PANORO MINERALS LTD.

Management's Discussion and Analysis

For the Year Ended December 31, 2016

April 28, 2017

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Item 1.1: Background & Date

Panoro Minerals Ltd. ("Panoro" or the "Company") was incorporated pursuant to the laws of British Columbia on September 28, 1994, under the name, Anaconda Minerals Corporation, by Memorandum and Articles filed with the Registrar of Companies for British Columbia. On February 28, 1997, the Company changed its name to Panoro Resources Ltd. The Company was amalgamated in British Columbia on June 6, 2003, under the Company Act of British Columbia (the predecessor of the Business Corporations Act) and changed its name to Panoro Minerals Ltd.

The head office of Panoro is located at Suite 1610, 700 West Pender Street, Vancouver, British Columbia V6C 1G8. The registered and records offices of Panoro are located at Suite 1750, 1185 West Georgia Street, Vancouver, British Columbia, V6E 4E6.

The common shares of the Company are listed on the TSX Venture Exchange ("TSXV") under the trading symbol "PML", the Junior Board of the Bolsa de Valores de Lima ("PML" - Lima Stock Exchange) and ("PZM" on the Frankfurt Exchange). The Company is an exchange issuer as that term is defined in the Securities Act (British Columbia). The Company is a reporting issuer as defined under applicable securities legislation in British Columbia, Alberta and Ontario.

The Management's Discussion and Analysis ("MD&A") is a narrative explanation, through the eyes of management, of how Panoro performed in the year ended December 31, 2016 ("fiscal 2016"), and up until the date of this MD&A. The MD&A complements and supplements the consolidated financial statements of the Company for fiscal 2016, but does not form part of the consolidated financial statements. The following discussion and analysis should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2016.

This MD&A is prepared and dated April 28, 2017.

Item 1. 2: Overall Performance

Panoro holds a portfolio of eleven mineral properties in Perú, of which two, the Cotabambas and Antilla projects, are at a more advanced stage of exploration and are the focus of the Company's investment plan.

The Cotabambas project remains the principal focus of investment where the Company has planned 19,000 m of exploration and step-out drilling targeting areas of oxide, sulphide and skarn mineralization in the vicinity of the current project mineral resources. The Company will be conducting optimization studies at the Antilla project targeting a reduction in capital and operating costs by focussing on the high grade component of the project's mineral resources.

Readers are directed to the Company's Annual Information Form available on Sedar.com and the Company's website for a detailed discussion and history on all the Company's projects.

Developments on in the Company in fiscal 2016 and to the date of this MD&A are summarized below.

Outlook

Panoro completed two financings in 2016 which have provided investment and operating capital for 2017 and 2018 plus operating capital for 2019 to 2024.

The Company and its wholly-owned subsidiary entered into a definitive Early Deposit Precious Metals Purchase Agreement (the "Agreement") signed on March 21, 2016, with Silver Wheaton (Caymans) Ltd. ("Silver Wheaton") , in respect of the Cotabambas project. The principal terms of the Agreement are such that Silver Wheaton will pay the Company upfront cash payments totalling US$140 million for 25% of the payable gold production and 100% of the payable silver production from the Company's Cotabambas Project in Perú. In addition, Silver Wheaton will make production payments to the Company of the lesser of the market price and US$450 per payable ounce of gold and US$5.90 per payable ounce of silver delivered to Silver Wheaton over the life of the Company's Cotabambas Project. To the date of this MD&A, the Company has received US$2.75 million in regularly scheduled upfront cash payments and US$2.0 million in accelerated payments of the early deposit payment of US14.0 million, pursuant to the terms of the agreement, for a total of US$4.75 million.

The Company also completed a private placement for gross proceeds of $6,609,207 in August 2016. The private placement was subscribed to by the following:

1) Resource Capital Fund VI L.P. for $2,562,000;
2) Hudbay Minerals Inc. for $741,774;
3) Lima-based shareholders (Kallpa Securities acting as lead agent) for $3,023,913; and
4) Insiders and others for $281,520.

The proceeds from the private placement will be used primarily to advance exploration and engineering work at the Cotabambas Project and also for the Antilla Project and for general working capital.

In May 2016, Panoro completed the Preliminary Economic Assessment ("PEA") for the Antilla Project. The PEA included the following highlights:

- Pre-tax NPV (7.5%) of US$491 million, IRR of 22.1% and payback of 3.3 years
- After-tax NPV (7.5%) of US$225 million, IRR of 15.1% and payback of 4.1 years

The Company anticipates investing up to US$1.0 million into the Antilla Project and other areas.

Cotabambas Project

In fiscal 2015, the Company completed two PEAs, one filed on SEDAR on May 25, 2015, (the "Initial PEA") and the second PEA which was filed on SEDAR on November 6, 2015 (the "Updated PEA"). The National Instrument 43-101 ("NI 43-101") PEAs can also be found on the Company's website: www.panoro.com.

The results from the Updated PEA of the Cotabambas Project demonstrated a base case, after tax NPV of US$683.9M, an IRR of 16.7% and a payback of 3.6 years. The Updated PEA included mining of 483M tonnes of mill feed from two open pits, feeding an 80,000 tonne per day mill, and a concentrating plant producing a single copper concentrate grading 27% Cu, 11 g/t Au and 134 g/t Ag with no penalty attracting deleterious elements.

PEA Recommendations

In 2016, the Company evaluated potential improvements to project economics identified in the Updated PEA, including

- Step out drilling to delineate additional oxide mineralization at the Ccalla Deposit together with a metallurgical test program on the oxides in order to assess the potential to add a heap leach and SX/EW component to the project plan;
- Metallurgical test program on the hypogene and supergene sulphides, mixed and high-gold oxide mineralization zones to assess the potential for increasing estimated recoveries; and
- Geophysical surveys and exploration drilling at the Maria Jose target located to the north of the Ccalla Deposit to test for and further delineate high-grade mineralization discovered through the Company's previous mapping, trenching and geochemical sampling work.

In anticipation of continuing work, the Company entered into an agreement with the Community of Cochapata was signed at the end of 2016. The completion of the community agreement together with the already approved semi-detailed environmental impact assessment permits the Company to continue the planned exploration program into the next stage, which will include:

Gold Oxide Target

In addition to the recommendations from the updated PEA, mapping, trenching and sampling work in 2017 has identified fourteen oxide-type gold anomalies extending from the northern pit limit, as outlined in the PEAs, for approximately 900 m along local NE trending structures. The area encompassing the anomalies is coincident with a zone of pervasive argillic alteration extending approximately 1.3 km along the same structures. Eleven of the fourteen gold anomalies occur outside the PEA pit limit over an area of approximately 1.0 km by 1.4 km.

The current project resource base includes 220,000 tonnes of oxide gold mineralization averaging 0.64 g/t Au and 3.8 g/t Ag classified as indicated plus 1.2 Million tonnes averaging 0.61 g/t Au and 3.27 Ag g/t classified as Inferred, all at a 0.5 g/t Au cut-off. This zone of mineralization was intersected previously in four drill holes, collared at the northern limit of the project resource (see table below). However, processing of the mineralization was not included in the mine plan in the PEA due to insufficient tonnage.

Table 2: Drill hole sampling results.

Drill hole	From(m)	To(m)	Metres (m)	Au(g/t)	Ag(g/t)	Cu(%)	Mo(%)	Zone
CB-43	2,00	76,00	74	1.17	5	0.06	0.0010	Leach Cap
	76,00	90,00	14	0.66	4	1.03	0.0011	Oxide
	90,00	123,80	33,8	0.65	3	3.04	0.0010	Enrichment
CB-54	4,80	14,90	10,1	0.15	1	0.02	0.0018	Leach Cap
	95,40	116,20	20,8	0.25	4	0.06	0.0021	Leach Cap

Drill hole	From(m)	To(m)	Metres (m)	Au(g/t)	Ag(g/t)	Cu(%)	Mo(%)	Zone
	199,75	209,75	10	0.01	1	0.34	0.0001	Oxide
CB-62	1,00	5,35	4,4	0.13	1	0.24	0.0017	Overburden
	5,35	23,30	18,0	0.04	1	0.16	0.0015	Oxide
CB-117	57,10	110,20	53,1	0.53	3	0.13	0.0014	Leach Cap
	124,20	136,20	12	0.12	3	0.96	0.0032	Oxide
	148,20	172,20	24	0.09	2	0.52	0.0019	Oxide
	214,00	228,00	14	0.03	1	1.65	0.0040	Enrichment

The discovery of additional oxide gold mineralization over an extensive area opens the potential to add an oxide gold leach operation to the project plan included in the PEA. The newly defined oxide gold prospects and the oxide gold resources defined to date on the project exhibit low Cu grades, presenting favorable conditions for potential leaching of the contained gold and silver. The location of the anomalies, to the north of the PEA pit and at relatively shallow depths from surface, could lead to potential mining and processing in the early part of the Cotabambas Project mine life with potential material increases to the project cash flow, decreased operating costs and increased project economic indicators of NPV and IRR.

The Chaupec Target

In July 2016, the Company announced the discovery of a new prospect at the Cotabambas Project, the Chaupec Target. Mineralization at Chaupec consists of a polymetallic skarn developed at the contact between Cretaceous diorite and carbonate rocks of the Lower Tertiary Ferrobamba Formation. Work completed to date includes geological mapping at 1:1,000, 810 rock chip samples (1-2 sq metres each) on a 100 m by 100 m grid and geophysical surveys including 71.6 km of Induced Polarization, 63.7 km of magnetics and 45.1 km of Self Potential.

Of the three main mineralized zones defined at Chaupec, two consist of outcropping garnet skarns that have in part been retrograded to epidote and chlorite. Porphyry-style mineralization has also been observed in outcrop and there is some evidence that it may continue to the north under the limestone and colluvial cover. The skarn contains variable amounts of chalcopyrite, pyrite, bornite, chalcocite and copper oxides along with massive magnetite in places.

Values of copper and gold in the rock chip samples from these two zones range from 0.21% Cu to 8.15% Cu and 0.005 g/t Au to 2.69 g/t Au. Table 1 summarizes the extent of and average values found in the two anomalies. The complete sampling data set is summarized on the Company's website.

Table 1: Sampling results in the skarn mineralization.

Anomaly	Grade Contour	# Samples	Area		Arithmetic Average Grade (*)				
	Cu ppm		Length m	Width m	Cu %	Au g/t	Ag g/t	Pb ppm	Zn ppm
1	2,000	40	**1500**	**530**	**1.11**	**0.058**	**22.00**	596	852
Including	5,000	20	940	170	1.55	0.064	25.50	612	923
2	2,000	19	**950**	**470**	**1.11**	**0.305**	**6.30**	49	183
Including	5,000	10	590	215	1.70	0.525	10.10	45	221

(*) Grades capped at percentile 90.

The third prospect consists of outcropping quartz-monzonite porphyry with stockwork quartz veining that is situated at the contact between the diorite and limestone. The rock chip sampling program covered an area of 1 km by 1 km, where 18 samples contained copper and gold values ranging from 0.21% Cu to 1.52% Cu and 0.005 g/t Au to 0.255 g/t Au. Table 2 summarizes the areal extent of and average values found in this area.

Table 2: Sampling results in the porphyry mineralization.

Anomaly	Grade Contour	# Samples	Area		Arithmetic Average Grade (*)				
	Cu ppm		Length M	Width m	Cu %	Au g/t	Ag g/t	Pb ppm	Zn ppm
3	2,000	18	**540**	**415**	**0.72**	**0.031**	**23.90**	1726	133
Including	5,000	11	380	193	0.98	0.041	13.20	2542	133

(*) Grades capped at percentile 90.

In general, the skarn mineralization in Chaupec has the highest grades found yet at the Cotabambas project. Skarn-type mineralization plays an important role in other major deposits in the region, including Las Bambas, Constancia, Antapaccay and Coroccohuayco, where higher grades in the skarn in the first years of mining can contribute to more rapid payback.

Exploration drilling at the Chaupec zone will require additional detailed mapping and an expansion of the project Semi-Detailed Environmental Impact Assessment.

Antilla Project

Antilla PEA

The Antilla project is a copper-molybdenum porphyry deposit, located 140 km south west of the city of Cusco, in the Apurimac region in Southern Peru. On May 2, 2016, the Company issued a news release announcing the results of a Preliminary Economic Assessment of the Antilla Project ("Antilla PEA") and a Technical Report was filed on SEDAR on June 16, 2016.

Highlights of the Antilla PEA, directly excerpted from the May 2, 2016, news release, include:

- Pre-tax NPV(7.5%) is US$ 491 million, IRR is 22.1% and payback is estimated at 3.3 years
- After-tax NPV(7.5%) is US$ 225 million, IRR is 15.1% and payback is estimated at 4.1 years
- Conventional open pit mining and flotation processing
- Design throughput of 40,000 tonnes per day with an operational life of mine of 24 years
- low waste to mill feed ratio of 0.85:1
- Average annual payable copper of 81 million pounds
- Average annual payable molybdenum of 1.9 million pounds
- Average direct cash costs (C1) of US$1.83 per pound of payable copper, net of byproduct credits
- Initial project capital costs of US$603 million, including contingencies
- Good potential for discovery of additional mineralization adjacent to the current mineral resource area.

The Antilla PEA was prepared by SRK Consulting (Canada) Inc. ("SRK") and Moose Mountain Technical Services Ltd. ("MMTS") in accordance with the definitions in NI 43-101. The Antilla PEA is based on a Mineral Resource estimate completed by Tetra Tech Inc. ("Tetra Tech") in December 2013, and also filed on SEDAR, and was based on 2,919 metres of drilling from legacy campaigns (2003-5), 9,130 metres of drilling by Panoro (2008), and 2,242 metres of drilling during a joint venture agreement with Chancadora Centauro SA (CHC) in 2010. The Mineral Resource estimate includes primary and supergene sulphides, as well as oxide copper. -

A PEA is considered preliminary in nature. It includes Inferred Mineral Resources that are considered too speculative to have the economic considerations applied that would enable classification as Mineral Reserves. There is no certainty that the conclusions within a PEA will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Economics

The table below summarizes base case economic metrics for the project as well as its sensitivity to the price of copper:

Table 1.Summary of PEA estimates of NPV, IRR, and Payback

	Before Tax*					After Tax				
Copper Price ($/lb)	NPV 5% (million USD)	NPV 7.5% (million USD)	NPV 10% (million USD)	IRR (%)	Payback (Years)	NPV 5% (million USD)	NPV 7.5% (million USD)	NPV 10% (million USD)	IRR (%)	Payback (Years)
2.75	389	261	161	16.2	4.0	163	78	11	10.5	4.8
3.00	**676**	**491**	**350**	**22.2**	**3.3**	**348**	**225**	**131**	**15.1**	**4.1**
3.25	964	721	538	27.7	2.7	529	369	248	19.0	3.6

* Note: base case at Cu=$US 3.00 in bold, all cases include Mo=$US 12.00; excludes Peru statutory charges, i.e. profit sharing, regulatory fees, mining royalty, special mining tax, and income tax

Project economics were estimated on the basis of long term metal price forecasts derived from prices periodically published by large banking and financial institutions and included copper at $3.00/lb, and molybdenum at $12.00/lb.

Mineral Resources

A summary of the details of the Antilla PEA is available on the Company's website. All documents related to the Antilla PEA are available on SEDAR.

A block model was generated with grade estimation constrained by modeled mineralization wireframes. Mineralization is mined from an open pit and treated using conventional flotation and hydrometallurgical flow sheets. Copper equivalent (CuEq) cut-offs were used to report the mineral resource. Metal prices: copper - US$3.25/lb and molybdenum – US$9.00/lb and metallurgical recoveries: copper - 90% and molybdenum – 80% were applied in the equivalency calculation.

During the preparation of the Antilla PEA, Tetra Tech re-classified the mineral resources and also revised the pit shell used to constrain the mineral resource for reporting, using more current pit optimization parameters. The estimation parameters for the 2015 mineral resource model are identical to that of 2013.

Tetra Tech considered that further investigation of the Antilla deposit is both warranted and necessary. Their conclusions and recommendations for future work in the Antilla PEA include the following:

- There is potential to add new mineral resources at depth and in the Northeast and Southeast sides of the pit shell. Additional drilling should be carried out to reduce the drill spacing in those zones with copper mineralization, where drill spacing distances are greater than 100 m. Additional drilling will determine, with greater confidence, both the continuity and extents of copper mineralization within and outside of the known deposit.
- The current exploration grid should be extended to include the West Block, North Block, Middle Block and Chabuco exploration targets. Continued geochemical sampling and

geophysical surveys should be carried out over these areas located next to the current mineral resources
- Mill feed hardness could be consistently soft through mine life, suggesting potential for lower crushing and grinding power requirements or alternately, a higher capacity for the plant
- Potential to use a contractor mining fleet and reduce initial capital costs
- Potential to use larger equipment sizes and reduce mining costs
- Considering the very preliminary metallurgical testwork undertaken on the project to date, there is potential to increase recoveries with additional metallurgical testing and to improve discrimination between metallurgical types within the deposit

Exploration activity on Antilla cost a total of $301,309, which included $112,895 for the completion of the Antilla PEA filed in mid-2016. The Company has incurred $177,639 in recording fees and taxes on the Antilla concessions. To the date of this MD&A, the Company has been reviewing different scenarios relating to recommendations in the Antilla PEA.

Future Work

Further work leading to a Pre-Feasibility Study on Antilla is recommended and will include drilling, mineral resource modeling, metallurgical testwork, engineering and marketing studies, hydrological and geotechnical analysis, as well as various baseline environmental and archeological studies. In addition, exploration work will be recommended over the other targets in the vicinity of the known deposits. The Company is studying various scenarios to investigate the potential to develop the Antilla Project with staged expansions or a scaled-down project.

Early Stage Exploration Projects

No exploration was conducted on the other projects held by the Company in fiscal 2016, due to the lack of available funds for exploration. A total of $663,263 was expended on the projects, the majority of which was $628,361 for recording fees and taxes on the concessions. The Company's focus remains on Cotabambas and Antilla.

Mineral Property Expenditures

The following table provides a breakdown of exploration expenditures incurred on the Company's mineral exploration and evaluation assets during the year ended December 31, 2016:

Exploration expenditures incurred in 2016:	Antilla	Cotabambas	Other	Total
Amortization	$ -	$ 21,879	$ 87	$ 21,966
Camp and site costs	2,808	283,529	3,223	289,560
Community relations	1,957	944,022	-	945,979
Environmental	-	9,392	70	9,462
Geology	-	173,323	-	173,323
Legal	3,489	2,069	94	5,652
Metallurgy	1,903	-	-	1,903
Preliminary economic assessment	112,895	9,476	-	122,371
Recording fees and taxes	177,639	64,047	628,361	870,047
Recovery of taxes paid	(9,997)	(305,509)	(34,902)	(350,408)
Share-based expense	-	104,154	-	104,154
Travel	618	12,468	-	13,086
Incurred during the year	291,312	1,318,850	596,933	2,207,095
Capitalized exploration expenditures at December 31, 2015	8,414,856	36,419,967	8,245,518	53,080,341
Capitalized exploration expenditures at December 31, 2016	$ 8,706,168	$37,738,817	$ 8,842,451	$55,287,436

In fiscal 2016, the Company also incurred costs related to the Cotabambas site, made the annual Vigencia (concession) payments and continued with environmental monitoring. One of the requirements of receiving drilling permits from the Perúvian government is continual ongoing monitoring of the environment for air quality, noise, flora and fauna, along with water testing.

In fiscal 2016, the Company expended $1,624,359 on exploration and evaluation costs on the Cotabambas Project, before recovery of value-added taxes of $305,509 directly relating to the exploration expenditures. Direct salaries for project employees are capitalized to the project. At the Cotabambas project, $405,037 in employee wages were included in exploration costs capitalized during the year in the categories of camp, community relations and geology. Also included in the exploration and evaluation costs was $858,368 in community relations' costs in addition to labour costs of $85,654.

Item 1.3: Selected Annual Information

	2016	2015	2014
Interest income	$ 8,014	$ 42,142	$ 90,797
Administrative expenditures	2,830,487	2,219,275	2,577,079
Share-based expenses	603,149	--	520,869
Foreign exchange loss (gain)	(291,458)	173,104	117,039
Write-down of mineral property interests	--	2,266,865	--
Impairment of marketable securities	--	--	62,000
Loss for the year	2,531,015	4,617,102	3,186,190
Comprehensive loss	2,527,015	4,625,102	3,154,190
Loss per share, basic and diluted	0.01	0.02	0.02
Total assets	78,589,924	68,016,874	73,338,520

Item 1.4: Results of Operations

The functional and reporting currency of the Company and its subsidiaries in fiscal 2016 is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Foreign currency translation differences are recognized in profit or loss, except for differences on the translation of available-for-sale investments which are recognized in other comprehensive income.

The value of the Canadian Dollar increased from 1.3840 on December 31, 2015, to 1.3427, on December 31, 2016, an increase of $0.0413, resulting in a minor decrease in expenditures paid in US$. The Perúvian Nuevo Sole has also increased in value from C$0.4056 to C$0.4001 during the same period, also resulting in a minor decrease in costs denominated in Perúvian Nuevo Soles.

Financial Results for the Year Ended December 31, 2016 ("fiscal 2016"), Compared to the Year Ended December 31, 2015 ("fiscal 2015")

	2016	2015	Increase (decrease)
Expenses			
Amortization	$ 9,258	$ 16,614	$ (7,356)
Audit and tax	83,603	109,553	(25,950)
Communications	48,989	94,022	(45,033)
Consulting	20,435	30,793	(10,358)
Directors' fees	61,211	76,317	(15,106)
Financial consulting	320,818	-	320,818
Investor relations	71,166	89,030	(17,864)
Legal	437.633	74,829	363,394
Office	46,473	71,748	(25,275)
Professional dues and training	17,329	22,739	(5,410)
Regulatory and transfer agent	95,941	74,829	21,112
Rent and insurance	206,730	294,099	(87,369)
Salaries and benefits	747,293	1,190,074	(442,781)
Share-based expense	603,149	-	603,151
Travel	60,457	75,218	(14,761)
	2,830,485	2,219,275	611,212
Interest income	(8,014)	(42,142)	34,128
Foreign exchange (gain) loss	(291,456)	173,104	(464,562)
Write-down of mineral property interests	--	2,266,865	(2,266,865)
Loss for the year	$ 2,531,015	$ 4,617,102	$ (2,086,087)
Loss per share, basic and fully diluted	$0.01	$0.02	$0.01

The Company's loss in fiscal 2016 was $2,531,015 ($0.01 per common share) compared to $4,617,102 ($0.02 per common share) in fiscal 2015. The Company's accounting policy is to capitalize all exploration and evaluation expenditures on the properties and the loss for the period is a reflection of administration expenses along with other items.

The Company's loss of $4,617,102 in fiscal 2015 includes $2,266,865 related to the write-down of exploration and evaluation assets as discussed in Item 1.2 of this MD&A. There was no write-downs of mineral property interests in fiscal 2016.

Total comparative administrative cash expenses decreased from $2,219,275 in fiscal 2015 to $1,906,518 in fiscal 2016, a decrease of $312,757. Expenses in fiscal 2016, with no comparative expense in fiscal 2015, include $320,818 in financial consulting and share-based expense of $603,149, which increased the total administrative expenses to $2,830,487 in fiscal 2016.

The Company is a publicly-traded company, subject to the reporting requirements of a TSX V listed company. The costs of a reporting company include transfer agent fees, listing and other regulatory fees, and increased audit and legal costs. Administration costs of the head office and certain administrative costs related to the subsidiaries are also expensed.

Salaries and benefits decreased (due to both a reduction in head count and a reduction of executive salaries) by $442,781 from $1,190,074 in fiscal 2015 to $747,293 in fiscal 2016. For the first eight months of fiscal 2016, the remaining employees in Perú were working on an as-needs-basis or part-time. On September 1, 2016, salaries returned to full-time for the employees that had been working on an as-needs-basis or part-time.

Directors' fees were also reduced effective August 1, 2015, until September 1, 2016. At the date of this MD&A, the Company has a total of sixteen full and part-time employees and sixteen contract consultants providing exploration-related and administrative services to the Company. In fiscal 2015, a total of 59 employees were terminated.

Audit and tax fees decreased from $109,553 in fiscal 2015 to $83,603 in fiscal 2016.

Communications has decreased by $45,033 in fiscal 2016 from $94,022 to $48,989, due to fewer employees and a related reduction in computer and telephone costs. Rent and insurance have decreased from $294,099 in fiscal 2016 to $206,730 in 2015, due to a reduction in total office space in Lima.

The expense categories with the largest increases include financial consulting fees incurred of $320,818 in 2016 and legal which is discussed below. The financial consulting fees are paid pursuant to a financial advisory services agreement between the Company and Macquarie Capital Markets Canada Ltd. ("Macquarie"). Common shares recorded at $52,401 are included in the financial consulting fee.

Legal fees have increased from $74,239 in fiscal 2015 to $437,633 in fiscal 2016, primarily due to legal costs related to the completion of the Cotabambas Early Deposit Agreement with Silver Wheaton. The cost includes completion of all security and assignment documentation relating to the early receipt by the Company of the last payment under the Cotabambas Early Deposit Agreement. The Company has also incurred some restructuring costs to move the mineral property assets in Peru other than Cotabambas into two of the previously incorporated entities in Peru.

Travel and investor relations costs have decreased from $89,030 and $75,218, respectively, in fiscal 2015 to $71,166 and $60,457 in fiscal 2016. The two expense categories reflect reduced marketing and shareholder communications' activity carried out by the Company. Travel is also incurred from head office to the Lima office.

Interest revenue has decreased from $42,142 in fiscal 2015 to $8,014 in fiscal 2016, due to lower cash balances held by the Company throughout most of fiscal 2016.

The Company may let certain mineral concession blocks lapse from its non-core projects, and as such, a total write-down of acquisition costs and deferred exploration costs of $2,266,685 relating to these concession blocks was recorded in fiscal 2015.

Item 1.5: Summary of Quarterly Results

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

	Dec 2016	Sept 2016	June 2016	March 2016	Dec 2015	Sept 2015	June 2015	March 2015
Revenue	-	-	-	-	-	-	-	-
General and administrative	922	368	548	390	395	479	731	615
Share-based expense	603	-	-	-	-	-	-	-
Interest income	(6)	(2)	-	-	-	(3)	(12)	(22)
Foreign exchange (gain) loss	(173)	(92)	(12)	(56)	13	35	-	125
Write-down of mineral property interests	-	-	-	-	2,267	-	-	-
Loss for the period	1,346	274	536	333	2,670	510	719	718
Loss per share	0.01	0.00	0.00	0.00	0.02	0.00	0.00	0.00
Net exploration expenditures incurred	1,621	155	325	106	514	1,217	1,793	1,278

(All amounts in the notes and tables of the financial section are extrapolated from the consolidated financial statements and are presented in 000's of Canadian Dollars) (All loss per share information is rounded to the nearest penny)

Item 1.6: Liquidity

Liquidity risk is the risk that the Company will not be able to operate in the normal course of business for the next twelve months. The Company is considered to be in the exploration and development stage and is currently exploring mineral properties in Perú. The Company has no history of revenues from operating activities and will have negative cash flow from operations in future periods until commercial production is achieved from its advanced exploration stage projects.

The consolidated financial statements as at December 31, 2016, and for the year ended December 31, 2016, were prepared on a going concern basis which assumes that the Company will be able to realize its assets and settle its obligations in the normal course of business.

The Company has no operating revenue and incurred a loss of $2,531,015 for the year ended December 31, 2016 (2015 - $4,617,102). As at December 31, 2016, the Company has an accumulated deficit of $32,014,711, cash and cash equivalents and short-term investments of $8,566,923 and working capital of $3,989,239.

Based on its financial position at December 31, 2016, the available funds are adequate to meet requirements for the estimated administration and operations, including exploration and development on its exploration and evaluation assets that are planned for the next 12 months of operations.

The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or achieve operating profitability and generate positive cash flows. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or generate positive cash flows. If the Company is unable to obtain adequate financing, the Company will be required to curtail operations, exploration, and development activities and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

The Company and its wholly-owned subsidiary entered into a definitive Early Deposit Precious Metals Purchase Agreement (the "Agreement") signed on March 21, 2016, with Silver Wheaton (Caymans) Ltd. ("Silver Wheaton"), in respect of the Cotabambas project located in Perú.

The principal terms of the Cotabambas Early Deposit Agreement are such that Silver Wheaton will pay the Company upfront cash payments totalling US$140.0 million for 25% of the payable gold production and 100% of the payable silver production from the Company's Cotabambas Project in Perú. In addition, Silver Wheaton will make production payments to the Company of the lesser of the market price and US$450 per payable ounce of gold and US$5.90 per payable ounce of silver delivered to Silver Wheaton over the life of the Company's Cotabambas Project.

The Company is entitled to receive US$14.0 million spread over up to 9 years as an early deposit, with payments to be used to fund expenses related to the Cotabambas Project. The financing includes provisions to accelerate these payments, whereby Silver Wheaton will pay an additional payment in an amount equal to the amount of funds raised in any offering of equity securities for the purpose of exploration of the Cotabambas Project during the period January 27, 2016, to March 21, 2018, up to a maximum of US$3.5 million (US$2.0 million received to the date of this MD&A), for all such offerings. The acceleration could result in total early deposit payments of up to US$7.0 million being made to the Company in the first two years of the agreement (US$4.75 million received to date). Up to the date of this MD&A, the Company received the initial US$2.0 million, pursuant to the agreement, an additional US$2.0 million as a matching of funds raised by the Company on an offering of securities, and a scheduled semi-annual payment of US$0.750 million received in March 2017.

The total of US$14.0 million in payments will be sufficient for the Company's minimum working capital for the foreseeable future.

The remaining US$126.0 million is payable in instalments during construction of the Cotabambas Project.

Risks relating to the Agreement include the ability of the Company to maintain the working capital requirements in the Agreement. Silver Wheaton will have the option to terminate the Agreement either 90 days following delivery of a Feasibility Study or at any time upon giving the Company three months' notice, other than the first two payments totalling US$2.0 million. Silver Wheaton can elect to receive a portion of the early deposit either as cash or shares upon termination, with the Company having rights to defer cash payments for up to two years. If Silver Wheaton elects to terminate the Agreement, repayment with interest at 8% per annum, will be required, within two years of notice of termination. This includes a repayment of one-third of the net proceeds of any form of financing.

On June 20, 2016, the Company issued 790,130 common shares to Macquarie Capital Markets Canada Ltd. ("Macquarie"), pursuant to a Financial Advisory Services Agreement between the Company and Macquarie dated January 27, 2016. Macquarie acted as financial advisor to the Company in connection with the Cotabambas Precious Metals Agreement.

The Company agreed to pay a fee to Macquarie in an amount equal to 6% of the payments up to, but not including, the final payment to be received by the Company from Silver Wheaton due to construction at the Cotabambas project. The Company had the option to pay the fee to Macquarie by making a payment of 4% in cash and 4% in common shares, up until March 21, 2017. Thereafter, the fee will be 6% in cash. The fees are to be paid from funds other than those received pursuant to the Agreement.

Private Placement

In August 2016, the Company completed a non-brokered private placement of 36,717,817 units (the "Units") at a price of $0.18 per unit for gross proceeds of $6,609,207. Share issue costs of $234,449, including a finder's fee of 6% on a portion of the proceeds were paid, for net proceeds of $6,374,758. Each Unit consists of one common share of the Company and one-half of a non-transferable common share purchase warrant (a "Warrant"). Each whole Warrant will entitle the holder thereof to purchase one common share at an exercise price of $0.27 for a period of 24 months from the date of closing. At December 31, 2016, there were 18,358,905 Warrants outstanding.

Although the Company presently has sufficient financial resources to cover its existing obligations and operating costs and undertake its currently planned programs for the next year, the Company expects to require further funding in the longer term to fund ongoing exploration and evaluation activities and ultimately develop its properties. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company. These conditions create a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or achieve operating profitability and generate positive cash flows. The Company is in the business of exploring and developing mineral property interests, and as such, must continually seek sources of financing to further develop and explore its mineral exploration and evaluation assets and to support general and administrative expenses.

The Company will continue to seek additional financing through the sale of mineral property interests, debt financing, and equity financing, and optioning its other mineral property interests.

However, it is not certain that such financing will be available. The Company may be adversely impacted by a lack of normal available financing, inability to maintain mining licenses, and continued uncertainty in the exchange and commodity markets.

If the Company is unable to obtain adequate financing for additional exploration, the Company may be required to continue to curtail operations, exploration, and development activities.

Based on its financial position at December 31, 2016, the available funds are adequate to meet requirements for the estimated operations, exploration and development expenditures planned for the next eighteen month period.

The change in cash and accounts payable is as follows:

	December 2016	December 2015	Change
Cash	$4,538,826	$ 212,647	$4,326,179
Short-term investment	4,028,097	-	4,028,097
Accounts payable	(2,063,076)	(1,384,373)	(678,703)
Precious Metals Purchase Agreement	(2,643,450)	-	(2,643,450)
Net	$3,860,397	$ (1,171,726)	$4,942,123

The change in cash and cash equivalents is due to cash used in operations of $1,901,849 (2015: $2,058,287), primarily used for administration expenses, cash invested into exploration and evaluation of projects of $2,431,383 (2015: $5,178,886), an increase reduction in accounts payable and accrued liabilities of $678,705 (2015: reduction of $696,544) and a recovery of the value-added taxes in Perú of $350,948 (2015: $249,848).

In fiscal 2016, the Company received net proceeds of $6,374,756 in a private placement, and $5,286,900 in early deposit payments from the Agreement, for a total of $11,661,656. There were no financing activities in the same period in fiscal 2015.

Item 1.7: Commitments and Capital Resources

In the normal course of business, the Company enters into contracts that result in commitments for future payments. The following table summarizes the remaining contractual maturities of the Company's operating and capital commitments. The Company has the following commitments:

	2017	2018	2019	2020	2021	Total
Office lease (Vancouver)	$ 53,866	$ 55,448	$ 58,613	$ 60,195	$ 30,098	$ 258,220
Office leases (Perú) (US$)	$ 65,974	$ -	$ -	$ -	$ -	$ 65,974
Warehouses (3) (S/.)	$ 29,444	$ 3,813	$ -	$ -	$ -	$ 33,257
Accounts payable and accrued liabilities	$1,268,038	$ -	$ -	$ -	$ -	$1,268,038
Community agreement accrual	$ 795,038	$ -	$ -	$ -	$ -	$ 795,038
Community agreements, other commitments	$ 367,232	$ 13,923	$ -	$ -	$ -	$ 381,155

Vigencias (or recording fees) of US$3 per hectare are not commitments, but rather the annual payments required to maintain mineral concessions in good standing with the Perúvian government. The actual payment made in 2016 for the 2015 year was US$478,636 (2015 -

US$631,759 relating to the 2014 year). The ultimate amount to be paid is based on a formula relating to exploration costs incurred, offset against the basic fee and penalty. After the 6th year, an annual penalty must be paid per hectare, starting at US$6 per hectare, until after 12 years, the additional fee increases to US$20 per hectare. The penalties are reduced, based on exploration activity on the concessions, and the reduction is determined each year by the Perúvian government. The Company estimates the annual costs to be approximately US$639,162 for the 2016 year and is payable by June of fiscal 2017. This balance is higher than the payment made in fiscal 2016, due to the lower exploration expenses incurred in fiscal 2016.

The Company has an office lease in Lima and three warehouses in Cusco, and an office lease in Vancouver, Canada. The Company is currently negotiating a lease on office space in Lima, Peru, as the current office lease expires in July. Lease payments are expected to be similar to the monthly costs currently being incurred.

At the date of this MD&A, there is one community agreements signed with communities in the vicinity of the Cotabambas Project. The community agreements have various social commitments which are only for the term of each agreement. The social commitments may include infrastructure, vehicles, and community storage, along with teachers and computers for schools and scholarships for students. Pursuant to the community agreements, the Company also hires local workers to perform various construction, exploration and remediation work. In 2016, a playing field was completed in the Community of Cotabambas. In total, $945,979 (2015 - $1,098,271) was incurred for community projects and local workers under community agreements and for additional costs and workers not included in a community agreement.

Item 1.8: Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Item 1.9: Transactions with Related Parties

During the year ended December 31, 2016, there were no transactions with directors and officers and/or companies controlled by directors or officers in common with the Company.

Item 1.10: Fourth Quarter

Financial Results for the Three Months Ended December 31, 2016 ("Q4 2016"), Compared to the Three Months Ended December 31, 2015 ("Q4 2015")

The Company's loss in Q4 2016 was $1,346,432 ($0.01 per common share) compared to $2,669,551 ($0.01 per common share) in Q4 2015.

	Q4 2016	Q4 2015	Increase (decrease)
Expenses			
Amortization	1,721	3,849	(2,128)
Audit and tax	15,000	29,550	(14,550)
Communications	13,282	17,207	(3,925)
Consulting	20,435	6,627	13,808
Directors' fees	21,511	16,217	5,294
Financial consulting	144,017	-	144,017
Investor relations	60,084	(2,423)	62,507
Legal	221,232	13,614	207,618
Office	18,932	13,173	5,759
Professional dues and training	13,584	2,413	11,171
Regulatory and transfer agent	17,736	15,207	2,529
Rent and insurance	48,562	61,443	(12,881)
Salaries and benefits	301,190	218,553	82,637
Share-based expense	603,149	-	603,149
Travel	24,328	(546)	24,874
	1,524,763	394,884	1,129,879
Interest income	(5,389)	(5,215)	(174)
Foreign exchange (gain) loss	(131,694)	13,017	(144,711)
Write-down of mineral property interests	-	2,266,865	(2,266,865)
Loss for the period	$ 1,387,680	$ 2,669,551	$(1,281,871)

Administrative cash expenses increased by $524,602 in Q4 2016, as compared to Q4 2015. The largest increases were in salaries and fees, an increase of $82,637, due to staff salaries for some employees reverting back to the levels in August 2015, and bonuses paid to employees who had taken a lower salary in September 2016, than previously earned up to September 2015. Travel and investor relations increased by $87,381, respectively, between Q4 2015 and Q4 2016. In Q4 2015, there was no investor marketing, whereas in Q4 2016, marketing and investor relations activities were resumed to communicate the Company's planned activities for 2017.

Legal costs increased by $207,618 in Q4 2016, primarily due to the legal fees and opinions related to the documentation and security agreements required by receiving the additional early deposit payment of US$2,000,000 received in December 2016. Related to the early receipt, the Company incurred financial consulting fees of $144,017, related to the agreement with Macquarie.

Share-based expense of $603,149 was incurred for the Black-Scholes valuation related to stock option grants in November and December of 2016. No stock options were granted in fiscal 2015.

The Company let certain mineral concessions lapse from its non-core projects in Q4 2015 for a total write-down of $2,266,685, with no comparative write-down in Q4 2016.

Interest income increased from $5,215 in Q4 2015 to $5,389 in Q4 2016, a nominal increase. Cash balances increased late in the third quarter, but rates on any short-term investments or term deposits held are less than 1% per annum, as they must be held in shorter term redeemable investments due to the timing of exploration costs.

Item 1.11: Proposed Transactions

There are no proposed transactions requiring disclosure under this section that have not already been discussed elsewhere in this MD&A.

Item 1.12 Critical Accounting Estimates

The preparation of financial statements requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of estimates and assumptions in the preparation of the Company's audited consolidated financial statements relate to the review of asset carrying values and determination of impairment charges relating to non-current assets, valuation of share-based expense, recoverability of deferred tax assets, and provision for closure and reclamation, among others. Actual results could differ from those estimates.

Functional and reporting currency - The functional and reporting currency of the Company and all of its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Foreign currency translation differences are recognized in profit or loss, except for differences on the translation of available-for-sale investments which are recognized in other comprehensive income.

In concluding that the Canadian dollar is the functional currency of the parent, and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant, the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

Going concern - In concluding the Company is a going concern, management considers funds on hand at year end, planned expenditures and strategic objectives in its determination. Due to the nature of its business, management increases or decreases administrative and exploration expenditures based on available working capital. Focus is on the concessions in Perú and keeping them in good standing by making the annual payments due by the end of June in each year. Presentation of the consolidated financial statements assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In concluding the Company is a going concern, management considered funds on hand at year end, the budgeted expenditures and strategic objectives in their determination. Management has prepared a cash flow forecast incorporating planned exploration expenditures and administrative expenses for the year ending December 31, 2017, and has concluded that cash on hand at December 31, 2016, is sufficient to fund operations through the 2017 fiscal year. Please refer to Item 1.6, Liquidity, for a discussion of the Agreement which should provide enough working capital for fiscal 2017 with a reduced operating budget, and provides for the payment of the Vigencias in June 2017 for all of the Company's concessions.

Site restoration provision - The Company recognizes an estimate of the liability associated with a site restoration provision and rehabilitation of areas which have been altered due to exploration activities. Drill sites are remediated and restored on an ongoing basis.

Determination of cash-generating units ("CGU") – The Company defines a CGU as each separate property which is the smallest identifiable group of assets that may generate cash inflows that are independent of other assets or group of assets. In management's judgement each of the Company's properties are cash-generating units based on the evaluation of the smallest discrete group of assets that may generate cash flows.

Impairment of mineral properties – All capitalized acquisition costs and exploration and evaluation expenditures are monitored for indications of impairment when facts and circumstances suggest that the carrying amount of a CGU may exceed its recoverable amount. Where a potential impairment is indicated, assessments are performed for each area of interest. Judgement is required of management to determine if impairment is necessary.

Recognition of deferred income tax assets - the decision to recognize a deferred tax asset is based on management's judgement of whether it is considered probable that future taxable profits will be available against which unused tax losses, tax credits or deductible temporary differences can be utilized.

Estimating the value of stock options - The Company uses the Black-Scholes Option Pricing model to estimate the fair value of share-based awards granted. Option pricing models require the input of highly subjective assumptions. The expected life of the options considered such factors as the average length of time similar option grants in the past have remained outstanding prior to exercise, expiry or cancellation and the vesting period of options granted. Volatility was estimated based on average daily volatility based on historical share price observations over the expected term of the option grant. Changes in the subjective input assumptions can materially affect the estimated fair value of the options.

Item 1.13: Changes in Accounting Policies Including Initial Adoption

In preparing the consolidated financial statements as at and for the year ended December 31, 2016, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended December 31, 2015.

Changes in International Financial Reporting Standards (IFRS)

IFRS standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements. The following pronouncements are those that the Company considers most significant and are not intended to be a complete list of new pronouncements that may affect the consolidated financial statements.

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 was issued by the IASB on July 24, 2014, and will replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement*, and applies to classification and measurement of financial assets and financial liabilities, as defined in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change for liabilities is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income (loss) rather than in net income. IFRS 9 is effective for annual period beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact the standard is expected to have on its financial statements, but is not expected to have a significant impact.

IFRS 15, *Revenue from Contracts with Customers ("IFRS 15")*

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018, and earlier application is permitted. Given the Company has no current sources of revenue, the adoption of this standard is not expected to have a material effect on the consolidated financial statements.

IFRS 16, Leases ("IFRS 16")

IFRS 16 eliminates the classification of leases as either operating or finance leases for a lessee. Under IFRS 16, all leases are considered finance leases and will be recorded on the balance sheet. The only exemptions to this classification will be for leases that are 12 months or less in duration or for leases of low-value assets. The requirement to record all leases as finance leases under IFRS 16 will increase assets and lease liabilities on an entity's financial statements. The standard requires lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. Respectively, rent expense is to be removed and replaced by the recording of depreciation and finance expenses. IFRS 16 is effective from January 1, 2019, and can be applied before that date if IFRS 15 – *Revenue from Contracts with Customers* is also applied. The standard is effective for annual periods beginning on or after January 1, 2019. The Company does not expect the adoption of IFRS 16 will have a material effect on its financial statements given the extent of its current use of leases in the ordinary course of business.

Item 1.14: Financial Instruments and Other Instruments

The carrying amounts of cash and cash equivalents, short-term investments, marketable securities, accounts and advances receivable, and accounts payable approximate their fair values due to their short-term nature.

Item 1.15.a: Other MD&A Requirements

Additional information relating to the Company including its Annual Information Form and annual consolidated financial statements and MD&A for the year ended December 31, 2016, are available on SEDAR at www.sedar.com.

Item 1.15.b Contingent receivable

Contingent receivable

In 2007, the Company entered into a Purchase and Sale Agreement ("Mindoro Agreement") with Mindoro Resources Ltd. and its subsidiaries (collectively, "Mindoro"). Further to the Mindoro Agreement, Mindoro was required to make four cash installment payments to the Company, two of which, totaling $2,000.000 in cash and shares, were received in fiscal 2007. At the time of disposition, the likelihood of the nickel laterite prospect going into production was unknown, and the final two payments were not recorded as a receivable. The nickel laterite prospect has commenced production, but the ability of Mindoro to make the payments is uncertain and is not probable at this time; and therefore, the Company will record any proceeds from Mindoro in operations when received. In accordance with the Mindoro Agreement, the two payments are to be made as follows:

a) $500,000 on the fifteenth business day following the loading on board a ship or other conveyance for transport to a purchaser of an aggregate one million wet metric tonnes of nickel laterite, which became due on August 28, 2015, and was not paid by Mindoro to the Company; and

b) $500,000 on the first anniversary of the loading on board a ship or other conveyance for transport to a purchaser or treatment facility of an aggregate one million wet metric tons of nickel laterite, or August 28, 2016.

As of the date of this MD&A no payment has been received. The Mindoro Agreement is still in effect, and the Company has not issued written notice to Mindoro regarding the breach of the Mindoro Agreement.

Item 1.15.c: Disclosure of Outstanding Share Data

Stock options to purchase common shares have been granted to directors, officers and employees at exercise prices determined by reference to the market value or by the board of directors on the date of the grant. Historically, the board has determined the exercise price of the stock options as the greater of a) current market value of the shares and b) recent financing prices.

The following summarizes information about stock options outstanding and exercisable at the date of this MD&A:

Year of Expiry	Number of Options	Weighted Average Exercise Price
2017	4,650,000	$0.85
2019	3,250,000	$0.36
2021	8,325,000	$0.20
	16,225,000	$0.42

Each option is exercisable for one common share of the Company. The weighted average life of exercisable options outstanding is 3.2 years at December 31, 2016.

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 ("AGM") as amended, at the Annual General Meeting held on June 21, 2016. Options granted under the plan vest immediately or over a period of time at the discretion of the board of directors. Pursuant to the terms of the Company's stock option plan, any options that expire during a trading blackout will be extended until ten (10) business days after the trading blackout is lifted.

As of the date of this MD&A, there were 18,358,905 share purchase warrants, exercisable at $0.27 until August 26, 2018.

At the date of this MD&A, there were 258,148,765 common shares outstanding, as well as 258,148,765 common shares fully diluted (as outstanding options are not in-the-money and therefore are not included in the diluted figure).

CAUTION REGARDING FORWARD LOOKING STATEMENTS: Information and statements contained in this MD&A that are not historical facts are "forward-looking information" within the meaning of applicable Canadian securities legislation and involve risks and uncertainties. Examples of forward-looking information and statements contained in MD&A include information and statements with respect to:

- acceleration of payments by Silver Wheaton to match third party financing by Panoro targeted for exploration at the Cotabambas Project
- payment by Silver Wheaton of US$140 million in installments
- Panoro weathering the current depressed equity and commodity markets, minimizing dilution to existing shareholders and making targeted investments into exploration at the Cotabambas Project
- mineral resource estimates and assumptions
- the PEAs, including, but not limited to, base case parameters and assumptions, forecasts of net present value, internal rate of return and payback, for the Cotabambas and Antilla projects;
- copper concentrate grade from the Cotabambas and Antilla Projects;

Various assumptions or factors are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. In some instances, material assumptions and factors are presented or discussed in this news release in connection with the statements or disclosure containing the forward-looking information and statements. You are cautioned that the following list of material factors and assumptions is not exhaustive. The factors and assumptions include, but are not limited to, assumptions concerning: metal prices and by-product credits; cut-off grades; short and long term power prices; processing recovery rates; mine plans and production scheduling; process and infrastructure design and implementation; accuracy of the estimation of operating and capital costs; applicable tax and royalty rates; open-pit design; accuracy of mineral reserve and resource estimates and reserve and resource modeling; reliability of sampling and assay data; representativeness of mineralization; accuracy of metallurgical test work; and amenability of upgrading and blending mineralization.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ materially from those expressed or implied by the forward-looking statements, including, without limitation:

- risks relating to metal price fluctuations;
- risks relating to estimates of mineral resources, production, capital and operating costs, decommissioning or reclamation expenses, proving to be inaccurate;
- the inherent operational risks associated with mining and mineral exploration, development, mine construction and operating activities, many of which are beyond Panoro's control;
- risks relating to Panoro's ability to enforce Panoro's legal rights under permits or licenses or risk that Panoro's will become subject to litigation or arbitration that has an adverse outcome;
- risks relating to Panoro's projects being in Perú, including political, economic and regulatory instability;
- risks relating to the uncertainty of applications to obtain, extend or renew licenses and permits;
- risks relating to potential challenges to Panoro's right to explore and/or develop its projects;
- risks relating to mineral resource estimates being based on interpretations and assumptions which may result in less mineral production under actual circumstances;
- risks relating to Panoro's operations being subject to environmental and remediation requirements, which may increase the cost of doing business and restrict Panoro's operations;
- risks relating to being adversely affected by environmental, safety and regulatory risks, including increased regulatory burdens or delays and changes of law;
- risks relating to inadequate insurance or inability to obtain insurance;
- risks relating to the fact that Panoro's properties are not yet in commercial production;
- risks relating to fluctuations in foreign currency exchange rates, interest rates and tax rates; and
- risks relating to Panoro's ability to raise funding to continue its exploration, development and mining

activities.

This list is not exhaustive of the factors that may affect the forward-looking information and statements contained in this news release. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking information. The forward-looking information contained in this news release is based on beliefs, expectations and opinions as of the date of this news release. For the reasons set forth above, readers are cautioned not to place undue reliance on forward-looking information. Panoro does not undertake to update any forward-looking information and statements included herein, except in accordance with applicable securities laws.

Cautionary Note to US Investors

Information and disclosure concerning mineral properties in this MD&A has been prepared in accordance with Canadian disclosure standards under applicable Canadian securities laws, which are not comparable in all respects to United States disclosure standards. The terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource" (and similar expressions) used in this MD&A are Canadian mining terms as defined in accordance with National Instrument 43-101 ("NI 43-101") under guidelines set out in the standards set by the Canadian Institute of Mining, Metallurgy and Petroleum.

While the terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource" are recognized and required by Canadian regulations, they are not defined terms under the standards of the U.S. Securities and Exchange Commission ("SEC"). As such, certain information contained or incorporated by reference in this MD&A concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC. An "Inferred Mineral Resource" has a great amount of uncertainty as to its existence and as to its economic and legal feasibility. It cannot be assumed that all or any part of an "Inferred Mineral Resource" will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. Investors are cautioned not to assume that all or any part of Measured, Indicated or Inferred Mineral Resources will ever be converted into Mineral Reserves. Investors are also cautioned not to assume that all or any part of an "Inferred Mineral Resource" exists, or is economically or legally mineable.

All dollar amounts set forth in the tables and financial section of this MD&A are expressed in Canadian dollars and referred to as "$" and recorded under IFRS unless otherwise specifically indicated. There are also references in this MD&A to Perúvian Nuevos Soles ("S/.") and United States dollars ("US"). As at December 30, 2016, the closing rate for one Canadian dollar in S/. was C$1.00 = S/. 2.4994, and the closing rate for one Canadian dollar in USD was C$1.00 = US$0.7448 as reported by the Bank of Canada.

Qualified Person

The technical information in this MD&A has been reviewed and approved by Mr. Luis Vela, a Qualified Person as defined by NI 43-101. Mr. Vela is responsible for the preparation and/or verification of the technical disclosure in this document unless otherwise noted.

Additional Sources of Information

For a complete understanding of the Company's business environment, risks and uncertainties and the effect of accounting estimates on its results of operations and financial condition, this MD&A should be read together with the Company's Audited Financial Statements, the Annual Information Form for the year ended December 31, 2016, the 2017 Management Information Circular for the meeting to be held in June 2017, Material Change Reports, press releases, and the Company's technical reports, each of which are available on the SEDAR website at www.sedar.com or on the Company's website www.panoro.com.