# PANORO MINERALS LTD.

## Management's Discussion and Analysis

For the Year Ended December 31, 2018

April 29,

2019

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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, 2018 ("fiscal 2018"), and up until the date of this MD&A. The MD&A complements and supplements the audited consolidated financial statements of the Company, but does not form part of the audited consolidated financial statements. The following discussion and analysis should be read in conjunction with the consolidated financial statements of the Company for fiscal 2018.

This MD&A is prepared and dated April 29, 2019.

## Item 1. 2: Overall Performance and Outlook

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.

Developments on in the Company in fiscal 2018 and to the date of this MD&A are summarized below.

Readers are directed to the Company's 2018 Annual Information Form available on Sedar.com and the Company's website for a detailed discussion and history on all the Company's projects.

### Outlook and Financial Update

During fiscal 2018 and to date in fiscal 2019 the Company has progressed with the advancement at four of its copper projects in Peru including important corporate development and financing initiatives. A summary of the principal advancements includes:

- Advancement of the exploration work at the Cotabambas Project, including:
    - exploration drilling program at the Maria Jose satellite target in Cluster 1;
    - step-out drilling at the and Petra-David target in Cluster 1;

- Approval of expanded semi-detailed Environmental Impact Assessment to include areas of Cluster 2 in the area permitted for exploration drilling; and
- exploration at the Chaupec satellite target in Cluster, including:
  - mapping and sampling;
  - geophysical testing; and
  - commencement of an exploration drilling program.

- Advancement of the Antilla Project, including:
  - technical report for Preliminary Economic Assessment for heap leaching of secondary sulphide mineralization;
  - column leach testing of secondary sulphide mineralization
- Sale of Kusiorcco Project to Hudbay Minerals, including;
  - Cash payments;
  - 2% NSR royalty; and
  - early exercise of Warrants.
- Joint Venture agreement with Japanese Oil and Gas Mineral Exploration Corporation (JOGMEC) for the Humamantata Project, including
  - US$8 million investment commitment to earn in 60% interest.
- Continuity of Wheaton Precious Metals Precious Metals Streaming Agreement, including;
  - Receipt of two early advance deposits totalling US$1.5 million.

During fiscal 2018, the Company received two semi-annual payment of US$750,000 for a total of US$1,500,000 was received from the Early Deposit Precious Metals Purchase Agreement (the "PMPA"), with Wheaton Precious Metals (Caymans) Ltd. ("Wheaton Metals"). These funds have provided the Company with operating capital and funding for Cotabambas project investment.

Working capital received in 2018 and to date in 2019 includes $992,018 received from the exercise of warrants in 2018. In January 2019 an additional payment of US$500,000, pursuant to the terms of the Kusiorcco Project disposition.

## Cotabambas Project

In fiscal 2015, the Company completed and updated a PEA for the Cotabambas Project. The initial PEA was filed on SEDAR on May 25, 2015, (the "Initial PEA") and the updated PEA 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 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 testing on the hypogene and supergene sulphides, as well as the mixed 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.

As a result of the PEA recommendations in the updated PEA noted above:

1. Six drill holes were drilled at the Maria Jose 1 and 2 targets and the Petra target in 2018, the first phase of the geophysical surveys and exploration drilling at the Maria Jose target to the north of the Ccalla deposit and drilling was conducted in 2017
.
2. The Cotabambas project remains the principal focus of investment where the Company completed 6,633 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 Maria Jose, Petra David and Breccia targets) to the end of 2018.

3. In 2018, sulphide mineralization at the Maria Jose target and oxide mineralization at both the Maria Jose and Petra David targets were the subject of additional drilling exploration.

<u>The Chaupec Target</u>

In July 2016, the Company announced the discovery of a new prospect at the Cotabambas Project, the Chaupec Target in Cluster 2. Mineralization at Chaupec consists of a polymetallic skarn developed at the contact between Cretaceous diorite and carbonate rocks of the Lower Tertiary Ferrobamba Formation.

Panoro's mapping and sampling work at the Chaupec Target in 2018 delineated sixteen anomalies within the three zones of mineralization. The anomalies in Zones 1 and 2 are in skarn mineralization with grades at surface of up to 1.65% Cu in Zone 1 and up to 0.59% Cu in Zone 2. The anomalies in Zone 3 are within quartz monzonite porphyry (QMP) mineralization with grades of up to 0.67% Cu.

The mineralization at Chaupec has high continuity over an area of 1 km by 3.5 km, elongated in the North-South direction. Panoro has completed detail mapping at 1:1,000 scale, collected and tested 1,626 rock samples, and completed geophysics surveys including 72 km of IP, 85 km of magnetometry and 67 km of self-potential. See map and cross sections attached.

The geophysical program was completed at the northern area of Zone 1 at Chaupec, where the diorite overthrusts the limestones layers from east to west. Dikes and sills of quartz-monzonite porphyry intrude the contact generating skarn bodies up to 450m width. The associated mineralization is composed of copper oxides, chalcopyrite, chalcocite, and bornite sulphides outcropping at surface. The package of sills/skarn is exposed along an area of approximately 450 m by 600 m along the contact of the diorite over thrusting the limestones of the Ferrobamba formation. The completed geophysical survey at the Chaupec Target covered an area of 500 by 1,000m, and included:

1. 3D Ground magnetometry including 20 lines of 1km length each, at 25m spacing between lines and continuous readings.

2. IP-3D including 10 lines of 1 km length, spacing of 50m between lines and with stations of 25, 50, 75 & 100 meters multi-dipole with penetration to 500m depth; and a gravity survey with 110 points spaced 50 to 100m over the same grid as the magnetometry and IP.

The highest chargeabilities measured from 8 to 11 mV/V and are located from 120 m to 350 m depth below the skarn/porphyry dikes outcroppings, covering an area of 240 m by 550 m with the same strike of the copper mineralization. Areas of high magnetics (>0.116n.T.) are located next to and around the high chargeability zone.

The high resistivity signatures (1800 to 3,000 Ohm/m) overlap the front of limestones with a smooth increase into the main chargeability zone. The gravimetry discerned a high density zone (1.2 to 1.9 gm/cm3) in an east-west direction crosscutting the high chargeability and magnetics.

The sharp change in strike in the outcropped skarn overlaps the area of high density, high magnetics and high chargeability suggests a possible stock porphyry location as the principal source of the copper mineralization. Skarns and porphyry dikes are exposed at surface.

Drilling carried out in early 2019 of 1,000 m is close to completion at the date of this MD&A at the Chaupec Target, in Cluster 2, from the results of the geophysics completed in 2019. Drilling will continue at a later date after early holes and results are analyzed.

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 | # | Area | | Arithmetic Average Grade (*) | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Cu ppm | Samples | 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.

## Antilla Project

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. This report is also available on the Company's website.

The Company is pursuing divestiture or JV opportunities on a number of its non-core assets, including the Antilla project.

On May 14, 2018, the Company announced the results of an independent Preliminary Economic Assessment ("2018 PEA"). A summary of the PEA follows. The 2018 PEA Technical Report was filed on June 26, 2018, and can be found on the Company's website and on sedar.com.

**Highlights**

- Pre-tax Estimates:
  - NPV (7.5%) of US$ 519.8 million;
  - IRR of 34.7%; and
  - Payback of 2.6 years.
- After-tax Estimates:
  - NPV (7.5%) of US$ 305.4 million;
  - IRR of 25.9%; and

- Payback of 3.0 years.

- Conventional open pit mine focused on supergene copper sulphides;
- Heap Leach and Solvent Extraction Electrowinning (SX/EW) process;
- Design throughput of 20,000 tonnes per day with an operational mine life of 17 years
- Low waste to mill feed ratio of 1.38:1;
- Average annual payable copper of 46.3 million pounds, as Cathodes;
- Average direct cash costs (C1) of US$1.51 per pound of payable copper;
- Initial Project capital costs of US$ 250.4 million, including contingencies; and
- Good potential for discovery of additional supergene mineralization adjacent to the current mineral resource area.

The Company is conducting a strategic review of alternatives to advance the Antilla Project into feasibility studies, permitting and development.

The 2018 PEA was prepared by Moose Mountain Technical Services Ltd. ("MMTS") in accordance with the definitions in Canadian National Instrument 43-101. The 2018 PEA is based on a Mineral Resource estimate completed by Tetra Tech Inc. ("Tetra Tech") in December 2013, 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 mixed hypogene and supergene copper mineralization.

The PEA is considered preliminary in nature. The mine plan of the PEA includes 113.3 million tonnes of Indicated Mineral Resources and 5.4 million tonnes of Inferred Mineral Resources. Inferred Mineral Resources 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 the PEA will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

The 2018 PEA mine plan has focused on the higher grade, near surface secondary sulphides, which are amenable to processing through heap leaching, solvent extraction, and electrowinning (LIX-SX-EW). As a result, the initial capital costs have been reduced by 59%, the C1 cash costs reduced by 18%, the C2 cash costs by 23% and the sustaining capital required for a tailings facility has been eliminated. The base case, after tax NPV (7.5) has increased 36%, the IRR has increased 11% and the payback period has been reduced by 27%. Over 95% of the mineralized material contained in the mine plan is classified as Indicated. The improved Antilla Project is now near the lower quartile of new copper projects in terms of both cash costs and capital intensity. The much reduced $250 million initial capital cost is expected to facilitate a broader range of strategic financing and/or development approaches to advancing the Antilla Project through feasibility studies and into development and operation.

**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**

| Copper Price ($/lb) | Before Tax* | | | | | After Tax | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 487 | 383 | 301 | 28.8 | 2.9 | 232 | 169 | 118 | 18.7 | 3.6 |
| **3.05** | **648** | **520** | **419** | **34.7** | **2.6** | **394** | **305** | **236** | **25.9** | **3.0** |
| 3.25 | 755 | 611 | 497 | 38.4 | 2.5 | 501 | 397 | 314 | 30.3 | 2.7 |

* Excluding Peru statutory charges, i.e. profit sharing, regulatory fees, mining royalty, special mining tax, and income tax

** The economic results are based on the heap leach tonnages in the selected ultimate pit. The heap leach tonnages include Inferred Resources. The reader is cautioned that Inferred Resources are considered too speculative geologically to have the economic considerations applied to them that would enable categorization as Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Note: base case at Cu=$US 3.05 long term price in bold,

Project economics were estimated on the basis of long-term copper price of US$3.05/lb. The long-term forecasts were derived from prices periodically published by large banking and financial institutions and were applied to years 4 to 17 of the mine life. Shorter term copper price estimates were used for Years 1 to 3 of the mine life reflecting higher price forecasts in the shorter term. For the base case, Years 1 to 3 of the mine life used estimated copper prices of $3.20, $3.15 and $3.10, respectively. Molybdenum is not included in the proposed process recovery and not included in the project economics.

### Mineral Resources

The PEA was based on a Mineral Resource model prepared by Tetra Tech, which is documented in a technical report filed on Sedar, dated December 16, 2013.

Mineral Resources were estimated by Qualified Person Paul Daigle, PGeo. (APGO #1592). A block model was generated with grade estimation constrained by modeled mineralization wireframes. Mineralization is mined from an open pit and treated using a conventional hydrometallurgical flow sheet. 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.

The Mineral Resource has an effective date of October 19, 2015, and is tabulated in Table 2 below.

**Table 2. Mineral Resource Statement*, Antilla Project, Peru, Tetra Tech Inc., October 19, 2015**

| Domain | Quantity | Grade | | |
|---|---|---|---|---|
| | '000 tonnes | Cu % | Mo % | CuEq% |
| **Indicated** | | | | |
| Overburden/Cover | 5,600 | 0.25 | 0.01 | 0.28 |
| Leach Cap | 13,400 | 0.25 | 0.01 | 0.27 |

| Domain | Quantity | Grade | | |
|---|---|---|---|---|
| | '000 tonnes | Cu % | Mo % | CuEq% |
| **Indicated** | | | | |
| Supergene | 168,900 | 0.41 | 0.01 | 0.42 |
| Primary Sulphides | 103,900 | 0.24 | 0.01 | 0.26 |
| **Total Indicated** | **291,800** | **0.34** | **0.01** | **0.36** |
| **Inferred** | | | | |
| Overburden/Cover | 500 | 0.22 | 0.009 | 0.24 |
| Leach Cap | 13,400 | 0.21 | 0.008 | 0.22 |
| Supergene | 25,900 | 0.34 | 0.008 | 0.36 |
| Primary Sulphides | 50,700 | 0.24 | 0.007 | 0.25 |
| **Total Inferred** | **90,500** | **0.26** | **0.007** | **0.28** |

* Mineral resources are not mineral reserves and have not demonstrated economic viability. All figures have been rounded to reflect the relative accuracy of the estimates. Reported at a cut-off grade of 0.175 CuEq%; assuming an open pit extraction scenario, a copper of US$3.25 per pound and a molybdenum price of US$ 9.00 per pound, and a metallurgical recovery of 90 percent for copper and 80 percent for molybdenum.

**Mining and Processing**

The 2018 PEA incorporates an open pit mining operation using conventional truck and shovel methods delivering mineralized material to the heap leach pad. Mining will be done using contractors. The estimated 17 year life of mine includes 118.7 million tonnes of mineralized leach pad feed plus 163.4 million tonnes of waste rock resulting in an average waste:process feed ratio of 1.38:1. The average life of mine leach pad head grade is 0.43% copper. The leach material placement is planned at an average rate of 20,000 tonnes per day. The waste rock will be placed in a storage area to the west of the pit, in between the pit and the leach pad.

Of the 118.7 million tonnes of leach material mined from the open pit, 117.1 million tonnes is classified as supergene enriched material with the balance of the 1.6 million tonnes being classified as overburden, leach cap or primary sulphides.

The sub-set of the Mineral Resources contained within the ultimate pit and included in the mine plan is 113.3 million tonnes averaging 0.45% Cu classified as Indicated Resources, and 5.4 million tonnes averaging 0.26% Cu classified as Inferred Resources. The reader is cautioned that the Inferred Resources included in the mine plan are considered too speculative geologically to have economic considerations applied to them that would enable categorization as Mineral

Reserves. There is no certainty that Inferred Resources will be upgraded to Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Table 3 summarizes the production parameters:

**Table 3. Projected Production Summary**

| | |
|---|---|
| Total Mill Feed Material* | 118.7 million tonnes** |
| Average Placement Rate | 20,000 tonnes per day |
| Life of Mine (LOM) Strip Ratio | 1.37 |
| | **Copper** |
| Average Mill Feed Grade | 0.43% |
| Average Leaching Recoveries | 71.9% |

* The leach material in the mine plan includes Inferred Resources. The reader is cautioned that Inferred. Resources are considered too speculative geologically to have economic considerations applied to them that would enable categorization as Mineral Reserves. There is no certainty that Inferred Resources will be upgraded to Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

** The cut-off grade used to calculate the leach material is NSR>=$8.10 NSR is calculated using the following formula:

NSR = [Cu grade (%) * Cu leach recovery (%) * 57.76].

Haul trucks will deliver the run of mine, mineralized material to a two-stage crushing plant. The product from the primary crusher will feed a secondary crushing station whose product will then be stored in a crushed ore stockpile. The crushed material will be loaded to trucks and delivered to the synthetic lined valley-fill heap leach facility for irrigation with sulfuric acid and ferric solutions. The pregnant leach solution (PLS) will be recovered from the heap leach operation and piped to a conventional solvent extraction and electrowinning (SX-EW) plant to produce grade-A copper cathodes. The copper-stripped solution generated in the SX plant (raffinate) will be conditioned with sulfuric acid and fresh water and then recycled to the heap leaching operation to irrigate more mineralized material.

Preliminary metallurgical characterisation testwork was completed on samples of mineralogical materials from the Antilla project in 2017. An extended testwork program was initiated at Aminpro Laboratories in March 2018 under the direction of Tetra Tech Mining and Minerals. Aminpro Laboratories are fully certified under both ISO 9001 and 1400. The testwork program comprises quantitative mineralogical analysis, sulphuric acid and ferric sulphate bottle roll predictor tests and column leach tests aimed at characterising the copper leaching characteristics of supergene mineralogical materials. Results from the predictor tests indicate secondary copper minerals are available for extraction with close to theoretical copper extractions being achieved. The column tests remain under leach and are estimated to be completed by September 2018. The results from the column leach program will be incorporated in subsequent technical studies. No test work has been conducted on the Cover, Cap and Primary Sulphide domains as these constitute only minor portions of the deposit.

Table 4 summarizes the expected recoveries of the four mineralized domains, with the Cover and Leach Cap performance assumed to follow the main domains based on similar copper mineralogy/speciation.

**Table 4. Summary of Metallurgical Recoveries Estimated in the PEA**

| Mineralized Domain | Cu Recovery (%) |
|---|---|
| Cover* | 31.1 |
| Leach Cap* | 38.0 |
| Supergene | 72.5 |
| Primary Sulphide* | 21.2 |

* QP estimates - no supporting testwork completed

Projected production of payable metals is summarized in Table 5.

**Table 5. Summary of Annual Average and Life of Mine Payable Metals**

| | Annual Average | Life of Mine |
|---|---|---|
| Copper (Mlbs) | 46.3 | 787.5 |

## Capital and Operating Costs

The projected capital and operating costs for Antilla over a 1½ year construction period and 17-year operating mine life are summarized in the tables below.

**Table 6. Summary of Antilla Initial Capital Cost Estimates (US$ millions)**

| Item | Cost (US$ million) |
|---|---|
| Mine Equipment | 1.3 |
| Mine Development | 41.1 |
| Crushing, SX, and EW plants | 94.7 |
| Infrastructure | 42.4 |
| **Subtotal** | **179.5** |
| Owners Cost | 7.8 |
| Indirect Costs | 13.7 |
| **Subtotal** | **201.0** |
| Contingencies | 49.4 |
| **Total Initial Capital Cost** | **250.4** |

Power will be supplied via a 10 km long power line connected to the existing national grid connecting the Las Bambas mine to the Cotaruse substation in the district of Chalhuanca. This power line passes by the south part of Antilla property.

Grade-A copper cathodes produced by Antilla Project will be trucked by a contractor from the mine site to the port of Marcona, in Nazca province, along existing road networks.

**Table 7. Antilla On-site Operating Costs (US$ per tonne milled)**

| Item | Cost (US$ per tonne) |
|---|---|
| Mining Cost | 1.63 |
| Processing Cost (including crushing) | 3.85 |
| Leach Material Haulage Cost (average) | 0.81 |
| G&A Costs | 0.75 |
| **Total On-site Operating Cost** | **7.04** |

C1 and C2 cash costs, as defined by Brook Hunt, per pound of payable copper are listed in the table below.

**Table 8. Antilla Average Cash Costs (US$) per lb Payable Copper**

| Item | Cost (US$ million) |
|---|---|
| C1 - Direct Cash Cost | 1.51 |
| C2 - Production Cost | 1.82 |

**Opportunities for Project Growth and Enhanced Economics**

- Tetra Tech recommends that further investigation of the Antilla deposit is warranted and necessary. There is potential to add new mineral resources at depth and in the Northeast and Southeast sides of the pit shell. Tetra Tech recommends that additional drilling be carried out to reduce the drill spacing in those zones with copper mineralization, where drill spacing is 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.
- Tetra Tech recommends an extension of the current exploration grid to include the West Block, North Block, Middle Block and Chabuca exploration targets. Tetra Tech recommends continued geochemical sampling and geophysical surveys over these areas located next to the current mineral resources.
- Considering the preliminary metallurgical testwork undertaken on the project to date, there is potential to increase recoveries with additional metallurgical testing.

On August 6, 2018, the Company the Company announced column leach testing that indicate copper extractions of up to 77% are potentially achievable from the secondary sulphides. The 2018 PEA results announced in May 2018 included an estimated 72.5% copper recovery over a 200 day span from the secondary sulphides. The column testwork was initiated early in 2018 while the 2018 PEA was underway, but final results were not available until July 2018. The recoveries estimated for the 2018 PEA were derived from bottle roll and mineralogic testwork available at the time of the completion of the 2018 PEA. Based on the foregoing, 75% Cu extraction in 200 days is an appropriate figure to use for 2018 PEA level studies.

A potential increase in recoveries should further enhance the economics of this project. Additional testing is planned as part of feasibility studies for the Antilla Project.

The Antilla Project process included in the 2018 PEA is based on leaching secondary sulphides. This led to a column leach program, together with associated mineralogical and bottle roll leach testwork, implemented during March 2018 at Aminpro Laboratories, an ISO 9001 and 14001 Laboratory based in Lima, Peru. All works were designed and supervised by Andrew Carter, General Manager of Mining and Minerals of Tetra Tech Inc., UK Office.

**Future Work**

Further work leading to a pre-feasibility or feasibility study 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.

Environment and Permitting

Existing environmental liabilities associated with the project are restricted to those expected to be associated with an exploration-stage project, and include drill sites and access roads. Additional Environmental Baseline studies should be conducted to collect site data including surface water quality, archeology, aquatic and terrestrial biology, flora, fauna, and additional geochemical characterization of mine waste materials. This information will inform a comprehensive Environmental Impact Study.

Technical Reporting

The complete technical report documenting the 2018 PEA was filed on June 26, 2018, and is available on the Company's website and on SEDAR. The technical report is authored by the following Qualified Persons:

| **Qualified Person** | **Firm** | **PEA Area** | **Professional Affiliation** (and registration number) |
|---|---|---|---|
| | TetraTech Inc. | Geology, Resources | |
| Jesse Aarsen, PEng | Moose Mountain Technical Services Ltd. | Mining, Infrastructure | APEGBC (#38709) |
| Luquman Shaheen, PEng | Panoro Minerals Ltd | Marketing, Copper Pricing | APEGBC (#21675) |
| Andrew Carter | Tetra Tech Inc. | Mineral Processing and Metallurgical Testing | EURING (#2920GB) CENG (#378467) MIMMM (#46421) SAIMM (#19580) SME (#4112502) |
| Daniel Sepulveda | Moose Mountain Technical Services Ltd. | Recovery Methods, Processing Capex and Opex | SME #4206787RM |
| Luis Vela, CMC | Panoro Minerals Ltd. | Exploration, mineral tenure, permits | CMC (#0173) |

The information is extracted from a news release dated May 14, 2018, which was reviewed by the Qualified Persons of Tetra Tech, Moose Mountain Technical Services, and the Company.

**Kusiorcco Project**

The Kusiorcco Project was sold to a subsidiary of Hudbay Minerals Inc. ("Hudbay") in late 2017. Under the terms of the agreement with Hudbay, the Company received US$3.0 million initially; and a first milestone payment of US$500,000 was received in January 2019 on the execution of agreements with the local communities and surface titleholders. An additional three milestone payments from Hudbay are to be received as follows: US$500,000 on completion of Hudbay's first drill hole; US$500,000 on completion of Hudbay's fifth drill hole; and US$500,000 on completion of Hudbay's tenth drill hole on the project. If all of the above milestones are not achieved within five years from the date of the acquisition, Hudbay will either pay the Company the remaining milestone payments or return the Kusiorcco mining concessions to the Company, free and clear of all encumbrances. The Company also retains a 2.0% net smelter returns royalty ("NSR") from mineral production on the project. Hudbay has the option to buy back one-half of the 2% NSR (reducing the NSR to 1%) for US$2.0 million within five years of the acquisition, and for US$5.0 million thereafter.

Hudbay has indicated that they intend to proceed with exploration drilling as soon as they can in 2019 when they have obtained the required permits. Hudbay is the operator of the project and responsible for all costs.

**Humamantata Project**

The Company has optioned the Humamantata Project (the "Project") to JOGMEC. The terms of the agreement are summarized as follows:

1 JOGMEC will contribute US$1.0 Million each year for the first three years to earn a 49% interest in the Project.
2 JOGMEC has an option to earn a further 11% participating interest in the Project; for a total participating interest of 60% by making a further capital contribution to the Project of US$5.0 Million.
3 Investment in the Project will be on a pro-rata basis after JOGMEC has fulfilled its funding obligation.
4 If any party's participating Interest is diluted to less than ten percent its participating interest shall be converted to a two percent Net Smelter Return Royalty interest from the properties. The other party may purchase one-half of such royalty with a cash payment in an amount of US$2.0 million following the creation of the royalty.
5 A management committee shall make all strategic decisions and shall oversee exploration activities.
6 The Company will act as the operator responsible for implementing programs and budgets.

The Humamantata Property is located in Southern Peru, together with Panoro's portfolio of projects in the region including the Antilla and Cotabambas Projects. The Project is located approximately 10 km to the southwest of Hudbay Minerals' Constancia Copper mine and the Kusiorcco Project. The Kusiorcco Project was sold to Hudbay by Panoro Minerals where the Company received cash payments and a 2% NSR.

The Humamantata Project covers an area of 3,600 hectares. The Company completed exploration in 2014 and 2015, which included:

- geologic mapping in 1:10,000 scale, covering an area of 2,000 hectares;
- a geochemical survey with the collection 326 surface rock chip samples; and
- Airborne K-Th spectral, Analytic Signal and Magnetic field, over an area of 3,600 ha.

The Humamantata Project contains a few different types of mineralization, including:

- Cu-Au Skarn/porphyry type mineralization at the northern part of the property, where a porphyry of quartz-monzonite composition is in contact with limestones of the Ferrobamba formation. The copper hypogene mineralization is composed by chalcopyrite and bornite;
- Hydrothermal breccias and mantos with Pb-Ag & Zn anomalies in limestones in the central part of the property; and
- Extensive silicification/stockwork and advanced argillic alteration with anomalies of Cu, Mo, Au, Ag, into sandstone layers of the Mara formation.

The altered limestones and sandstones are dipping to the contact with the Andahuaylas-Yauri Batholite, striking 9 km in North-South direction. The Company and JOGMEC are planning an exploration drill program to test the continuity of the mineralized Cu-Au-Mo Porphyry that outcrops in the north part of the property, along the contact and below the supergene alteration of the southern area.

JOGMEC and Panoro have commenced work at the Humamantata Project in the area of:

- Approval of budgets for Year 1 of the Option Agreement
- Community engagement and environmental studies to support the application for a drilling permit; and
- Mapping and sampling activities to define priority areas for exploration

Panoro Minerals is the operator of the project, but all costs, including the Company's management costs are paid for by JOGMEC.

### Other Early Stage Exploration Projects

No exploration was conducted on the other projects held by the Company in fiscal 2018, due to the lack of available funds for exploration. A total of $589,064 was expended on the other projects, of which $522,127 was paid for recording fees and taxes on the concessions. The Company's primary focus remains on Cotabambas and on 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, 2018:

| | Antilla | Cotabambas | Other | Total |
|---|---|---|---|---|
| **Exploration expenditures incurred in 2018:** | | | | |
| Amortization | - | 26,955 | - | 26,955 |
| Assays and sampling | 2,904 | 134,744 | - | 137,648 |
| Camp and site costs | 105,680 | 511,433 | 53,658 | 670,771 |
| Community relations | 128,853 | 373,007 | 315 | 502,175 |
| Drilling | - | 507,334 | - | 507,334 |
| Engineering and studies | 114,582 | 224 | - | 114,806 |
| Environmental, health, safety | 3,843 | 162,716 | 1,645 | 168,204 |
| Geology | 29,213 | 541,511 | - | 570,724 |
| Geophysics | - | 150,721 | - | 150,721 |
| Legal | 49,862 | 6,587 | 8,154 | 64,603 |
| Metallurgy | 160,307 | - | - | 160,307 |
| Recording and concession fees | 207,143 | 211,071 | 522,127 | 940,341 |
| Recovery of value-added taxes | (1,007) | (57,772) | - | (58,779) |
| Share-based expense | | 154,669 | | 154,669 |
| Travel | 4,081 | 48,807 | 3,165 | 56,053 |
| Incurred during the year 2018 | 805,461 | 2,772,007 | 589,064 | 4,166,532 |

In fiscal 2018, the Company incurred drilling and other exploration-related costs including geophysics on the Cotabambas concessions, 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 2018, the Company expended $2,829,779 (2017 - $4,348,248) on exploration and evaluation costs on the Cotabambas Project, before recovery of value-added taxes of $57,772 (2017 - $91,446). Direct salaries for project employees as noted below are capitalized to the project.

At the Cotabambas project, $744,789 (2017 - $924,706) in salaries and benefits were included in exploration costs capitalized during the year in the categories of camp and site costs, environmental, health and safety, and geology and assays and sampling. Also included in the exploration and evaluation costs were community relations' expenses including $224,433 (2017 - $209,113) in salaries and benefits.

## Item 1.3: Selected Annual Information

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Interest income | $ 13,170 | $ 21,386 | $ 8,014 |
| Administrative expenditures | 2,986,111 | 2,588,502 | 2,227,336 |
| Gain on disposition of mineral property | -- | (2,107,075) | -- |
| Share-based expenses | 974,410 | 42,504 | 603,149 |
| Foreign exchange loss (gain) | (125,243) | 332,766 | (291,456) |
| Change in fair value of Early Deposit Precious Metals Agreement financial liability | 719,225 | (330,250) | -- |
| Write-down of exploration and evaluation expenses | -- | -- | -- |
| Loss for the year | 4,542,933 | 505,061 | 2,531,015 |
| Comprehensive loss | 4,543,100 | 509,561 | 2,527,015 |
| Loss per share, basic and diluted | 0.02 | 0.00 | 0.01 |
| Non-current liabilities | 2,728,400 | 2,509,000 | 2,643,450 |
| Total assets | 79,821,738 | 80,447,202 | 78,589,924 |

## Item 1.4: Results of Operations

The functional and reporting currency of the Company and its subsidiaries in fiscal 2018 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 as compared to the United States dollar decreased from 1.2545 on December 31, 2017, to 1.3642, on December 31, 2018, a decrease of $0.1097. The Perúvian Nuevo Sole has also decreased in value from C$0.4001 to C$0.4042 during the same period.

**Financial Results for the Year Ended December 31, 2018 ("fiscal 2018"), Compared to the Year Ended December 31, 2017 ("fiscal 2017")**

| | 2018 | 2017 | Increase (decrease) |
|---|---|---|---|
| **Expenses** | | | |
| Amortization | $ 17,068 | $ 6,890 | $ 10,178 |
| Audit and tax | 114,719 | 106,884 | 7,835 |
| Communications | 73,679 | 73,481 | 198 |
| Conferences | 33,374 | 7,724 | 25,650 |
| Consulting | 77,042 | 12,491 | 64,551 |
| Directors' fees | 195,743 | 186,932 | 8,811 |
| Financial consulting | 115,970 | 116,559 | (589) |
| Corporate development and shareholder relations | 703,153 | 371,756 | 331,397 |
| Legal | 246,264 | 157,570 | 88,694 |
| Office | 40,614 | 53,968 | (13,354) |
| Professional dues and training | 9,692 | 3,585 | 6,107 |
| Property evaluation | - | 89,065 | (89,065) |
| Regulatory and transfer agent | 130,914 | 127,697 | 3,217 |
| Rent and insurance | 183,593 | 187,250 | (3,657) |
| Salaries and benefits | 957,430 | 954,433 | 2,997 |
| Share-based expense | 974,410 | 42,504 | 931,906 |
| Travel | 88,456 | 132,217 | (43,761) |
| | 3,962,121 | 2,631,006 | 1,331,115 |
| Interest income | (13,170) | (21,386) | 8,216 |
| Foreign exchange (gain) loss | (125,243) | 332,766 | (458,009) |
| Change in fair value of Early Deposit Precious Metals Agreement financial liability | 719,225 | (330,250) | 1,049,475 |
| Gain on disposition of mineral property, net of tax | - | (2,107,075) | 2,107,075 |
| Loss for the year | $ 4,542,933 | $ 505,061 | $ 4,037,872 |
| Loss per share, basic and fully diluted | $0.02 | $0.00 | $0.02 |
| Weighted average number of common shares outstanding | 262,972,199 | 258,450,820 | |

The Company's loss in fiscal 2018 was $4,542,933 ($0.02 per common share) compared to $505,061 ($0.00 per common share) in fiscal 2017. 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 offset by gains or losses on dispositions of mineral property interests, foreign exchange and other items.

The Company's loss of $505,061 in fiscal 2017 was recorded after a gain of $2,107,075, related to the disposition of the Kusiorcco mineral claims in Peru. The details of the Kusiorcco property disposition is included in other exploration and evaluation assets as discussed in Item 1.2 of this MD&A.

Total comparative administrative cash expenses increased from $2,588,502 in fiscal 2017 to $2,969,043 in fiscal 2018, an increase of $380,541. Non-cash administrative expenses in fiscal 2018 included share-based expense of $974,410, compared to $42,504 in share-based expense recorded in fiscal 2017. This increased the total administrative expenses to $3,962,121 in fiscal 2018 compared to $2,631,006 in fiscal 2017.

Administrative salaries and benefits increased from $954,433 in fiscal 2017 to $957,430 in fiscal 2018. In both fiscal years, full-time salaries were paid for all employees. Currently, the Company has 22 employees on payroll and 19 contractors providing exploration-related and administrative services to the Company.

Directors' fees in fiscal 2017 totalled $186,932, and in fiscal 2018, directors' fees totalled $195,743. At December 31, 2017 and 2018, the Company had eight directors. Directors' fees also include fees paid to a director of a subsidiary of the Company.

Audit and tax fees increased from $106,884 in fiscal 2017 to $114,719 in fiscal 2018.

Communications costs remained at the same level in the two fiscal years, whereas office costs decreased from $53,968 in fiscal 2017 to $40,614 in fiscal 2018. Rent and insurance remained at the same level in both fiscal years.

Consulting fees incurred in fiscal 2018 was $77,042, representing an increase of $64,551 from fiscal 2017. A contract accountant was hired for a period to assist with creating accounting reports, and also includes accounting and tax consulting relating to the restructuring. Legal fees have increased by $88,694, from $157,570 in fiscal 2017 to $246,264 in fiscal 2018. The Company has also incurred restructuring costs to move the mineral property assets in Peru other than Cotabambas into several newly incorporated companies in Peru. Fiscal 2018 costs also include fees related to the agreement on the joint venture agreement with JOGMEC on the Humamantata Project. Totals also include legal costs incurred related to the semi-annual payments received from Wheaton Metals, and regular ongoing annual legal costs.

Corporate development and shareholder relations costs increased from $371,756 in fiscal 2017 to $703,153 in fiscal 2018, including related travel costs. These costs increased as the Company expanded its efforts to identify potential European, Asian and Latin American partners for its portfolio of projects as well as equity investors. Travel decreased from $132,217 in fiscal 2017 to $88,456 in fiscal 2018, and conference costs increased from $7,724 in fiscal 2017 to $33,374 in fiscal 2018. Travel includes trips between head office and the Lima office. Direct exploration related travel is included in exploration costs.

Interest revenue has decreased from $21,386 in fiscal 2017 to $13,170 in fiscal 2018, due to lower cash balances held by the Company during fiscal 2018.

## 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. Other than the disposition in Q4 2017 of the Kusiorcco property, the funds for exploration and administration from period to period have been obtained from the issuance of share capital through private placements, the exercise of warrants and options. In 2016, the Company entered into the PMPA with Wheaton Metals which has provided the Company with US$7.0 million to be used for exploration costs on Cotabambas and for other operating expenses.

| in 000's | Dec 2018 | Sept 2018 | June 2018 | March 2018 | Dec 2017 | Sept 2017 | June 2017 | March 2017 |
|---|---|---|---|---|---|---|---|---|
| Revenue | - | - | - | - | - | - | - | - |
| General and administrative | 725 | 767 | 769 | 730 | 679 | 529 | 670 | 710 |
| Share-based expense | - | - | - | 974 | - | - | 43 | - |
| Interest income | (13) | - | - | - | (5) | (5) | (3) | (8) |
| Foreign exchange (gain) loss and fair value change | 116 | 165 | 226 | 86 | 3 | 79 | 39 | (120) |
| Gain on disposition of mineral property interest | - | - | - | - | (2,107) | - | - | - |
| Loss (income) for the period | 1,141 | 709 | 906 | 1,786 | (1,445) | 445 | 683 | 822 |
| Loss (income) per share | 0.00 | (0.01) | 0.00 | (0.01) | (0.01) | 0.00 | 0.00 | 0.00 |
| Net exploration expenditures incurred | 706 | 869 | 1,195 | 1,409 | 1,123 | 1,914 | 1,387 | 729 |

(All amounts in the notes and tables of the financial section are derived 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, 2018, and for the year ended December 31, 2018, 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 $4,542,933 for the year ended December 31, 2017 (2017 - $505,061). As at December 31, 2018, the Company has an accumulated deficit of $37,062,705, cash and cash equivalents and short-term investments of $2,189,309 and working capital (current assets less current liabilities) of $5,891,564.

The Company and its wholly-owned subsidiary entered into a definitive PMPA signed on March 21, 2016, with Wheaton Metals, in respect of the Cotabambas project located in Perú.

The principal terms of the PMPA are such that Wheaton Metals 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, Wheaton Metals 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 Wheaton Metals 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 Wheaton Metals 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 Company received the initial US$2.0 million, pursuant to the PMPA, and an additional US$2.0 million as a matching of funds raised by the Company on an offering of securities. To date, the Company has received US$7.0 million pursuant to the PMPA, including the initial US$2.0 million.

The total of US$14.0 million in payments should 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 PMPA include the ability of the Company to maintain the working capital requirements in the PMPA. Wheaton Metals 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. Wheaton Metals 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 Wheaton Metals elects to terminate the PMPA, 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.

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 Wheaton Metals due to construction at the Cotabambas project. Fees paid in fiscal 2018 totalled $115,970 (2017 - $116,559) pursuant to the agreement.

2016 Private Placement and Warrants Outstanding to August 26, 2018

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 net proceeds of $6,374,758. Each Unit consisted of one common share of the Company and one-half of a non-transferable common share purchase warrant (a "Warrant"). Each whole Warrant entitles 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, or August 26, 2018. During the year ended December 31, 2018, 3,674,140 share purchase warrants were exercised at $0.27, to provide $992,018 to the treasury. The remaining 12,747,348 warrants expired on August 26, 2018, unexercised.

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, 2018, 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 2018 | December 2017 | Change |
|---|---|---|---|
| Cash | $ 456,779 | $ 5,430,379 | $ (4,973,600) |
| Short-term investment | 1,732,530 | 1,505,396 | 227,134 |
| Accounts payable | (1,396,578) | (2,250,023) | 853,445 |
| Precious Metals Purchase Agreement | (6,821,000) | (4,390,750) | (2,430,250) |
| Net | $ (6,028,269) | $ 295,002 | $ (6,323,271) |

The change in cash and cash equivalents is due to cash used in operations of $3,030,969 (2017: $2,584,381), primarily used for administration expenses, cash invested into exploration and evaluation of projects of $4,166,532 (2017: $5,247,575), a decrease in accounts payable and accrued liabilities of $853,445 (2017: increase in payables of $186,948) and a recovery of the value-added taxes in Perú of $58,779 (2017: $106,226).

During fiscal 2018, the Company received $1,930,425 (2017 - $1,943,100) in early deposits from the Agreement, and exercises of warrants and stock options provided $992,018 (2017 - $524,538) to the treasury. On December 28, 2017, the Company disposed of its Kusiorcco project to Hudbay Minerals, and at that time received $3,776,400 (US$3.0 million) pursuant to the agreement. Subsequent to December 31, 2018, the Company received US$500,000 from Hudbay Minerals pursuant to clauses in the Kusiorcco agreement, whereby Hudbay Minerals will pay four milestones of US$500,000, the first being completion of signed agreements with local communities and surface titleholders for access to carry out a drill program on the Kusiorcco project. The next three milestone payments of US$500,000 each are to be received throughout the drill program, after holes 1, 5, and 10 are completed.

## 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:

| | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|---|---|---|---|---|---|---|
| Office lease (Vancouver) | $ 66,831 | $ 68,518 | $ 34,429 | $ - | $ - | $ 169,778 |
| Office leases (Perú) (US$) | $ 132,625 | $ 78,702 | $ - | $ - | $ - | $ 211,327 |
| Warehouses (3) (S/.) | $ 30,911 | $ 2,674 | $ - | $ - | $ - | $ 33,585 |
| Accounts payable and accrued liabilities | $1,362,473 | $ - | $ - | $ - | $ - | $1,362,473 |
| Community agreement accrual | $ 34,105 | $ - | $ - | $ - | $ - | $ 34,105 |

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 2018 for the 2017 year was $1,072,520 (2017 - $861,597 relating to the 2016 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 $1,264,307 for the 2018 year and is payable by June of fiscal 2019. This balance is higher than the payment made in fiscal 2018 for the 2017 year, due to increases in penalties which increase on a statutory basis from US$6 per hectare to US$20 per hectare the longer the claims are held with no commercial production. Commencing in 2019 vigencia payments will also increase by an annual inflation adjustment to be determined by the government.

The Company has an office lease in Lima and three warehouses in Cusco, and an office lease in Vancouver, Canada. The leases for the warehouses are renewed annually.

At the date of this MD&A, there is one community agreement signed with communities in the Chaupec vicinity of the Cotabambas Project, which will expire on July 31, 2019. 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 total, $373,007 (2017 - $568,078) was incurred for employees' wages, community projects and local workers under community agreements and for additional costs and workers not included in a community agreement. An accrual of $841,222 at the end of fiscal 2017 related to an obligation of the Company to acquire lands for the use of a community close to the centre of the Cotabambas project, and the land acquisition was completed.

## Item 1.8: Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

## Item 1.9: Transactions with Related Parties

During 2018, the Company purchased $14,926 (2017 - $22,573) in geological supplies from a private company controlled by a director of a subsidiary of the Company, and also acquired $Nil (2017 - $3,148) from a company affiliated with a director of the Company. The Company had no other transactions with directors and officers and/or companies controlled by directors or officers in common with the Company during the years ended December 31, 2018, and 2017, and there were no balances payable or receivable to or from any officers and directors of the Company.

## Item 1.10: Fourth Quarter

**Financial Results for the Three Months Ended December 31, 2018 ("Q4 2018"), Compared to the Three Months Ended December 31, 2017 ("Q4 2017")**

The Company's loss Q4 2018 was $1,141,387 ($0.01 per common share) compared to a loss of $1,444,303 ($0.01 per common share) in Q4 2017.

| | Q4 2018 | Q4 2017 | Increase (decrease) |
|---|---|---|---|
| **Expenses** | | | |
| Amortization | 674 | 3,231 | (2,557) |
| Audit and tax | 23,854 | 21,626 | 2,228 |
| Communications | 17,919 | 15,049 | 2,870 |
| Conferences | 12,074 | 15,674 | (3,600) |
| Consulting | 64,060 | 311 | 63,749 |
| Corporate development and shareholder relations | 126,471 | 135,635 | (9,164) |
| Directors' fees | 49,222 | 49,201 | 21 |
| Financial consulting | - | 56,349 | (56,349) |
| Legal | 85,932 | 45,951 | 39,981 |
| Office | 9,010 | 9,047 | (37) |
| Professional dues and training | 5,196 | (886) | 6,082 |
| Property evaluation costs | - | 6,378 | (6,378) |
| Regulatory and transfer agent | 33,969 | 30,962 | 3,007 |
| Rent and insurance | 46,249 | 39,085 | 7,164 |
| Salaries and benefits | 230,558 | 217,997 | 12,561 |
| Travel | 20,294 | 33,866 | (13,572) |
| | 725,482 | 679,476 | 46,006 |
| Interest income | (9,860) | (5,677) | (4,183) |
| Foreign exchange (gain) loss | (59,214) | (16,832) | (42,382) |
| Change in fair value of Early Deposit Precious Metals Agreement financial liability | 487,900 | 17,650 | 470,250 |
| Gain on disposition of mineral property | - | (2,118,920) | 2,118,920 |
| (Income) loss for the period | $ 1,144,308 | $ (1,444,303) | $ 2,588,611 |

Administrative cash expenses increased by $46,006 in Q4 2018, as compared to Q4 2017. The largest increases were in consulting and legal, $63,749 and $39,981, respectively, due to restructuring and legal costs related to transactions entered into during the year. These increases were offset by financial consulting, timing of fees paid on the Wheaton Metals funding received, of $56,349.

The Company disposed of the Kusiorcco mineral property interest, for a gain of $2,118,920 in Q4 2017. There were no mineral property dispositions in Q4 2018.

## 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 and provision for closure and reclamation, among others. Actual results could differ from those estimates.

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, 2018, and has concluded that cash on hand at December 31, 2018, and the payments from the Wheaton Metals agreement, will be sufficient to fund operations through the 2019 fiscal year and the payment of vigencias for the 2018 fiscal year due before June 30, 2019. Please refer to Item 1.6, Liquidity, for a discussion of the Agreement which should provide enough working capital for fiscal 2018 with a reduced operating budget, and provides for the payment of the vigencias in June 2019 for all of the Company's concessions. The focus of the Company's exploration is subject to change as exploration results are analyzed.

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.

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, 2018, 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, 2017.

### Changes in International Financial Reporting Standards (IFRS)

Effective January 1, 2018, the Company adopted IFRS 9 – Financial Instruments. This standard replaces IAS 39, Financial Instruments: Recognition & Measurement. The new standard introduces changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss model" for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Most of the requirement in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is substantially unchanged.

The adoption of this standard did not have an impact on the measurement of the Company's financial instruments in the Company's consolidated financial statements; however, additional disclosures have been provided.

The following are the new accounting policies for financial instruments under IFRS 9.

Non-derivative financial assets

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets at FVTPL – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses from changes in the fair value of the asset held at FVTPL are included in the income in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI – Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following derecognition of the investment.

Financial assets at amortized cost – Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost leas any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement.

Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Financial liabilities

The Company measures all its financial liabilities (other than Liabilities under the Wheaton PMPA, which is measured at fair value through profit or loss), as subsequently measured at amortized cost. Financial liabilities are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Company completed an assessment of its financial instruments as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

| | Original classification under IAS 39 | New Classification under IFRS 9 |
|---|---|---|
| Cash and cash equivalents | Loans and receivables – amortized cost | Amortized cost |
| Short-term investments | Loans and receivables – amortized cost | Amortized cost |
| Marketable securities | Available for sale | FVTOCI |
| Accounts and advances receivable | Loans and receivables – amortized cost | Amortized cost |
| Accounts payable and accrued liabilities | Other liabilities – amortized cost | Amortized cost |
| Liabilities under Wheaton PMPA | FVTPL | FVTPL |

There were no new standards effective January 1, 2018, that had a material impact on the Company's consolidated financial statements except for the adoption of IFRS 9

<u>IFRS 15, Revenue from Contracts with Customers ("IFRS 15")</u>

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 did not have a material effect on the consolidated financial statements.

**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, 2018, and have not been applied in preparing the 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 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16 which replaces IAS 17, Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low-value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual period beginning on or after January 1, 2019. The Company is adopting this standard effective January 1, 2019.

The Company went through the process of reviewing contracts and identifying those that might be relevant under the new standard. Specific leases identified for further review included office and warehouse leases. Based on the assessment of the standard, the Company estimates that it will recognize the right-of-use lease assets and related liabilities for existing operating leases of approximately $233,000.

The Company plans to apply a modified retrospective approach upon adoption of IFRS 16. Under the modified retrospective approach, the Company will recognize the right of use assets and lease liabilities as at January 1, 2019 and will not restate comparative information. The Company will recognize the cumulative effect of initially applying the standard as an adjustment to equity at the date of application."

## 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, 2018, 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 had some 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 are 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 |
|---|---|---|
| 2019 | 300,000 | $0.42 |
| 2021 | 8,047,800 | $0.20 |
| 2022 | 600,000 | $0.20 |
| 2023 | 7,300,000 | $0.34 |
| | 16,247,800 | $0.26 |

Each option is exercisable for one common share of the Company. The weighted average life of exercisable options outstanding is 2.7 years as of the date of this MD&A.

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 and outstanding at the date of approval which was June 21, 2018, the date of the Annual General Meeting. 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 no share purchase warrants outstanding.

At the date of this MD&A, there were 263,837,562 common shares outstanding, or 280,085,362 common shares on a fully diluted basis, assuming all outstanding options and warrants are trading at a price equal to or higher than the strike price of the options and warrants, which range from $0.20 to $0.42.

**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 Wheaton Metals to match third party financing by Panoro targeted for exploration at the Cotabambas Project
- payment by Wheaton Metals 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 31, 2018, the closing rate for one Canadian dollar in S/. was C$1.00 = S/. 2.4740, and the closing rate for one Canadian dollar in USD was C$1.00 = US$0.7330 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, 2018, the 2019 Management Information Circular for the meeting to be held in June 2019, 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.