

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Panoro Minerals Ltd. (the "Company") the three months ended September 30, 2006 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 September 30, 2006. Consequently, the following discussion and analysis should be read in conjunction with the un-audited consolidated financial statements for the quarter ended September 30, 2006, as well as the un-audited consolidated financial statements for the pervious quarter ended June 30 ,2006 and the audited consolidated financial statements for the previous year ended December 31, 2005, the notes thereto and the prior Forms 51-102F1 MD&A filed at the time of and coinciding with the consolidated financial statements for the year ended December 31, 2005 and the previous quarter ended June 30,2006.

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 Third Quarter of 2006 no changes in the corporate affairs and the composition of the Board of the Company or of its officers occurred.

FINANCING ACTIVITIES DURING THE THIRD QUARTER OF 2006

There were no financing activities during the Third Quarter of 2006.

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

During the Third Quarter of 2006 the Company's activities continued with focus on the exploration program that is being carried out by the Company's Joint Venture Partner Mindoro Resources Ltd. on the lands of the Surigao Option in the Republic of the Philippines as reported in the MD&A for the year ended December 31, 2005 and for the First and Second Quarters of 2006. The exploration activities during the Third Quarter are described under PROJECTS below.

During the month of July the company reached the Threshold Amount of C \$ 2,000,000 in exploration expenditures to earn its initial 40% interest in the Surigao Joint Venture between the Company, Mindoro Resources Ltd. and Mindoro's Philippine Subsidiary MRL Gold Phils.Inc.(Mindoro). On October 11, 2006 the Company formally exercised its Option to acquire this 40% interest which was acknowledged by Mindoro in its letter of October 20, 2006.

In Peru, work consisted of the compilation and evaluation of the results of the surface exploration program carried out during the First and Second Quarter. In addition, extensive consultations were conducted with regional and local authorities, communities and landowners regarding further work programs.

During the Third Quarter 2006 the Company expended \$101,242 on general and administrative expenses, net of interest that includes \$44,458 of stock-based compensation and \$327,794 on mineral exploration activities. As at September 30, 2006, the carrying value of the El Rosal property, consisting of deferred acquisition and exploration costs, was \$ 3,563,497 and the Surigao property was \$2,282,217. 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, 2005.

The tables below sets out the quarterly results for the past 8 quarters and selected financial information for the previous three completed fiscal years.

	Sept 30 2006	June 30, 2006	Mar. 31, 2006	Dec 31, 2005	Sept 30 2005	June 30, 2005	Mar 31, 2005	Dec. 31, 2004
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General & administrative expenses	101,242	184,253	99,593	110,101	127,727	118,421	165,441	59,979
Other income	(11,718)	(15,772)	(12,587)	(11,044)	(3,954)	(897)	(5,880)	(3,741)
Loss for the period	89,524	168,481	\$87,006	\$99,057	\$123,773	\$117,524	\$159,561	\$56,238

COMMITMENTS

Effective September 1, 2005 the Company has by way of a Resolution of the Board of Directors entered into agreements to pay \$8,000 per month for management services provided by the president of the Company and project management fees to a director of US \$1,500 per month. Both prior agreements had expired at the end of June of 2005.

OPTIONS

The total number of stock options granted and outstanding under the Company's original and amended Stock Option Plans as of December 31, 2005 is 3,450,000 and after granting 800,000 stock options to Directors of the Company and its newly incorporated Philippine subsidiary on April 19, 2006 is 4,250,000.

No stock options have been granted during the Third Quarter. Subsequent to the end of the Third Quarter 100,000 options were granted conditionally on October 20th to a financial and business advisor of the Company in Peru and 75,000 options were granted on October 31st to a contract employee. This brings the total number of Options issued and outstanding at the time of writing to 4,425,000.

WARRANTS

2,117,505 remaining non-transferable warrants with an exercise price of \$ 0.28 issued in a private placement on January 28, 2005 expired on July 27, 2006. A total of 208,556 warrants of this issue had been exercised.

5,477,000 non-transferable two year warrants at an exercise price of \$0.25 during the first 12 months and \$0.30 during the second twelve months, with a hold period of four months, were issued on September 1, 2005 in conjunction with the Private Placement that closed on that date. After exercise of some of these warrants in 2005 and 2006 5,167,000 warrants of this issue remain outstanding at the increased exercise price of \$0.30 at this time.

The Company issued 2,419,800 warrants at an exercise price of \$0.50, expiring November 30, 2007 in conjunction with the Private Placement Financing that closed on May 31st.

There has been no change in the number of outstanding warrant during the Third Quarter and to the time of writing this MD&A.

RELATED PARTY TRANSACTIONS

During the three Quarters ended September 30, 2006, the Company paid \$72,000 for management services provided by the president of the Company and \$ 15,286 for project management services provided by a director.

PROJECTS

EL ROSAL, PERU

The results of the exploration work carried out during the first half of 2006 have been described and summarized in the management Discussion and Analysis for the Second Quarter of this year.

At the time of writing a NI43-101 compliant report with recommendations is being prepared. The report is expected to be delivered well before the end of the year.

The Company has commenced the process of obtaining the necessary permits from the authorities and the requisite authorizations from the landowners and local communities to carry out a drill program on the project, subject to the availability of reliable drill contractors and drill rigs. This process is still ongoing and has become more complex due to the involvement of an increasing number of stake holders. It is expected that this process will be brought to a successful completion after the regional and municipal elections that are to be held in the first half of November of this year.

SURIGAO OPTION AND JOINT VENTURE, PHILIPPINES

The Surigao Project in the Republic of the Philippines continues to be the Company's principal area of activity and focus at this time.

The work performed during the Second Quarter 2006 has been described and summarized in the previous MD&A.

During the Third Quarter the operator of the Surigao Joint Venture conducted drilling operations and "Farm to Market" road construction at both Agata and Tapian San Francisco-Canaga. As reported earlier, the "Farm to Market" roads, while providing access for diamond drilling at the same time serve as community assistance projects for the local communities that until now had no road access to the outside world.

As reported previously the diamond drillhole AGT-S1 at **Agata South** had reached a depth of 251 meters (m) by the end of April, without reaching target depth. During the following two months difficulties with the ground conditions and the failure of the contractor to cope with these difficulties resulted in little or no progress. The contractor was finally given notice of termination on July 8, 2006. The demobilization of the contractor and his equipment was completed on July 25. The drill hole reportedly intersected limestone and schist before intersecting serpentinized ultramafics at 180.80 m down to the bottom of the hole at 251.20 m.

During July a new drill platform was prepared at **Agata North** for the fourth attempt at drilling this target with a different contractor that was also engaged for the drill program at Tapian San Francisco (TSF) - Canaga. Drillhole **AGTN-4** started on August 18. The drill hole had to be abandoned at 233.30 m in broken serpentinized ultramafic rocks on October 28. A complete core log of the hole is expected to be received from the Operator in the near future.

Drilling at the **Tapian San Francisco – Canaga** prospect commenced in May with a different contractor than the one formerly engaged at Agata. The first two drill holes CDH 01 and CDH 02 were reported on in the MD&A for the Second Quarter of 2006.

Vertical drill hole CDH 03 was started on July 16, 2006 230 m southeast of CDH 02. The hole reached 366.8 m by September 9 when it was halted in broken serpentinized ultramafic rocks. Preliminary results of the TSF-Canaga drill holes were published in a News Release on October 5, 2006.

CONCLUSIONS FOR THE THIRD QUARTER OF 2006

Re.: El ROSAL – LA RAMADA:

Both the El Rosal and the La Ramada targets remain to be targets of high prospectivity for the occurrence of a porphyry copper – gold (La Ramada) deposit. While the targets are deep, future copper porphyries will increasingly be found at depths that will require bulk underground mining. This has not only been done in the past as far as over 30 years ago (San Manuel, Arizona), bulk underground mining is currently being practiced (El Teniente, Chile) and a number of current open pit operations are in the process of converting to underground mining. The increase of the commodity price not only reflects a high demand, but also the scarcity of increasing supply from the hitherto predominant open pit operations.

The Company remains committed to this project and will pursue a strategy of the best use of its resources to further exploration on it, while at the same time pursuing and evaluating further opportunities with

large scale potential. The emphasis in this pursuit will be on advanced projects with the proven presence of porphyry systems and indications of a significant mineral inventory.

RE.: THE SURIGAO JOINT VENTURE

The Company has reached the Threshold Amount of exploration expenditures to become vested in its initial 40% beneficial Option Interest in the Joint Venture and has exercised the option to acquire this interest. The approved program and budgeted expenditures carried the Company beyond the \$2,000,000 Threshold Amount and final accounting for the total expenditures is expected to be received from the Operator of the Joint Venture, Mindoro Resources Ltd. in the near future.

The Operator is in the process of compiling all the results to date from the drilling programs on some of the porphyry targets.

The next step in the Joint Venture is the formation of a Joint Venture Company (JVC) and an attendant JVC-shareholders agreement under which structure and provisions the continued activities of the Surigao Joint Venture will be carried out.

The evaluation of the nickel laterite mineralization at Agata is ongoing and includes investigations into the marketability of potential products for direct shipping. As reported in the MD&A for the Second Quarter at the current price of nickel of greater than US\$ 10.00 per pound and also at price ranges somewhat below US\$ 10.00 per pound, material containing one percent nickel (containing 22 pounds of nickel per metric tonne) can be of economic interest. Such material is believed to have the potential to meet requirements for direct shipping to the closer markets of China, Japan, Korea, as well as processing plants being contemplated, or under construction, in the Philippines itself. Amongst other parameters, these consumers are seeking material with nickel grades of one percent nickel and above. Several expressions of interest in the Agata nickel laterite have already been received.

The Surigao Joint Venture will carefully evaluate all possible alternatives, including mining the nickel laterite itself, in order to maximize the potential benefits to its shareholders.

The Surigao Joint Venture remains to be a key component in the Company's strategy to discover deposits with large tonnage potential. The nickel laterite mineralization, however, discovered as a byproduct of the porphyry exploration effort, may become the subject of a development and production effort in the near term in order to take advantage of the current price level for nickel.

General

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

During the month of September steps were undertaken to list the shares of the Company for trading on the Junior Board of the Lima Stock Exchange. This process is underway, pending the assembly of the required documentation and updated Company reports.

Reconciliation of Proposed and Actual General Expenditures

During the month of July the Company reached the \$ 2,000,000 mark in total expenditures towards vesting its 40% Interest in the Surigao Joint Venture.

Subsequent expenditures under the agreements, foresee that the contributions of the Philippine partner Minimax are covered by Panoro and Mindoro in the form of an interest bearing loan extended to Minimax. Under this formula post-vesting expenditures are covered 53.33% by Panoro and 46.67% by Mindoro.

For the balance of July (post vesting) Panoro's expenditure contributions are projected at \$ 47,225 subject to final reconciliation and adjustments. Panoro's share of the expenditures for August are at this time assessed at \$ 136,939, also subject to final reconciliation and adjustments.

The Operator has at the time of writing this MD&A not yet provided any expenditure accounts beyond the end of August.

The following table provides a summary of the Surigao JV Approved Budgets, expenditures and remaining funding commitments by the Company, all in Canadian Dollars:

933,038.68	Phase I Approved Budget
697,500.00	Phase II Approved Budget
<u>1,630,538.68</u>	Total Yr2 expenditure authorizations to Mindoro
1,059,544.85	Total Phase I + II Cash Calls to June 30, (after correction to June Cash Call)
86,100.70	Remainder to Earn-In funded 100% by Panoro, paid for July for Cash Call 615
484,893.13	Balance of Approved Budgets
184,164.53	Panoro share of jointly funded amount (estimate) for July and August (53.33%)
11,481.42	Additional approval given: Panoro's share of property maintenance and permitting to December
85,910.02	Remaining YR2 Panoro Commitment after the Cash Call for August

Potential cost overruns incurred by the Operator are unknown at this time and have not been taken into consideration in the above projections.

During the first nine months of this year the Company has expended a total of \$ 123,464 on exploration at the El Rosal Project in Peru. This corresponds to internally projected exploration costs for this program. In addition the Company expended \$ 52,447.26 on the evaluation of submittals and potential acquisitions.

The Company has sufficient funds to cover all of the above budgeted commitments and the general operating costs of the Company for the next 12 months.

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 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).

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

Share Capital
(as of September 30, 2006)
Issued and outstanding 37,065,725

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