

*This management's discussion and analysis ("MD&A") focuses on significant factors that affected Panoro Minerals Ltd. (the "Company") the three months ended March 31, 2007 and to the date of this report. The MD&A supplements, but does not form part of, the audited consolidated financial statements of the Company and the notes thereto for the quarter ended March 31, 2007. Consequently, the following discussion and analysis should be read in conjunction with the un-audited consolidated financial statements for the quarter ended March 31, 2007, as well as the audited consolidated financial statements for the previous year ended December 31, 2006, the notes thereto and the prior Form 51-102F1 MD&A filed at the time of and coinciding with the consolidated financial statements for the year ended December 31, 2006.*

*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.*

## **CORPORATE AND FINANCIAL ACTIVITIES**

During the First Quarter of 2007 no changes in the corporate affairs and the composition of the Board of the Company or of its officers occurred.

On March 2<sup>nd</sup>, 2007 the Company signed a binding Purchase and Sale Agreement to acquire all of the outstanding shares of Cordillera de las Minas S.A. (CDLM), a Peruvian corporation from CVRD International S.A. and El Tesoro (SPV Bermuda) Limited, a wholly owned subsidiary of Antafagasta PLC.

On March 14<sup>th</sup>, 2007 the Company signed an Agreement to sell its 40% interest in the Surigao Joint Venture in the Philippines with Mindoro Resources Ltd. (Mindoro) and Minimax Mineral Exploration Company to Mindoro. Upon closing on April 12, 2007 as consideration for the purchase of the interest, Mindoro paid Panoro \$750,000 cash plus 500,000 Mindoro Common shares; Mindoro will make a second payment of \$500,000 cash plus 500,000 Common shares on the first anniversary of the closing. Furthermore, 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 tonnes of nickel laterite, Mindoro will pay Panoro \$500,000 cash plus an additional \$500,000 cash payment on the first anniversary of the shipment.

## **FINANCING ACTIVITIES DURING THE FIRST QUARTER OF 2007**

On February 22<sup>nd</sup>, 2007 the Company engaged Research Capital Corporation as lead manager for a proposed financing to fund the acquisition of CDLM and for subsequent exploration and pre-development work.

Subsequent to the signing of the purchase and sale Agreement for the acquisition of CDLM the Company announced the terms of the financing to be undertaken by Research Capital Corporation.

On May 14 the Company announced the pricing of the brokered private placement of Subscription Receipts. The price of each Panoro Subscription Receipt will be \$0.60. Each Subscription Receipt will be exchanged for one unit (a "Unit") of Panoro immediately prior to the closing of the Panoro's

acquisition of Cordillera de las Minas S.A. ("CDLM"). Each Unit will consist of one common share of Panoro and one-half of one common share purchase warrant (a "Warrant") with each full Warrant entitling the holder thereof to acquire one additional Common Share of Panoro at a price of \$0.75 per share for a period of 24 months following closing of the private placement. In the event that the acquisition of CDLM does not occur within 120 days following closing of the private placement, the Subscription Receipts will be cancelled and holders thereof will be refunded their purchase price. The Subscription Receipts and the Units will be subject to a statutory hold period of four months from the date of closing.

Panoro's agents, Research Capital Corporation and Canaccord Capital Corporation (the "Agents"), will receive a commission of 7% of the gross proceeds from the private placement. In addition, the Agents will be issued Compensation Options entitling them to acquire up to that number of Units equal to 10% of the number of Subscription Receipts sold. Each Compensation Option will be exercisable at a price of \$0.60 per Unit for a period of two years following the completion of Panoro's acquisition of CDLM. Units issuable pursuant to the exercise of the Compensation Options shall have the same terms and conditions as the Units to be issued to purchasers of the Subscription Receipts.

The private placement was expected to close on or about May 24, 2007 and raise minimum gross proceeds of \$17 million and maximum gross proceeds of \$ 20,000,400 at \$0.60. The first closing of the financing took place on May 24, for gross proceeds of \$19,294,000 with a final closing expected to occur on or before May 31. Panoro will use the net proceeds from the private placement to finance the acquisition of CDLM, for exploration and development purposes and for corporate and general purposes.

## **RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

During the First Quarter of 2007 the Company's activities centered around the above corporate and financing activities. Management was engaged in intensive marketing efforts to raise the financing for the acquisition of CDLM, with travel to Toronto, New York, London and continental Europe.

During the First Quarter 2007 the Company expended \$ 97,339 on general and administrative expenses excluding \$17,187 of stock-based compensation, \$ 28,416 on mineral exploration activities and \$626,391 on investments in acquisition of mineral interests. As at March 31, 2007, the carrying value of the El Rosal property, consisting of deferred acquisition and exploration costs, was \$3,591,417 and the Surigao property was \$2,000,000. The Company had also made a deposit of US\$ 500,000 towards the acquisition of CDLM and at the end of the Quarter is carrying the acquisition for a value of CAD 626,391 on its books.

The financial information referenced below has been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are outlined within Note 2 to the audited consolidated financial statements of the Company for the year ended December 31, 2006.

The tables below sets out the quarterly results for the past eight quarters and selected financial information for the previous three completed fiscal years.

**PANORO MINERALS LTD.**  
**Form 51-102F1**  
**Management's Discussion and Analysis**  
**For the Quarter Ended March 31, 2007**

**May 29, 2007**

	Mar 31 2007	Dec 31 2006	Sept 30 2006	June 30, 2006	Mar. 31, 2006	Dec 31, 2005	Sept 30 2005	June 30, 2005
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General & administrative expenses	97,339	254,455	101,242	184,253	99,593	110,101	127,727	118,421
Other income	(5,473)	(13,027)	(11,718)	(15,772)	(12,587)	(11,044)	(3,954)	(897)
Write-down of mineral interests	-	332,003	-	-	-	-	-	-
Property investigation costs	-	59,741	-	-	-	-	-	-
Loss for the period	91,866	633,172	89,524	168,481	\$87,006	\$99,057	\$123,773	\$117,524

**COMMITMENTS**

Effective April 1, 2007 the Board of Directors, by Consent Resolution dated April 3, 2007, granted Mr. Christian Pilon, President of the Company's Peruvian subsidiary, and a Director of the Company, an increase in management fees to US\$ 3000.00 per month and the one time payment of a bonus of US\$ 25,000.

**OPTIONS**

On April 3, 2007 the Company granted 150,000 stock options with a exercise price of \$0.70 to its investor relations firm Accent Marketing and allocated 200,000 options at an exercise price of \$0.69 to an employee subject to the closing of the CDLM transaction and the commencement of service thereafter.

A Director exercised 100,000 stock options @ \$0.20 on April 11 and a second Director exercised 100,000 stock options @ \$0.20 on April 13, 100,000 @ \$0.20 on April 16 and 100,000 @ \$0.25 on April 10.

The total number of stock options issued and outstanding under the original and amended stock option plan at the time of writing is 4,300,000.

**WARRANTS**

At the time of writing prior to the closing of the current financing 2,645,000 warrants with an exercise price of \$0.30, expiring on August 31, 2007 and 2,044,800 warrants with an exercise price of \$0.50 and expiring on November 30, 2007 remain issued and outstanding.

The issue of the warrants associated with the current financing is subject to the closing of the CDLM acquisition, when the subscription receipt of the financing will be converted to shares and warrants.

## **RELATED PARTY TRANSACTIONS**

During the Quarter ended March 31, 2006, the Company paid \$24,000 for management services provided by the president of the Company and \$5,270 for project management services provided by a director.

## **PROJECTS**

The status of the projects has not changed since the Management Discussion and Analysis for the year 2006, as amended on May 11, 2007 and the reader is referred to this document for up to date information regarding the Projects of the Company.

## **CONCLUSIONS FOR THE FIRST QUARTER OF 2007**

The Company has been trading on the Frankfurt Stock Exchange since February 14, 2005 under the trading symbol "PZM" and the German Securities No. (WKN) 914959

The Frankfurt Stock Exchange, which offers fully electronic trading facilities, is the largest of eight German stock exchanges. It ranks amongst NYSE, NASDAQ, and London as one of the world's largest stock exchanges. For more information on the Frankfurt Stock Exchange visit: [www.exchange.de](http://www.exchange.de)

On May 15, 2007 the shares of the Company started trading on the Lima Exchange in Peru under the same symbol PML as on the TSX-V. The Company has become the fourth Canadian junior mining company to be come listed for trading on the Lima Exchange.

During the Quarter and during the time up to the writing of this report the Company has been successful in achieving several significant milestones:

1. The conclusion of the Purchase Agreement for CDLM;
2. The conclusion of the Purchase and Sale Agreement and closing of the sale regarding its 40% interest in the Surigao Joint venture;
3. The completion of the process of becoming listed for trading on the Junior Board of the Lima Stock Exchange;
4. The financing of the CDLM acquisition and its closing on May 29, 2007 for gross proceeds of \$20,170,119.

## **Reconciliation of Proposed and Actual General Expenditures**

There were no field programs carried out during the first quarter of 2007. The Company was totally occupied with the acquisition process of CDLM, the divestiture of its 40% interest in the Surigao Joint venture in the Philippines to its former joint venture partner Mindoro Resources Ltd., with the process to become listed on the junior board of the Lima Exchange and with the preparations to the financing of the CDLM acquisition and the subsequent exploration work.

The expenditures of the quarter were therefore dominated by general corporate administrative and legal expenses associated with the above mentioned activities. In addition the company expended funds on the legal and technical due diligence activities associated with the activities described above and with the preparation of NI43-101 compliant reports for both the CDLM portfolio of projects and properties and for

the Company's El Rosal project. The Company also had an in depth legal due diligence carried out in regard to the property titles of the CDLM portfolio and the legal and financial state of CDLM.

The activities described above precluded the establishment of prior budgets against which the actual expenditures could be compared. In the case of the financing undertaken by Research Capital Corporation as the lead manager, the legal costs of the due diligence activities of Research Capital Corporation were limited by letter agreement to \$ 70,000.

## **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 or ore. Most exploration projects do not result in the discovery of commercially mineable deposit of ore.

### **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 of the 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).

## **CONTROLS AND DIRECTION**

The Company employs only a small number of contract employees at this time. These are the President and CEO, the President's Executive Administrative Assistant and the President of the Company's Peruvian Subsidiary Panoro Peru. The following Controls and Directions have been put in place to control and monitor the spending of the Company's financial resources:

All budgets and expenditure plans in the excess of \$100,000 are submitted to and require approval by the Board of Directors.

All cheques written on the Company's bank accounts require the signature of two Directors. The Directors and/or Officers authorized to sign cheques are the President, the Chief Financial Officer and one Independent Director.

Prior to signing cheques in payment for goods or services the respective invoices are checked by the president and his Executive Assistant and, in the case of Peru, by the President of Panoro Peru. Where applicable, field supervisors in charge of work programs, temporary employees and third party contractors first check the respective invoices or payroll records, before they are approved by the President of the Company or the President of Panoro Peru, as the case may be.

In Peru the accounting records of the Peruvian subsidiary are checked by the Company's independent accountant who also prepares the reporting documents to the Peruvian tax authorities. Funds advanced to the Peruvian subsidiary are controlled by the President of the Company and advanced on the submittal of detailed expenditure requests. Expenditures incurred in Peru are reported to the Company on a monthly as well as quarterly basis and such records are checked by the president of the Company against expenditure forecasts and submittals.

In the case of the Surigao Joint Venture, where Mindoro Resources was the Operator and submitted invoices or Cash Calls against approved budgets or approved budget supplements on a monthly basis, the invoiced where checked in detail first by the President's Administrative Assistant and then by the President. Corrections have been requested in almost all cases and in some instances amounts were deducted from the cash call invoices, subject to further reconciliations and adjustments.

The Company's financial affairs are also controlled and checked by the Company's Audit Committee, consisting of the Chief Financial Officer and two independent Directors. No member of the Audit committee is responsible for the conduct of the operations of the Company or for the payment of the costs of the operations.

The accounting records of the Company are transposed to a general ledger and trial balance at the end of each quarter by an outside accountant for the use by the Company's Auditors in the preparation of the quarterly un-audited and the annual audited financial statements.

Given the state of transition of the Company to a larger organization after the closing of the CDLM acquisition the company is in the process of hiring a full time Chief Financial Officer with Chartered Accountant qualification. The selected candidate has accepted the Company's offer, subject to submission of references for the Company to consult.

It will be one of the tasks of the new CFO to institute further control procedures to track the approval processes for future expenditures and to track the actual expenditures and expenditure commitments against the approved program budgets on an ongoing basis, with reconciliations on a bi-weekly basis.

#### **CHANGE IN ACCOUNTING POLICIES**

Effective January 1, 2007, the Company adopted new accounting standards issued by the Canadian institute of Chartered Accountants ("CICA") relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement to prior financial statements. The changes are described in more detail in Note 3 of the Financial Statements covering the First Quarter of 2007 which should be read in conjunction with this Management Discussion and Analysis.

## **CORPORATE DIRECTORY**

### **Management**

C. Allen Born, Chairman and Director  
Helmut H. Wober, P. Eng., President, CEO and Director  
Christian G. Pilon, Director and President of Minera Panoro (Peru) S.A.C. William J. Boden, C.A., CFO and Director

### **Other Directors**

Lorne Torhjem  
Christiaan Staargaard P.Geo., (February 8, 2005)

**Exchange and Symbol:** TSX-V: PML, FRANKFURT: PZM, Lima: PML

Share Capital : (as of MAY 23, 2007)  
Issued and outstanding 40,212,725

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### **Auditors**

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