b>	<b>\$ (32,743)</b>
Unrealized loss on marketable securities	(16,095)	(208,760)	(42,920)	(283,250)
<b>Balance, End of Period</b>	<b>\$ (530,593)</b>	<b>\$ (315,993)</b>	<b>\$ (530,593)</b>	<b>\$ (315,993)</b>

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See notes to the unaudited interim consolidated financial statements.

**PANORO MINERALS LTD.**  
**An Exploration Stage Company**  
**Consolidated Statements of Cash Flows**  
**Unaudited – Prepared by Management**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>Cash Provided By (Used in):</b>				
<b>Operations:</b>				
Net gain (loss) for the Period	\$ 84,444	\$ (392,511)	\$ (548,265)	\$ (1,309,594)
Items not involving cash:				
Amortization	4,787	2,944	15,171	6,660
Stock-based compensation	45,222	155,790	341,679	479,177
Future income tax expense (credit)	(304,447)	-	(394,105)	-
Cash flow before working capital changes	(169,994)	(233,777)	(585,520)	(823,757)
Net changes in operating balances				
Accounts and advances receivable	15,231	2,562	19,173	22,301
Prepaid expenses	(1,454)	85,887	24,822	(34,419)
Accounts payable and accrued liabilities	17,231	(76,928)	(767,857)	433,451
	(138,986)	(222,256)	(1,309,382)	(402,424)
<b>Investing:</b>				
Proceeds on sale of mineral interests	-	-	-	500,000
Mineral interest exploration and development expenditures	(206,773)	(1,579,467)	(873,541)	(3,663,997)
Mineral interest acquisition costs	-	-	-	-
Purchase of equipment	(3,918)	(23,283)	(3,918)	(49,687)
	(210,691)	(1,602,750)	(877,459)	(3,213,684)
<b>Financing:</b>				
Cash proceeds from exercise of options and warrants	-	-	-	190,000
	-	-	-	190,000
Increase (Decrease) in Cash and Cash Equivalents	(349,677)	(1,825,006)	(2,186,841)	(3,426,108)
Cash and Cash Equivalents, Beginning of the Period	696,734	5,667,329	2,533,898	7,268,431
<b>Cash and Cash Equivalents, End of the Period</b>	<b>\$ 347,057</b>	<b>\$ 3,842,323</b>	<b>\$ 347,057</b>	<b>\$ 3,842,323</b>

Supplemental cash flow information

Amortization of \$25,523 (2008 - \$14,831) was capitalized to the Antilla property.

# **PANORO MINERALS LTD.**

An Exploration Stage Company

Notes to the Consolidated Financial Statements

For the Period Ended September 30, 2009

Unaudited – Prepared by Management

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## **1. NATURE OF OPERATIONS AND GOING CONCERN**

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 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.

The Company had planned to fund additional exploration in the year through the exercise of outstanding warrants, or through the issuance of additional equity. Due to the deterioration in its share price and in capital markets, management has amended their plan for the year by reducing overhead costs, focusing on key properties, and reducing the amount of planned exploration. As a result of these actions, the Company has sufficient capital to fund operations and keep all of their mineral properties in good standing for the current year.

## **2. BASIS OF PRESENTATION**

The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and accordingly do not include all disclosures required for annual financial statements.

These unaudited interim financial statements follow the same significant accounting policies and methods of application as the Company's consolidated financial statements for the year ended December 31, 2008 ("Annual Financial Statements"). These interim financial statements should be read in conjunction with the Annual Financial Statements.

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

## **3. FINANCIAL INSTRUMENTS**

The carrying values of cash and cash equivalents, accounts, amounts, and advances receivable, and accounts payable, and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these instruments.

At September 30, 2009, the Company held marketable securities with a cost of \$665,353 (December 31, 2008 - \$659,353) and a fair value of \$134,760 (December 31, 2008 - \$171,680). The difference between fair value and cost at September 30, 2009 has been included in the statement of accumulated other comprehensive loss.

## **PANORO MINERALS LTD.**

An Exploration Stage Company

Notes to the Consolidated Financial Statements

For the Period Ended September 30, 2009

Unaudited – Prepared by Management

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### **4. MINERAL INTERESTS**

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**

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 announced that the name of CDLM had been changed 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 in 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

#### **Surigao Project, Philippines**

The Company had a 40% interest in the Surigao project with the remaining 60% owned by Mindoro Resources Ltd. ("Mindoro"). On March 14, 2007, the Company signed a purchase and sale agreement to sell its remaining interest to 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.

#### **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.

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 agreement with the local community before March 25, 2011;
- Spend at least US \$150,000 on the Alicia property within the first year after obtaining an agreement;
- Issue 200,000 common shares of Strait Gold one year after obtaining the community agreement;
- 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 need 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 \$2.3 million which is payable within six months of obtaining 100% ownership.

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**4. MINERAL INTERESTS (Continued)**

Expenditures made on mineral interests by the Company during the nine months ending September 30, 2009 are as follows:

	El Rosal	Antilla	Cotabambas	Other	Total
<b>Acquisition costs</b>					
Balance, December 31, 2008	\$ -	8,856,256	7,444,990	4,554,754	\$ 20,856,000
Additions	-	-	-	-	-
Balance, September 30, 2009	-	8,856,256	7,444,990	4,554,754	20,856,000
<b>Deferred exploration expenditures in 2009</b>					
Amortization	-	25,523	-	-	25,523
Assay	695	56,451	-	73	57,219
Camp, materials and exploration support	228	102,349	13,679	396	116,652
Community relations	-	83,006	7,901	6,085	96,992
Contract labour	-	96,724	1,170	-	97,894
Drilling	-	-	-	-	-
Equipment rental	-	424	-	-	424
Exploration office costs	580	49,013	1,959	386	51,938
Geological consulting and contracting	-	209,902	1,945	4,043	215,890
Geophysical and other consulting	-	67,587	260	1,758	69,605
Legal	-	575	-	2,846	3,421
Mineral concession fees	-	-	-	-	-
Project management	6,036	61,928	5,009	6,994	79,967
Recording fees, taxes	-	3,740	-	7,300	11,040
Reports, drafting and maps	1,030	-	-	-	1,030
Travel and accommodation	72	51,582	10,389	9,427	71,470
Increase in future income tax liabilities	2,723	57,423	-	-	60,146
	11,364	866,226	42,312	39,308	959,210
Balance, December 31, 2008	4,557,854	3,819,182	477,439	414,304	9,268,779
Balance, September 30, 2009	4,569,218	4,685,408	519,751	453,612	10,227,989
<b>Total</b>	<b>\$ 4,569,218</b>	<b>\$ 13,541,664</b>	<b>\$ 7,964,741</b>	<b>\$ 5,008,366</b>	<b>\$ 31,083,989</b>

**PANORO MINERALS LTD.**

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Notes to the Consolidated Financial Statements

For the Period Ended September 30, 2009

Unaudited – Prepared by Management

**5. EQUIPMENT**

	September 30, 2009			December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Computers and office furnishings	25,351	12,307	13,044	25,039	10,061	14,978
Equipment	139,041	63,765	75,276	138,376	37,407	100,969
Vehicles	69,984	34,574	35,410	69,984	28,241	41,743
Leasehold Improvements	13,584	7,344	6,240	13,584	4,528	-
<b>Total</b>	<b>247,960</b>	<b>117,990</b>	<b>129,970</b>	<b>246,983</b>	<b>80,237</b>	<b>166,746</b>

**6. CAPITAL STOCK**

Authorized - Unlimited common shares without par value

	Number of Shares	Amount
<b>Balance - December 31, 2008</b>	84,639,390	\$ 31,191,029
<b>Balance - September 30, 2009</b>	84,639,390	\$ 31,191,029

**(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.

A summary of the status of the Company's stock options as at September 30, 2009 and changes during the period is as follows:

	Number of Options	Weighted Average Exercise Price
<b>Outstanding at December 31, 2008</b>	6,050,000	\$ 0.42
Granted	100,000	0.20
<b>Outstanding at March 31, 2009</b>	6,150,000	0.42
Granted	950,000	0.16
Expired	(100,000)	0.51
<b>Outstanding at June 30, 2009</b>	7,000,000	0.38
Expired	(50,000)	0.60
<b>Outstanding at September 30, 2009</b>	6,950,000	\$ 0.38

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**6. CAPITAL STOCK** (Continued)

The following summarizes information about stock options outstanding and exercisable at September 30:

Options Outstanding at September 30, 2009			Options Exercisable
Year of Expiry	Number of Options	Weighted Average Exercise Price	Number of Shares
2010	2,025,000	\$0.25	2,025,000
2011	975,000	\$0.33	975,000
2012	2,050,000	\$0.62	2,050,000
2013	850,000	\$0.46	775,000
2014	1,050,000	\$0.16	1,050,000
	6,950,000	\$0.38	6,875,000

The weighted average life of exercisable options outstanding is 2.22 years as of September 30, 2009.

(b) **Stock-Based Compensation**

During the quarter ended September 30, 2009, the Company did not grant any stock options (2008-nil) to directors, officers, or employees of the Company.

Stock-based compensation expense was \$45,222 in the quarter ended September 30, 2009 (2008 - \$479,177).

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

	2009	2008
Risk-free interest rate	1.75-1.79%	3.1-3.4%
Expected dividend yield	0.0%	0.0%
Expected stock price volatility	112-119%	109-112%
Expected option life in years	4.2	4.2

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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**6. CAPITAL STOCK (Continued)**

**(c) Share Purchase Warrants**

At September 30, 2009, the Company had no outstanding warrants to purchase commons shares.

Expiry date	Exercise Price	Outstanding at December 31, 2008	Issued	Exercised	Expired	Outstanding at September 30, 2009
29-May-09 Warrants	\$ 0.75	706,216	-	-	706,216	-
24-May-09 Warrants	\$ 0.75	16,102,217	-	-	16,102,217	-
24-May-09 Broker Warrants <sup>(1)</sup>	\$ 0.60	3,220,444	-	-	3,220,444	-
29-May-09 Broker Warrants <sup>(1)</sup>	\$ 0.60	141,243	-	-	141,243	-
<b>Total</b>		<b>20,170,120</b>	<b>-</b>	<b>-</b>	<b>20,170,120</b>	<b>-</b>

<sup>(1)</sup> Each \$0.60 broker warrant can be exercised for one common share and one half of one new share purchase warrant, each share purchase warrant can be exercised for \$0.75 in return for one common share.

**(d) Contributed Surplus**

Contributed surplus is comprised of the following:

	September 30 2009	December 31 2008
Balance at the beginning of the year	\$ 3,554,576	\$ 2,994,164
Fair value of stock-based compensation	341,679	664,912
Fair value of stock options exercised	-	(104,500)
<b>Balance at the end of the period</b>	<b>\$ 3,896,255</b>	<b>\$ 3,554,576</b>

**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.

	September 30,	
	2009	2008
Management fees paid to companies controlled by directors/officers	\$ 125,418	\$ 311,262

**8. SEGMENTED DISCLOSURE**

The Company has one operating segment, mineral exploration. All of the Company's mineral properties are located in Peru and are disclosed in Note 5. Property and equipment are distributed geographically as follows.

Equipment	2009	2008
Peru	95,814	128,299
Canada	34,156	38,447
	<b>129,970</b>	<b>166,746</b>