



Interim Report to Shareholders
For the Quarter Ended June 30, 2004

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To our Shareholders,

During the second quarter of 2004 significant advances in the technical development of the Maoling Gold Project were made, our first shareholder meeting as a public company was held and we welcomed a very experienced new board member.

Results from nine drill-holes were announced during the quarter, with a further eight reported subsequently. All drill results completed to-date within the resource envelope have been largely in-line with the current grade block model for Zone 1. The purpose of the infill drilling is to upgrade the quality of the resource which should be reflected in the updated resource estimate. Mineralization has also been encountered outside the Zone 1 resource envelope, enhancing the potential for increasing the number of gold ounces in the next resource estimate. The updating of the resource estimate is expected to be completed in the fall by AMEC Americas Ltd., the principal engineering consultants hired by the Company for the Maoling Zone 1 pre-feasibility study. Much additional drilling has been performed in Zone 1 in addition to those drill holes for which results are available and have been reported. Results from these holes, in addition to several step-out holes that have now been completed in the Southeast Zone, will be released in due course.

The overall success of the Phase II exploration program to-date has prompted the Company to expand the current drill program from the initial 13,000m to 20,000m and to add a fourth drill rig to the project. Drilling on the Zone 4 prospect will commence during the third quarter and will be accelerated in stages as the rigs complete the Zone 1 and Southeast Zone programs.

Concurrent with the drilling program, Mundoro and AMEC have been busy collecting metallurgical, geotechnical and environmental samples and data required for the Zone 1 pre-feasibility study which is expected to be completed in the first quarter of 2005. Also during the quarter, the Company initiated government and community relations consultations in three centres in Liaoning Province.

Mundoro completed a number of corporate initiatives during the quarter that included the first shareholder meeting as a public company and the approval of a shareholder Rights Plan. The Company is also pleased to have welcomed Robert van Doorn to the board of directors. Robert brings a wealth of technical and financial expertise to an already experienced board. This experience will be harnessed more directly through the striking of four committees of the board including Corporate Governance, Compensation, Audit and Disclosure committees.

Despite a drifting in the price of gold to below the US\$400 level and a decrease in market interest in the junior exploration sector, Mundoro has broadened its investment audience considerably. An analyst report was published on the Company in May bringing the total to four such reports to-date, all with target prices well above current levels. Communications have been ongoing within the investment community through a variety of initiatives as we continue to work to raise the Company's profile. Mundoro has been an exhibitor at four North American investment conferences this year and is planning to attend several more during the remainder of 2004 and into 2005.

Mundoro is developing quickly as a publicly listed mineral exploration company. However, there is much yet to be done to increase market awareness of the special situation occupied by Mundoro in the emerging Chinese mining industry and to garner full value for the extraordinary gold deposit that is Maoling. The Company is looking forward to advancing the technical studies on Maoling and to continue to build its investor audience base in Canada during the third quarter.

Colin H. McAleenan
President & CEO

August 6, 2004

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS
For the Fiscal Quarter Ended June 30, 2004
August 6, 2004

The following discussion and analysis is to be read in conjunction with the unaudited Consolidated Financial Statements for June 30, 2004 and 2003. Note: all dollar amounts are in Canadian dollars unless otherwise indicated.

DESCRIPTION OF BUSINESS & OVERVIEW

Mundoro Mining Inc. (the "Company") is a Yukon registered company, whose shares trade on the TSX, and is involved in the acquisition, exploration and development of mineral resource properties internationally. The Company's current focus is an advanced exploration stage gold project in China in which it first became involved in 1999. Through its Sino-Foreign Cooperative Joint Venture company, Liaoning Tianli Mining Corporation, the Company holds rights to 79% of the Maoling Gold Project in Liaoning Province located approximately 500 kilometres east of Beijing. The Company is presently conducting a program of diamond drilling, metallurgical testing, geotechnical testing and environmental baseline sampling on the Zone 1 deposit at Maoling with the intention of completing a pre-feasibility study on this deposit in the first quarter of 2005. The Company will also start an infill and extension drilling program on the Zone 4 prospect at Maoling during the latter half of this year.

With the exception of interest earned on investments the Company does not have revenue and relies upon equity financings to fund its exploration work. The climate for raising equity financing for precious metals exploration companies deteriorated somewhat during the quarter relative to the first quarter. The primary reason for this appears to be the weakening of the gold price from an average of \$408 in the first quarter to \$393 in the second quarter of 2004. However, the Company has sufficient funds on hand to execute its business plan for the foreseeable future and does not anticipate having to make equity offerings in the current market.

RESULTS OF OPERATIONS

Highlights of Q2 2004

- 6,733 metres drilled in 26 holes during the quarter (total Phase II drilling by Mundoro in Zone 1 now totals 12,235 metres in 48 holes)
- Drill program expanded to 20,000 metres
- Metallurgical rock samples totaling over 500kg were drilled out of two locations in Zone 1 along with additional character samples. All were sent to SGS Lakefield for metallurgical testing for column leach and milling tests as well as gravity testing and acid base accounting
- A new sample preparation laboratory was established on site and commissioned
- First round environmental baseline water samples taken in June
- Oriented core program completed
- Drill access completed and drill site construction commenced in Zone 4

Further details of the results of operations for the second quarter of 2004 and 2003 are summarized in the following tables along with related comments on the variances:

Income	3 Months Ended June 30		
	<u>2004</u>	<u>2003</u>	<u>Change</u>
Interest income	\$ 89,660	\$ 410	\$ 89,250
Write down of bond premium to market (loss)	<u>(49,490)</u>	<u>-</u>	<u>(49,480)</u>
Total	\$ 40,180	\$ 410	\$ 39,770

The significant interest income for the second quarter reflects the cash management of the funds received from the public offering in late November 2003, offset by a write down of bond premium paid to market value at June 30, 2004.

Mineral Exploration Costs

A budget of \$3.2 million was established in November of 2003 to carry out the phase II drill program and to complete pre-feasibility studies on the Zone 1 deposit at Maoling. This amount was to cover drilling and related costs of \$2.03 million for drilling and studies and other work for pre-feasibility of \$1.17 million. The program comprised 13,000 metres of core drilling; the planned studies included metallurgical, environmental, geotechnical and geological studies.

Due to the availability of drill rigs and the early encouraging results a decision was made to both extend and accelerate the drill program. The metres drilled in Q1 and Q2 were 4,251 and 6,733 respectively. This compares with 2,450 metres and 4,500 metres in the original budget.

	3 Months Ended June 30		
	<u>2004</u>	<u>2003</u>	<u>Change</u>
Mineral exploration costs	\$1,320,850	\$69,230	\$1,251,620

The large increase in mineral exploration costs in the second quarter of 2004 relative to the same period in 2003 is the result of intensive exploration activity on the Maoling project in preparation for a pre-feasibility study to be completed in early 2005. Three drill rigs are engaged in a 20,000 metre program focused mostly on Zone 1 along with environmental, metallurgical and geotechnical studies. In addition to the exploration costs provision has been made for farmers' compensation related to road access and drill pad construction (for Zone 4 and the Southeast Zone) along with related reclamation costs based on existing standard rates administered by the local government. Nominal project work was conducted on Maoling in the comparable quarter in 2003 prior to the IPO.

The mineral exploration costs for the second quarter comprise \$1,015,000 in direct drilling costs. The balance of the exploration expenditures relate to metallurgical, analytical, environmental, geotechnical and geological studies and compensation payments to farmers for drill access.

The Company continues to follow the practice of expensing all exploration costs until a body of commercial ore is defined on the project.

Administrative Expenses:**3 Months Ended June 30**

	<u>2004</u>	<u>2003</u>	<u>Change</u>
Amortization	\$ 8,139	\$ 1,551	\$ 6,588
Accounting and audit	12,072	7,970	4,102
Community support and government relations	60,295	0	60,295
Corporate communications	119,700	5,407	114,293
Corporate governance	94,057	31,855	62,202
Exchange and regulatory	11,661	0	11,661
Financing charges	0	34,350	(34,350)
Office support	106,553	89,707	16,846
Stock-based compensation	388,456	0	388,456
Exchange loss (gain)	<u>(19,479)</u>	<u>(22,051)</u>	<u>2,572</u>
TOTAL	\$ 781,454	\$ 148,789	\$ 632,665

The Company has modified its expenditure reporting for administrative expenses to consolidate line item expenses according to key administrative activities. This approach is consistent with the fiscal budget plan and longer term forecasts of the Company. Individual line item expenditure details and budgets are maintained in support of each activity. Senior management's time is divided among key activities and consequently, for example, management fees of the President appear under more than one activity.

Expenses increased significantly in most categories in 2004 compared to 2003 as indicated above. The overriding reasons were the change in the Company's status from a private to a public entity in November 2003 and the implementation of an aggressive exploration and support program designed to place the project on a pre-feasibility footing.

Accounting and Audit provides for recording, budget development, and timely reporting of the financial affairs of the Company. The professional services of the CFO are included for 2004, but were not applicable in 2003.

Community Support and Government Relations activity is centred in China. As well as assisting the local community with basic infrastructure development, that also generates benefits for the Company, this activity can include identifying and negotiating routes through the evolving and overlapping central, provincial and local government bureaucracies that have mining-related responsibilities. Activities in the second quarter involved primarily travel and accommodation costs and fees paid to specialists who accompanied the President on a three-city, Maoling project exposition to government and community stakeholders in Liaoning Province during May.

Corporate Communications provides for the flow of information about the Company to all stakeholders. This activity was significantly enhanced in late 2003 and throughout 2004 to date. Previously, as a private company, these specific activities were undertaken on a modest basis. Expenditures in 2004 include \$44,833 in compensation for services rendered by the Chairman, the President and the full-time corporate communications professional employed by the Company; \$61,091 for industry and investment conferences, media and promotion, printing and couriers. The remaining \$13,776 was incurred for travel and accommodation.

Corporate Governance activity includes among other responsibilities policy development, strategic planning and oversight of the Company's operations. Expenditures in the second quarter of 2004 include \$33,412 for legal fees (\$31,707 in 2003); \$14,048 for corporate secretarial services related to the AGM and other filings (\$0 in 2003); \$28,486 for directors' retainers and meeting fees (\$0 in

2003); \$3,300 for services of the President; \$6055 for directors and officers liability insurance. The remaining costs of \$8,756 relate to other travel and accommodation costs.

Exchange and Regulatory activity covers the filing and listing fees, legal costs of compliance and the services of the transfer agent. Expenditures in the second quarter of 2004 include \$7,644 for transfer agent fees, \$2,814 for filing fees and the balance of \$1,203 as legal fees.

Financing expenses is associated with the past and the future need to raise working capital for the ongoing development of the Company. The amount of \$34,450 in 2003 represents private placement fees on a convertible debt financing.

Office Support activity includes all overhead costs associated with maintaining project and corporate administrative services in both Vancouver and Shenyang. Expenditures in 2004 include compensation of \$51,708 (\$39,590 in 2003); office rent \$8,690 (\$9,904 in 2003); liability insurance \$12,986 (\$1,270 in 2003); telecommunications \$7,699 (\$2,722 in 2003); office supplies and related \$10,190 (\$9,463 in 2003) and other costs.

Stock-based Compensation of \$388,456 represents the increase in the fair value of stock options outstanding as at June 30, 2004, including 842,500 stock options granted during the quarter to directors, officers and employees of the Company. This value was determined according to the Black-Scholes Option Pricing Model and is an estimate of the potential value of the individual options and does not affect the Company's equity. The Company charged this value to operations and recorded an increase in contributed surplus.

Exchange Loss (Gain) arises primarily from the foreign currency translation of US dollar and Chinese RMB currencies in preparing the consolidated financial statements. In the second quarters of 2004 and 2003 the strengthening Canadian dollar relative to these currencies has produced gains of \$19,479 and \$22,051 respectively.

Related party transactions for the second quarter of 2004 amounted to \$102,656. This includes the directors' fees (\$22,250) noted above, technical project management fees (\$25,499) and management fees to senior management (\$54,907). The management fees for the comparable period in 2003 were \$39,076 and project management fees were \$10,800. The level of activity in 2004 over 2003 accounts for the increase. Payment of directors' fees was implemented on January 1, 2004.

Loss for the Period

3 Months Ended June 30

	<u>2004</u>	<u>2003</u>	<u>Change</u>
(Loss) for the quarter	\$(2,062,124)	\$(217,609)	\$(1,844,515)
(Loss) per share	\$ (0.08)	\$ (0.02)	\$ (0.06)

The increased loss during the second quarter of 2004 relative to the same period of the previous year reflects not only the increased expenditures made on the project and the development of a Chinese joint venture company but also the costs of operating as a publicly listed company. The value generated for the losses incurred should be reflected in the updated resource estimate and pre-feasibility report for Maoling to be conducted later in the year. The Company has sufficient funds (working capital of \$9,739,447 on June 30, 2004) to assess Maoling to at least the preliminary feasibility study level.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

3 Months Ended June 30

	<u>2004</u>	<u>2003</u>	<u>Change</u>
Working capital	\$ 9,739,447	\$ 96,996	\$ 9,642,451
Total Assets	\$10,611,920	\$294,945	\$10,316,975

The Company's working capital as at June 30, 2004 was \$9,731,072, a reduction of \$2,467,943 for the 6 months since December 31, 2003. The decrease in working capital is attributable to the financing of an aggressive exploration campaign on the Maoling project and the acquisition of capital assets in support of such campaign.

	<u>2004</u>	<u>2003</u>	<u>Change</u>
Cash flow from financing activities	\$138,524	\$319,775	\$(181,251)

Cash flow from financing activities of \$138,524 in the quarter is derived from the issuance of shares upon the exercise of share purchase warrants (84,040 shares priced at \$1.25 and 107,980 shares priced at \$0.31). The financing from the second quarter of 2003 was from a pre-IPO, convertible note financing. The notes were automatically converted to equity upon the successful conclusion of the Company's IPO in November 2003.

RISKS AND UNCERTAINTIES

Exploration Risk

The Company's only current property is the Maoling Property and while this property contains defined mineral resources it is currently without a known body of commercial ore. Furthermore, there are no guarantees that the Company's future exploration and testing activities will result in the definition of a body of commercial ore on this property.

Title to Properties

A legal title opinion has been rendered on the Maoling Property that supports the Company's position. However, there is no guarantee that challenges to title will not be made in the future.

Financial Capability and Additional Financing

The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for further exploration and development of its projects. Although the Company has been successful in the past in financing its activities through the sale of equity securities there can be no assurance that it will be able to obtain sufficient financing in the future to execute its business plan with respect to the Maoling Project.

Fluctuating Prices

The Company's revenues, if any, are expected to be in large part derived from the sale of gold and possibly other metals. The price of gold and other commodities has fluctuated widely in recent years and is affected by factors beyond the control of the Company including, but not limited to, international economic and political trends, currency exchange fluctuations, economic inflation and expectations for the level of economic inflation in the consuming economies, interest rates, global and local economic health and trends, speculative activities and changes in the supply of gold due to

new mine developments, mine closures as well as advances in various production and use technologies of gold. All of these factors will have impacts on the viability of the Company's exploration projects that are impossible to predict with certainty.

Environment

Both the exploration and production phases of the Company's operations will be subject to environmental protection regulations in the jurisdictions in which it operates. Globally, environmental legislation is evolving towards stricter standards and enforcement, more stringent environmental impact assessments of new mining projects and increasing liability exposure for companies and their directors and officers. China is not immune to environmental risk and consequently during the second quarter the Company initiated discussions with government and community stakeholders. There is no assurance that future environmental regulations will not adversely affect the Company's operations.

Political Conditions

Regardless of the economic viability of the Company's property interests factors such as political instability, terrorism, expropriation by governments or the imposition of new regulations or tax laws may prevent or restrict mining of some or all of the Corporation's deposits. All of the Company's property interests are located in China and if a dispute arises between the Company and its joint venture partners the Company cannot rely on western legal standards in defending or advancing its interests.

Currency Exchange Rates

The Company maintains its accounts in US dollar, Canadian dollar and Renminbi (RMB) denominations. The government of China has maintained the exchange rate between the RMB and the US dollar as a constant over the past few years and thus exchange rates between the Canadian dollar and the RMB have fluctuated in tandem with the changing exchange rates between the US and Canadian dollars. There is no guarantee that this situation will remain static in the future and possible future uncoupling of the RMB from the US dollar could materially affect the Company's financial position and results.

OUTLOOK

We look forward to completing the Zone 1 drilling in the third quarter and to the initiation of the Zone 4 drilling program. The completion of Zone 1 drilling will herald the building of a new grade model and updated resource estimate.

The Company will continue to build its profile in the investment community in North America through a variety of means including attendance at investment conferences in Las Vegas, San Francisco and Toronto. In addition, the Company will be raising its profile in China's mining circles by sponsoring the China Mining 2004 convention in November in Beijing.

In management's view, the Company's cash position is adequate to meet planned exploration and definition drilling activity and pre-feasibility studies at Maoling, to raise the profile of the Company through planned corporate communications activity as well as to meet ongoing obligations as they become due.

MUNDORO MINING INC.

Consolidated Financial Statements

(Expressed in Canadian Dollars)

June 30, 2004 and 2003

Unaudited – Prepared by Management

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MUNDORO MINING INC.

Consolidated Balance Sheets
Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

	Unaudited	Audited
	2004	2003
	June 30	December 31
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,983,629	\$ 4,078,637
Marketable securities, at cost (market - \$2,142,520) (Note 2)	2,142,520	8,070,550
Receivables	86,922	107,432
Prepaid expenses and deposits	72,573	28,213
	10,285,644	12,284,832
Mineral interests (Note 3)	100	100
Equipment and vehicles (Note 4)	326,176	104,390
	\$ 10,611,920	\$ 12,389,322
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 546,197	\$ 85,817
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	18,636,806	17,977,970
Shares subscribed		375,000
Contributed surplus	1,015,315	427,223
Deficit	(9,586,398)	(6,476,688)
	10,065,723	12,303,505
	\$ 10,611,920	\$ 12,389,322

Approved by the Directors:

"Frank H. Crierie"
Frank H. Crierie

"Colin H. McAleenan"
Colin H. McAleenan

MUNDORO MINING INC.

Consolidated Statements of Operations and Deficit
For the three-month periods and six-month periods
ended June 30, 2004 and 2003

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

	3 months ended June 30		6 months ended June 30	
	2004	2003	2004	2003
Income				
Interest income	\$89,660	\$410	\$213,562	\$700
Gain on sale of bonds			158,700	
Write down bond premium to market (loss)	(49,480)		(49,480)	
	40,180	410	322,782	700
Mineral exploration costs	1,320,850	69,230	1,979,236	216,404
Administrative expenses				
Amortization	8,139	1,551	10,690	2,809
Accounting and audit	12,072	7,970	51,224	10,242
Community support and government relations	60,295	0	65,882	0
Corporate communications	119,700	5,407	255,785	39,713
Corporate governance	94,057	31,855	145,556	42,326
Exchange and regulation	11,661	-	149,713	155
Financing charges	0	34,350	0	44,350
Office support	106,553	89,707	227,162	168,938
Stock based compensation	388,456	-	588,092	-
Exchange (gain) loss	(19,479)	(22,051)	(40,848)	(8,865)
	2,102,304	218,019	3,432,492	516,072
Loss for the period	2,062,124	217,609	3,109,710	515,372
Deficit, beginning of period	7,524,274	4,744,657	6,476,688	4,446,894
Deficit, end of period	9,586,398	4,962,266	9,586,398	4,962,266
Loss per share – basic and diluted	\$(0.08)	\$(0.02)	\$(0.12)	\$(0.04)
Weighted average number of common shares Outstanding – basic and diluted	25,709,847	12,148,922	25,608,627	11,998,498

MUNDORO MINING INC.

Consolidated Statements of Cash Flows
For the three-month periods and six-month periods
ended June 30, 2004 and 2003

Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

	3 months ended June 30		6 months ended June 30	
	2004	2003	2004	2003
Cash flows from (used in) operating activities				
Loss for the period	\$(2,062,124)	\$(217,609)	\$(3,109,710)	\$(515,372)
Adjustments for items not involving cash:				
- amortization	8,139	1,551	10,690	2,809
- stock-based compensation	388,456		588,092	
- write down of bond premium to market	49,480		49,480	
	(1,616,049)	(216,058)	(2,461,448)	(512,563)
Change in non-cash working capital:				
- other receivables	119,582	345	20,510	(5,868)
- prepaid expenses and deposits	(10,892)	(11,529)	(44,360)	4,458
- accounts payable and accrued liabilities	45,426	(119,936)	460,380	(97,965)
	(1,523,183)	(347,178)	(2,024,918)	(611,938)
Cash flows from financing activities				
Proceeds from issuance and subscription of shares	138,524	319,775	283,836	509,210
Cash flows used in investing activities				
Proceeds on sale of marketable securities			5,878,550	
Acquisition of equipment and vehicles	(57,552)	(1,590)	(232,476)	(1,770)
	(57,552)	(1,590)	5,646,074	(1,770)
Increase (decrease) in cash and cash equivalents	(1,380,961)	(28,993)	3,904,992	(104,498)
Cash and cash equivalents, beginning of period	9,364,590	201,466	4,078,637	276,971
Cash and cash equivalents, end of period	\$7,983,629	\$172,473	\$7,983,629	\$172,473

MUNDORO MINING INC.

Notes to Consolidated Financial Statements

June 30, 2004 and 2003

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

1. Basis of Presentation

These interim consolidated financial statements have been prepared using the same accounting policies and methods of their application as the most recent annual consolidated financial statements of the Company. These interim consolidated financial statements do not include all disclosures normally provided in the annual consolidated financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2003. In management's opinion, all adjustments necessary for fair presentation have been included in these interim consolidated financial statements. Interim results are not necessarily indicative of the results expected for the fiscal year. Certain comparative figures have been reclassified to conform with the current period's presentation.

2. Marketable Securities

The securities include a high grade \$2,000,000 face value provincial bond maturing December 1, 2005 with an interest rate of 8.5% paid semi annually with a market value of \$2,142,520.

3. Mineral Interests

The Company follows the practice of expensing all exploration costs until proven mineral reserves have been established.

On June 10, 2001, the Company entered into a Cooperative Joint Venture Agreement with Liaoning Aidi Resources Company Ltd. ("Aidi"), a company incorporated under the Business Law of Liaoning Province, China. Pursuant to the Cooperative Joint Venture Agreement, the Company is required to fund all work on a mining project ("Maoling Project") while Aidi's contribution consists of all the work completed to date on the project as well as the exploration license for the Maoling area.

The Company has made registered capital contributions of US\$1.84 million (\$2,572,487 in Canadian dollars) and has satisfied its funding obligation. In the six (6) month period ended June 30, 2004 the Company contributed a further US\$0.59 million, for a cumulative total contribution of US\$ 2.43 million.

The initial three-year term of the Exploration License for the Maoling Property has been extended for an additional two (2) years, expiring on November 5, 2005.

4. Equipment and Vehicles

	2004	2003
	June 30	December 31
Cost:		
Computers	\$ 54,720	\$ 31,629
Furniture and fixtures	15,892	15,892
Office and technical equipment	90,499	20,990
Vehicles	176,407	52,703
Leasehold improvements	27,246	2,822
	364,764	124,036
Less: Accumulated amortization	(38,588)	(19,646)
Net book value	\$326,176	\$ 104,390

5. Accounts payable and accrued liabilities

The liabilities at June 30, 2004 includes \$338,000 for unpaid drilling costs, \$97,800 for unpaid farmers' compensation related to the completed road access to Zone 4 and \$65,200 for land reclamation costs. Other liabilities include unpaid directors' retainer and meeting fees of \$22,250 and sundry payables of \$22,947.

6. Share Capital

(a) Authorized: Unlimited number of common shares without par value.

(b) Issued:

	Shares	Amount
Balance, December 31, 2003	25,131,873	\$17,977,970
Issued pursuant to Over-Allotment Option	300,000	375,000
Issued pursuant to exercise of warrants	116,250	145,312
Balance, March 31, 2004	25,548,123	\$18,498,282
Issued pursuant to exercise of warrants	192,020	138,524
Balance, June 30, 2004	25,740,143	\$18,636,806

(c) 93,750 of the shares issued are held in court. The release of these shares is subject to the outcome of legal proceedings.

(d) Stock Options

During the period, the Company granted 892,500 stock options to directors and employees. These options have a vesting period of one year, in which 33% is vested immediately, 33% in six (6) months and the remaining 33% in twelve (12) months and expire over five (5) years from the grant date.

MUNDORO MINING INC.

Notes to Consolidated Financial Statements

June 30, 2004 and 2003

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

A summary of the status of options granted under the Company's 2004 plan is presented below. No options have been exercised during the period.

	Shares	Weighted Average Exercise Price
Options outstanding at December 31, 2003	2,422,500	\$ 0.83
Granted	892,500	\$ 1.76
Options outstanding at June 30, 2004	3,315,000	\$1.08

<u>Options Outstanding</u>				<u>Options Exercisable</u>	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (yr)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$0.21 - \$0.31	1,062,500	2.88	\$0.22	1,062,500	\$0.22
\$1.25 - \$1.92	2,202,500	4.61	\$1.45	1,187,500	\$1.39
\$2.73	50,000	4.60	\$2.73	16,667	\$2.73
	3,315,000	4.05	\$1.08	2,266,667	\$0.85

In 2003, the Company adopted the fair value method of accounting for all stock-based payments to employees and directors. For all options issued to employees and directors in fiscal 2004, the Company recognized compensation cost and a related credit to contributed surplus over the vesting period of the options. Under this method, the Company charged \$199,636 stock based compensation to operations for the 3 months ended March 31, 2004 and a further \$388,456 for the 3 months ended June 30, 2004. The fair value of all options granted has been estimated at 1.09 per share using the Black-Scholes Option Pricing Model with the following weighted-average assumptions:

	<u>2004</u>
Risk-free interest rate	3.25%
Dividend yield	0%
Volatility	82.89%
Average expected lives	4 years

MUNDORO MINING INC.

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(Expressed in Canadian Dollars)

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

(e) Warrants outstanding as at June 30, 2004:

<u>Number Of Warrants</u>	<u>Exercise Price Per Warrant</u>	<u>Expiry Date</u>
1,598,353	\$1.25 (years 1&2)	June 15, 2005
	\$1.87 (year 3)	June 16, 2006
159,835	\$0.31	June 16, 2005
50,000	\$1.25	November 12, 2005
1,050,000	\$1.25	November 24, 2005
30,000	\$1.25	November 24, 2005
(116,250)	\$1.25	Exercised – Jan to March 2004
<u>(192,020)</u>	\$0.31 - \$1.25	Exercised – April to June 2004
2,579,918		Balance outstanding

Each warrant entitles the holder to acquire one common share of the Company.

7. Related Party Transactions

The Company incurred the following expenses to certain directors or companies controlled by certain directors of the Company:

	<u>2004</u>	<u>2004</u>	<u>2003</u>
	<u>June 30</u>	<u>June 30</u>	<u>June 30</u>
	<u>3 months</u>	<u>6 months</u>	<u>6 months</u>
Directors fees	\$22,250	\$ 47,250	\$ -
Project management	25,499	38,799	19,991
Management fees	54,907	119,623	81,556
	<u>\$102,656</u>	<u>\$205,672</u>	<u>\$101,547</u>

MUNDORO MINING INC.

Notes to Consolidated Financial Statements

June 30, 2004 and 2003

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

8. Non-cash Financing Activities

The Company issued 76,338 shares for services amounting to \$38,731 in the six month period to June 30, 2003. There were no shares or warrants issued for services in the six month period ended June 30, 2004.

9. Geographical Information

The Company's business is considered as operating in one segment and the geographical division of the total assets of the Company is as follows:

	2004	2003
	June 30	December 31
Canada	\$9,986,159	\$11,270,800
China	625,761	1,118,523
	<u>\$10,611,920</u>	<u>\$12,389,323</u>