

Consolidated Condensed Interim Financial Statements  
(Expressed in Canadian dollars)



For the three and nine months ended September 30, 2011 and 2010

## **MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING**

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

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

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

**“Luquman A. Shaheen” (signed)**  
\_\_\_\_\_  
Luquman A. Shaheen  
President  
Vancouver, British Columbia

**“David W. Huber” (signed)**  
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David W. Huber  
Chief Financial Officer  
Vancouver, British Columbia

# PANORO MINERALS LTD.

An Exploration Stage Company

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

	September 30, 2011	December 31, 2010
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 9,412,467	\$ 1,060,487
Short-term investment	-	3,526,376
Marketable securities	48,000	21,000
Accounts and advances receivable	497,179	263,856
Prepaid expenses	19,141	40,672
	9,976,787	4,912,391
Mineral interests (note 3)	31,779,506	628,904,641
Equipment	154,973	110,619
<b>Total assets</b>	<b>\$ 41,911,266</b>	<b>\$ 33,927,651</b>

## Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 928,887	\$ 829,147
Shareholders' equity:		
Capital stock (note 4)	46,549,404	37,658,738
Contributed surplus	6,077,928	5,065,809
Accumulated other comprehensive gain	43,000	16,000
Deficit	(11,687,953)	(9,642,043)
	40,982,379	33,098,504
<b>Total liabilities and shareholders' equity</b>	<b>\$ 41,911,266</b>	<b>33,927,651</b>

Nature of operations (note 1)  
Commitments (note 7)

See accompanying notes to condensed consolidated interim financial statements.

Approved on behalf of the Board:

**“Luquman A. Shaheen” (signed)**  
Luquman A. Shaheen

**“William J. Boden” (signed)**  
William J. Boden

# PANORO MINERALS LTD.

An Exploration Stage Company

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

	Three months ended Sept. 30, 2011	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010
Expenses:				
Amortization	\$ 5,872	\$ 4,335	\$ 13,913	\$ 12,978
Audit	20,380	8,807	76,070	35,827
Consulting	16,287	-	28,787	16,125
Investor relations	29,866	12,950	97,780	55,668
Legal	57,400	18,709	71,536	50,813
Office and miscellaneous	64,381	5,812	119,816	42,679
Regulatory fees	14,057	8,388	37,567	43,897
Rent	29,216	15,712	86,295	46,064
Salaries and fees	317,200	129,620	692,110	418,470
Stock-based compensation	549,222	28,204	589,749	680,332
Telephone	20,047	8,996	46,760	23,830
Transfer agent	8,170	1,164	15,789	5,662
Travel	69,831	8,105	144,230	47,553
Total Expenses	1,201,929	250,802	2,020,402	1,479,898
Interest income	(15,814)	(259)	(34,781)	(599)
Foreign exchange loss/(gain)	26,171	126,206	60,289	(178,804)
Loss on disposition of marketable securities	-	211,782	-	274,304
Current income tax expense	-	(140,000)	-	-
Other adjustments (note 8)	-	-	-	180,125
Loss for the periods	1,212,286	448,531	2,045,910	1,754,924
Unrealized gain on marketable securities	(15,000)	(2,079)	(27,000)	(51,371)
Reversal of previously recognized loss	-	(211,782)	-	(274,304)
Comprehensive loss for the period	\$1,197,286	\$ 234,670	\$ 2,018,910	\$ 1,429,249
Loss per share, basic and fully diluted	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.02
Weighted average number of common shares outstanding	137,828,214	87,856,651	123,637,271	87,802,657

See accompanying notes to condensed consolidated interim financial statements.

# PANORO MINERALS LTD.

An Exploration Stage Company

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

For the nine months ended September 30, 2011 and 2010

	2011	2010
Cash provided by (used for):		
Operations:		
Loss for the period	\$ (2,045,910)	\$ (1,754,924)
Items not involving the use of cash:		
Amortization	31,020	12,978
Stock-based compensation	589,749	678,569
Loss on disposition of marketable securities	-	274,304
	(1,425,141)	(789,073)
Changes in non-cash operating working capital:		
Accounts and advances receivable	(233,323)	(141,843)
Prepaid expenses	21,531	(22,644)
Accounts payable and accrued liabilities	99,740	(337,691)
Cash used in operations	(1,537,193)	(1,291,251)
Financing:		
Proceeds from exercise of options	694,499	33,000
Proceeds from exercise of warrants	1,369,386	-
Cash proceeds from issue of shares	7,249,151	1,436,275
Cash provided by financing	9,313,036	1,469,275
Investments:		
Proceeds from short-term investment	3,526,376	1,064,600
Proceeds on sale of marketable securities	-	114,671
Mineral interest exploration and development expenditures	(2,874,865)	(665,450)
Purchase of equipment	(75,374)	(82,662)
Cash provided by investments	576,137	431,159
Increase in cash and cash equivalents	18,351,980	609,183
Cash and cash equivalents, beginning of period	1,060,487	595,793
Cash and cash equivalents, end of period	\$ 9,412,467	\$ 1,204,976

See accompanying notes to condensed consolidated interim financial statements.

# PANORO MINERALS LTD.

An Exploration Stage Company

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

Comparatives for the nine months ended September 30, 2010

Description	Capital stock	Contributed surplus	Accumulated comprehensive income	Deficit	Total
Beginning Balance	\$ 31,584,526	\$ 3,985,451	\$ (321,675)	\$ (7,472,607)	\$ 27,775,695
Net Income	-	-	-	(1,754,924)	(1,754,924)
Unrealized Gain on Marketable Securities	-	-	51,371	-	51,371
Issuance of Capital Stock	1,436,376	-	-	-	1,436,376
Issuance of Stock Options	-	791,132	-	-	791,132
Reclassification on disposition of Securities	-	-	274,304	-	274,304
Exercise of Stock Options	50,282	(17,283)	-	-	32,999
Ending Balance	\$ 33,071,184	\$ 4,759,300	\$ 4,000	\$ (9,227,531)	\$ 28,606,953

For the three months ended December 31, 2010

Description	Capital stock	Contributed surplus	Accumulated comprehensive income	Deficit	Total
Beginning Balance	\$ 33,071,184	\$ 4,759,300	\$ 4,000	\$ (9,227,531)	\$ 28,606,953
Net Income	-	-	-	(414,512)	(414,512)
Unrealized Gain on Marketable Securities	-	-	12,000	-	12,000
Issuance of Capital Stock	4,587,554	-	-	-	4,587,554
Granting of Stock Options	-	306,509	-	-	306,509
Ending Balance	\$ 37,658,738	\$ 5,065,809	\$ 16,000	\$ (9,642,043)	\$ 33,098,504

# PANORO MINERALS LTD.

An Exploration Stage Company

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

Comparatives for the nine months ended September 30, 2011

Description	Capital stock	Contributed surplus	Accumulated comprehensive income	Deficit	Total
Beginning Balance	\$ 37,658,738	\$ 5,065,809	\$ 16,000	\$ (9,642,043)	\$ 33,098,504
Net Income	-	-	-	(2,045,910)	(2,045,910)
Unrealized Gain on Marketable Securities	-	-	27,000	-	27,000
Issuance of Capital Stock	6,291,090	958,061	-	-	7,249,151
Issuance of Agent Warrants	(74,710)	74,710	-	-	-
Granting of Stock Options	-	589,748	-	-	589,748
Exercise of Stock Options	1,220,618	(526,118)	-	-	694,499
Exercise of Warrants	1,453,668	(84,282)	-	-	1,369,386
Ending Balance	\$ 46,549,404	\$ 6,077,928	\$ 43,000	\$ (11,687,953)	\$ 40,982,379

See accompanying notes to condensed consolidated interim financial statements.

# PANORO MINERALS LTD.

An Exploration Stage Company

Notes to Condensed Consolidated Interim Financial Statements  
Unaudited – Prepared by Management  
(Expressed in Canadian dollars)

For the Three and Nine Months ended September 30, 2011 and 2010

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## 1. Nature of operations:

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

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

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

## 2. Basis of 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 the interim condensed consolidated financial statements for the three month period ended March 31, 2011. 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 consolidated interim financial statements are based on IFRS effective for the year ended December 31, 2011, as issued and outstanding as of November 09, 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.

# PANORO MINERALS LTD.

An Exploration Stage Company

Notes to Condensed Consolidated Interim Financial Statements  
Unaudited – Prepared by Management  
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## 2. Basis of preparation and adoption of IFRS (continued):

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2010 annual financial statements and in consideration of the IFRS transition disclosures included in note 8 of these financial statements which were prepared in accordance with IFRS applicable to interim financial statements. Comprehensive income for the comparative period has been reconciled in note 8.

## 3. Mineral interests:

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

	Antilla (i)	Cotabambas (ii)	El Rosal	Other	Total
Balance, December 31, 2010	\$ 12,528,466	\$ 7,452,393	\$ 4,128,100	\$ 4,795,683	\$ 28,904,642
Deferred exploration expenditures in 2011:					
Amortization		16,962	-	161	17,123
Assay	-	140,514	-	-	140,514
Camp, materials and exploration support	5,471	69,667	1,070	905	77,113
Community relations	18,342	123,251	-	2,685	144,278
Contract labor	694	129,622	88	-	130,404
Drilling		789,611	-	-	789,611
Environmental	-	208,446	-	-	208,446
Geology	11,972	247,494	112	4,897	264,475
Geophysics		119,980	-	6,617	126,597
Legal	156,536	1,495	782	3,397	162,210
Mineral concession fees	30,221	178,399	61,200	166,100	435,920
Project management	39,749	182,129	-	26,383	248,261
Travel and accommodation	27,188	98,767	1,229	2,728	129,912
	290,173	2,306,337	64,481	213,873	2,874,864
Balance, September 30, 2011	\$ 12,818,639	\$ 9,758,730	\$ 4,192,581	\$ 5,009,556	\$ 31,779,506

The investment in and expenditures on mineral interests comprises 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.

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### 3. Mineral interests (continued):

#### (a) Panoro Apurimac S.A., Peru:

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

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

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

#### (i) Antilla Property, Peru:

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

US\$1 million (CAD\$1,064,600) on signing, pursuant to the terms outlined below (received);

- US\$100,000 (CAD\$106,460) for equipment at the Antilla project - not received;
- US\$4 million (CAD\$4,258,400) 90 days after reaching a community agreement with Antilla - July 17, 2010 – (not received);
- US\$3 million (CAD\$3,193,800) by March 17, 2012; and
- US\$17 million (CAD\$18,098,200) to be applied towards the completion of bankable feasibility studies on the project and could include Panoro's share of such costs within 30 months of the contract signing date.

Centauro received the following:

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

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### 3. Mineral interests (continued):

(a) Panoro Apurimac S.A., Peru (continued):

(i) Antilla Property, Peru (continued):

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

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

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

(ii) Cotabambas Property, Peru:

Cotabambas is an advanced exploration project consisting of a cluster of copper gold porphyry systems. Work in 2011 has focused on drilling and sampling to further develop the mineral property.

US\$1,000,000 (CAD\$1,064,600) was received from Centauro for the right to match any offer by a third party on Cotabamba and has been recorded as a recovery to the property. The right has ended with the termination of the Antilla Property Agreement.

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### 3. Mineral interests (continued):

(a) Panoro Apurimac S.A., Peru (continued):

(iii) Cochasayhuas and Checca Properties, Peru:

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

(iv) El Rosal Property, Peru:

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

(v) Alicia Property, Peru:

On September 25, 2009, the Company entered into an agreement with Strait Gold Corporation (Strait Gold) 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 the Company on signing; – (completed);
- Obtain an authorization-to-explore agreement with the local community before March 25, 2011 – (completed February 10, 2011);
- Spend at least US\$150,000 (CAD\$159,690) on the Alicia property within the first year after obtaining an agreement – (completed);
- Issue 200,000 common shares of Strait Gold to the Company one year after obtaining the community agreement – (received February 16, 2011);
- Spend at least US\$500,000 (CAD\$532,300) within the second year after obtaining the community agreement; and
- Issue 300,000 common shares of Strait Gold to the Company two years after obtaining the community agreement.

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## 3. Mineral interests (continued):

(a) Panoro Apurimac S.A., Peru (continued):

(v) Alicia Property, Peru (continued):

In order to earn the remaining 45% of the Alicia project, Strait Gold will be required to spend an additional US\$600,000 (CAD\$638,760) in the third year after obtaining the community agreement and issue an additional 400,000 Strait Gold common shares. The net smelter royalty can be reduced from 2% to 1% for a payment of US\$2,300,000 (CAD\$2,448,580) which is payable by Strait Gold within six months of obtaining 100% ownership.

(vi) Surigao Project, Philippines:

The Company previously had an interest in the Surigao project belonging to Mindoro Resources Ltd. ("Mindoro"). As part of the sale agreement, in the event that the nickel laterite prospect located on the Agata project should proceed to production and upon shipment of an aggregate one million wet tonnes of nickel laterite, Mindoro would pay the Company \$500,000 cash, plus 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.

## 4. Capital stock:

Authorized – unlimited common shares without par value

Issued and outstanding:

	Number of shares	Amount
Balance, December 31, 2010	113,716,640	\$ 37,658,738
Share subscription received	17,226,124	6,291,090
Proceeds on exercise of stock options	2,450,000	695,500
Transfer from contributed surplus on exercise of stock options	-	526,118
Issuance of agents warrants	-	(74,710)
Proceeds on exercise of warrants	4,492,636	1,369,386
Transfer from contributed surplus on exercise of warrants	-	84,282
Balance, September 30, 2011	137,885,400	\$ 46,549,404

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## 4. Capital stock (continued):

On June 30, 2011, the Company completed the first tranche of a non-brokered private placement for net proceeds of \$6,914,470. A total of 16,441,724 units were issued at \$0.45 per unit. On July 6, 2011, the Company completed the second tranche of a non-brokered, private placement for net proceeds of \$380,698. The second tranche had a total of 784,400 units issued at \$0.45 per unit. Each unit was comprised of one common share and one half of a share purchase warrant. Each full warrant entitles the holder to purchase one share of the company at the price of \$0.60 for 18 months after the date of closing. Finder's fees of \$311,501 and other share issue fees of \$86,790 and 498,151 warrants were paid to agents involved with the placement.

The agent's warrants can be exercised at \$0.45 for one common share of the Company for 18 months after the date of closing. The value of the agents warrants issued on the private placement was \$74,710 based on the fair value of proceeds received using the Black-Scholes model with the following assumptions; risk free rate of 1.2%, expected dividend yield of 0%, volatility of 89% and an expected life of 1.2 years.

### (a) Stock options outstanding:

Stock options to purchase common shares have been granted to directors and employees at exercise prices determined by reference to the market value on the date of the grant. The number of shares available for options to be granted under the Company's stock option plan is 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. There were 4,300,000 stock options granted during the 3 month period July 1 to September 30, 2011 with a Black Scholes value of \$549,222.

A summary of the status of the Company's stock options as at September 30, 2011 and changes are as follows:

	Number of options	Weighted average exercise price
Outstanding at December 31, 2010	7,575,000	\$ 0.35
Granted	4,400,000	0.50
Exercised	(2,450,000)	0.28
Expired	(625,000)	0.33
Outstanding at September 30, 2011	8,900,000	\$ 0.45

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For the Three and Nine Months ended September 30, 2011 and 2010

## 4. Capital stock (continued):

### (a) Stock options outstanding (continued):

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

Year of expiry	Options outstanding at September 30, 2011		Options exercisable
	Number of options	Weighted average exercise price	Number of shares
2012	1,100,000	\$ 0.63	1,100,000
2013	750,000	0.46	750,000
2014	500,000	0.17	500,000
2015	2,150,000	0.30	2,150,000
2016	4,400,000	0.50	4,400,000
	8,900,000	\$ 0.45	8,900,000

The weighted average life of exercisable options outstanding is 1.9 years as of September 30, 2011 (2010 – 3.1 years).

### (b) Share purchase warrants:

At September 30, 2011, the Company had outstanding warrants to purchase an aggregate 22,277,900 common shares as follows:

Expiry date		Exercise price	Outstanding at December 31, 2010	Issued	Exercised	Expired	Outstanding at September 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	-	(612,272)	-	2,198,876
April 29, 2012	Warrants	0.35	7,401,542	-	(212,000)	-	7,189,542
April 15, 2012	Agents warrants	0.35	216,810	-	(87,700)	-	129,110
April 29, 2012	Agents warrants	0.35	972,123	-	(1,674)	-	970,449
Dec 31, 2012	Warrants	0.60	-	8,209,762	-	-	8,209,762
Jan 06, 2013	Warrants	0.60	-	392,200	-	-	392,200
Dec 31, 2012	Warrants	0.45	-	498,151	-	-	498,151
Total			17,695,423	9,100,113	(4,492,636)	(25,000)	22,277,900

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## 5. Compensation of key management:

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

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Salaries, consulting fees and director's fees	\$ 346,721	\$ 284,168
Short-term employee benefits	4,247	4,104
Stock based compensation	523,059	762,928
<b>Total compensation of key management</b>	<b>\$ 874,027</b>	<b>\$ 1,051,200</b>

## 6. Related party transactions:

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

	2011	2010
Management fees paid to companies controlled by directors/officers	\$ 241,165	\$ 284,116
Fees paid to companies controlled by directors/officers for equipment and exploration supplies	66,350	669

The above fees paid for equipment and exploration supplies were capitalized to the mineral properties.

## 7. Commitments:

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

	2011	2012	2013	2014	2015	2016	Total
Office Lease Lima US\$	14,183	56,733	56,733	56,733	56,733	56,733	297,848
Office Lease Van CDN\$	16,119	64,475	64,475	64,475	64,475	64,475	333,994

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## 7. Commitments (continued):

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

## 8. Reconciliation of equity, cash flows and comprehensive loss for the periods ended September 30, 2010:

The Company adopted IFRS on January 1, 2011 with a transition date of January 1, 2010 and details of IFRS 1, "First time adoption of International Financial Reporting Standards," applicable to the Company are provided in the Company's condensed consolidated interim financial statements for the three months ended June 30, 2011.

IFRS employs a conceptual framework that is similar to Canadian GAAP; however, significant differences exist in certain areas of recognition, measurement and disclosure. While the adoption of IFRS has not changed the actual cash flows of the Company, the adoption has resulted in changes to the Company's reported financial position and results of operations. In order to allow financial statements users to better understand these changes, the Company's Canadian GAAP statements of comprehensive loss for the three months and nine months ended September 2010, and cash flows for the nine months ended September 30, 2010, have been reconciled to IFRS and presented below, along with explanations of the resulting differences.

Reconciliation of comparative IFRS equity at September 30, 2010 to previously reported equity under Canadian GAAP at the same date.

Description	Capital stock	Contributed surplus	Accumulated comprehensive income	Deficit	Total
Balance per CND GAAP	\$ 33,071,184	\$ 4,759,300	\$ 4,000	\$ (9,361,865)	\$ 28,472,619
Future income tax recovery <sup>1</sup>	-	-	-	4,637,393	4,637,393
Foreign exchange gain (loss) <sup>2</sup>	-	-	-	(4,503,059)	(4,503,059)
Balance per IFRS	\$ 33,071,184	\$ 4,759,300	\$ 4,000	\$ (9,227,531)	\$ 28,606,053

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## 8. Reconciliation of equity, cash flows and comprehensive loss for the periods ended September 30, 2010 (continued):

Reconciliation of cash flows from previously reported Canadian GAAP to IFRS for the nine months ended September 30, 2010.

	Q3 2010 CND GAAP	IFRS Adjustment	Note	Q3 2010 IFRS
Loss for the period	(1,512,800)	(242,124)	1,2,3	(1,754,924)
Amortization	12,978			12,978
Stock based compensation	680,332	(1,763)	3	678,569
Future income tax	(152,943)	152,943	1	0
Unrealized Fx G/L	(90,944)	90,944	2	0
Loss on Disposition	274,304			274,304
	<u>(789,073)</u>	<u>0</u>		<u>(789,073)</u>
Accounts Receivable	(141,843)			(141,843)
Prepays	(22,644)			(22,644)
Accounts Payable	<u>(337,691)</u>			<u>(337,691)</u>
Cash used in operations	(1,291,251)	0		(1,291,251)
Option on mineral pro	1,064,600			1,064,600
Sale of MS	114,671			114,671
Mineral Property	(665,450)			(665,450)
Purchase of Equip	<u>(82,662)</u>			<u>(82,662)</u>
Cash provided by investing	431,159	0		431,159
Options	33,000			33,000
Shares	<u>1,436,275</u>			<u>1,436,275</u>
Cash provided by financing	1,469,275	0		1,469,275

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## 8. Reconciliation of equity, cash flows and comprehensive loss for the periods ended September 30, 2010 (continued):

Reconciliation of comprehensive loss from Canadian GAAP to IFRS for the three and nine months ended September 30, 2010.

	Three months ended September 30, 2010	Nine months ended September 30, 2010
Comprehensive loss – previous Canadian GAAP	\$ 300,214	\$ 1,187,125
Future income tax recovery <sup>1</sup>	81,570	152,943
Foreign exchange gain (loss) <sup>2</sup>	74,457	(90,944)
	456,241	1,249,124
Other adjustments <sup>3</sup>	(221,571)	180,125
Comprehensive loss under IFRS	\$ 234,670	\$ 1,429,249

Notes to the Reconciliations:

- <sup>1</sup> Under Canadian GAAP, the Company recorded deferred tax liabilities on share based payments capitalized in mineral interests, because the stock based payments are not deductible for tax purposes. IAS 12 exempts the Company from recognizing a deferred tax liability arising from the initial recognition of an asset or liability in a transaction which is not a business acquisition that affects neither accounting profit nor tax profit. Capitalization of stock based payments falls under this exemption. The Company accordingly reversed the effect of all deferred tax liabilities from mineral interests under IFRS.
- <sup>2</sup> Under Canadian GAAP, the Company recorded a foreign exchange gain or loss on deferred tax liabilities based on payments capitalized in mineral interests that were made in currencies other than the functional currency, as the tax basis of these payments fluctuate with the exchange rate difference. IAS 12 exempts the Company from recognizing deferred tax liability arising from the initial recognition of an asset or liability in a transaction which is not a business acquisition that affects neither accounting profit nor tax profit. The Company accordingly reversed the effect of all deferred tax liabilities from mineral interests under IFRS.
- <sup>3</sup> As part of the Company's transition to IFRS, the Company identified errors in the recognition of income statement items and typographical errors relating to 2010. Management does not believe these errors are material to the Company's 2010 financial statements and recognized this as part of the IFRS reconciliation.

## 9. Subsequent events:

None noted.