Interim Report to Shareholders

For the Quarter Ended September 30, 2005

Suite 702 – 543 Granville Street
Vancouver, BC
Canada V6C 1X8
tel: (604) 669-8055
fax: (604) 669-8056
e-mail: info@mundoro.com
website: www.mundoro.com

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS
For the Fiscal Quarter Ended September 30, 2005
November 8, 2005

The following discussion and analysis is to be read in conjunction with the unaudited Consolidated Financial Statements for September 30, 2005 and 2004. Note: all dollar amounts are in Canadian dollars unless otherwise indicated.

DESCRIPTION OF BUSINESS & OVERVIEW

Mundoro Mining Inc. (the "Company"), a BC registered company whose shares trade on the TSX, is involved in the acquisition, exploration and development of mineral resource properties internationally. The Company's current focus is the feasibility stage Maoling Gold Project in Liaoning Province, China in which it first became involved in 1999.

Following completion of the Pre-feasibility Study on the Maoling Gold Project in the last quarter, the Company formed an integrated engineering team to complete the Definitive Feasibility Study ("DFS") and to help advance the permitting process. The team is comprised of Ausenco Limited, Golder Associates Pty Limited ("Golder"), Sinosphere Corporation and Intercedent Limited. Ausenco Limited is an international engineering firm that has recently completed major project developments with Placer Dome in Tanzania, Oxiana's copper gold mine in Laos and feasibility work for Ivanhoe Mines in Mongolia, and will handle the process design work and the overall project management. Ausenco appointed Mr. Ivor Whitefield as Project Manager for Maoling. Mr. Whitefield has over 30 years experience in mine construction and project management and was most recently Newcrest's site development manager for the large scale Telfer gold-copper project in Western Australia.

Golder, an international firm specializing in tailings dam design, engineering and environmental services, will design the tailings impoundment facilities and undertake the geotechnical work, hydrology, mine design and also the resource/reserve estimation aspects of the DFS. Golder was involved in the design and construction of the tailings facilities for Sinogold's Jianchaling and Jinfeng gold projects and Afcan's Tanjianshan project in China. Together with Golder, Sinosphere Corporation will manage the Environmental and Social Impact Assessment (ESIA), assist in drafting all environmental permit applications and coordinate with the various government approving agencies for the DFS. Since 1999, Sinosphere has applied its expertise in China and has undertaken or managed over 1,500 due diligence or ESIA projects in various industries. Intercedent Limited, a business facilitator in China since 1991 will assist the Company with the guiding of all permit applications through the different government approval levels and project execution strategies. The engineering consulting groups were chosen based not only on their international reputations but also on their familiarity with the evolving regulations and standards in China. All consultants were engaged on the various aspects of the DFS by the latter half of the quarter.

The Company's infill and technical drilling programs continued through the quarter with the completion of an additional 6,183 metres in 22 holes, bringing the total year-to-date drilled to 13,400 metres in 46 holes in Zone 1. Extensions to mineralization beyond the limits of the resource envelope at the south end of Zone 1 have been demonstrated and the deposit remains open in this direction. Drilling has demonstrated relative displacements of mineralization across northeast faults at the south end of the deposit. These drilling results will greatly enhance the integrity of the geological model prior to the next resource modeling and estimation that is expected to commence in the fourth quarter.

The business license of the Company's joint venture company, Liaoning Tianli Mining Company Limited ("Tianli"), lapsed on August 31, 2005. Discussions with senior officials of the Provincial Government of Liaoning in early September resulted in reassurances that the application was being processed but as of this date the license extension has not been received. The Company has no reason to believe that the license will not be issued.

With the exception of interest earned on investments the Company does not have revenues and relies upon equity financings to fund its exploration work. As a subsequent event, on October 6th, the Company closed a $25.1 million financing at a price of $2.95 per unit where each unit consists of one common share and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). A Warrant is exercisable to purchase one common share of the Company at a price of $4.00 per share until October 7, 2007. If the common shares trade at a volume-weighted price of not less than $5.00 for 15 consecutive trading days, then the Warrants must be exercised within 15 business days after notice by the Company of that event, failing which they will expire. As of this date, the Company has in excess of $27.7 million in cash and cash equivalents to finance current operations and anticipated costs of the Definitive Feasibility Study.

Further details of the results of operations for the third quarter of 2005 and 2004 are summarized in the following tables along with related comments on the changes.

1) FINANCIAL HIGHLIGHTS

- The consolidated loss for the quarter under Canadian GAAP was $1,670,621 ($0.06/ share) compared with a loss of $1,832,380 ($0.07/share) during the same quarter of 2004. Loss during the nine months to September 30, 2005 and 2004 were $4,733,281 ($0.17/ share) and $4,942,090 ($0.19/ share), respectively.

- Mineral exploration costs for the quarter were $1,161,955 compared with $1,388,440 during the same quarter of 2004. Similar costs for the nine months to September 30, 2005 were $2,879,554 compared to $3,367,676 for the same period last year. All exploration costs were expended on the Maoling Gold Project, China.

- Interest income for the current quarter amounted to $41,320 compared to $59,621 during the same period last year.

- Amounts raised during the quarter through the exercise of warrants were $117,591. For the nine months ended September 30, 2005, a total amount of $2,923,884 was raised through the exercise of warrants and stock options.

- Working capital for the quarter ended at $5,886,711 compared with $6,937,915 at the end of December 2004.

2) FINANCIAL RESULTS

Loss for the Period	**3 Months Ended September 30**		
	2005	**2004**	**Change**
(Loss) for the quarter	$(1,670,621)	$(1,832,380)	$ 161,759
(Loss) per share	$ (0.06)	$ (0.07)	$ 0.01

The overall reduction in the loss for the third quarter in 2005 over 2004 is due largely to the lower exploration expenditures.

Income

Interest income for the quarter was lower at $41,320 compared to $59,621 for the same period last year as continued exploration activities drew down from the interest earning cash assets.

Mineral Exploration Costs

	2005	2004	Change
Current quarter	$ 1,161,955	$ 1,388,440	$ (226,485)
Nine months ended September 30	2,879,554	3,367,676	(488,122)

The Company follows the practice of expensing all exploration costs until mineral reserves have been firmly established and a mining permit issued. No costs have been capitalized to date. The breakdown of the above costs appears in Note 2 to the financial statements.

Current quarter expenditures were lower than in the same quarter of 2004 due to reduced drilling activities following the completion of the Pre-feasibility Study in the previous quarter.

On January 31, 2005 the Company and its joint venture partner agreed to raise the total investment amount of the exploration joint venture to US$10,000,000. According to the regulations governing Sino-Foreign Joint Ventures, Government approval is required to raise the total investment amount and accordingly discussions with provincial authorities in Liaoning, including the local office of the Bureau of Foreign Trade and Economic Cooperation (BOFTEC) have been held; however, a decision has been deferred pending discussions with higher level officials. In the meantime, Mundoro has been funding work activities directly. Once approved, the higher limits should allow the joint venture company to fund all activity on site until the construction phase.

Administrative Expenses	**3 Months Ended September 30**		
	2005	**2004**	**Change**
Accounting and audit	$ 22,133	$ 13,410	$ 8,723
Amortization	8,586	7,710	876
Corporate communications	93,184	61,004	32,180
Corporate development and governance	46,356	27,862	18,494
Directors' fees	18,442	19,375	(933)
Exchange and regulation	17,925	14,703	3,222
Government relations & community support	51,364	-	51,364
Office support	153,567	100,804	52,853
Stock based compensation (Note 4(d))	113,656	278,055	(164,399)
Foreign exchange loss (gain)	24,683	(28,082)	52,765
Total	**$ 549,986**	**$ 494,841**	**$ 55,145**

Expenses for the quarter are 11% above last quarter due primarily to increased government relations and community support activities in China, corporate development, office support and communications. The higher expenses were offset by the lower non-cash stock based compensation in the quarter.

Comments on the significant areas of change appear below along with clarification concerning each activity:

Accounting and Audit covers all financial accounting and reporting activities and includes the services of the CFO, the external auditors' (annual audit and quarterly reviews) and the accountant. Higher costs reflected increased auditing fees and mine site accounting.

Corporate Communications provides for the flow of information about the Company to all stakeholders, regulatory bodies and the investment community and includes print and electronic media as well as conventions and conference costs.

Participation in the Denver Gold Forum and an investor conference in Toronto, along with more media promotions account for the increase in costs.

Corporate Development and Governance - the activities of senior management and the board related to corporate business affairs and include such costs as travel and accommodation, legal, insurance and corporate secretarial costs.

Increased cost of higher directors' and officers' liability insurance $8,800 and legal fees $15,800 were responsible for the change.

Government Relations and Community Support activity provides for business-related travel, communications and meetings with all three levels of government and government officials in China along with support for the local Maoling community.

Activities associated with obtaining new investment approval and business license were responsible for the higher expenses during the current quarter.

Office Support activity covers expenditures associated with project and corporate administrative overhead in both Vancouver and Shenyang. These include such normal office costs as rent, power, insurance, telephone and facsimile, courier, secretarial, supplies and postage.

Additional rent charges and salaries in Vancouver and other overhead in China account for the cost increase.

Stock-based Compensation - Since 2003, the Company has used the fair value method of accounting for all stock-based payments to employees and directors. Under this method the fair value of stock options is calculated and expensed at the date of grant, with the offsetting credit to contributed surplus. If the stock options are exercised the proceeds are credited to share capital. The Company uses the Black-Scholes option pricing model to calculate the fair value of all stock options.

Quarterly expenses were significantly lower than in the comparable period as no new options were granted.

Exchange Loss (Gain) arises primarily from the foreign currency translation of US dollar and Chinese RMB currencies in preparing the consolidated financial statements under Canadian GAAP.

There has been no significant impact on the cost of operations in China from the recent uncoupling of the RMB from the US dollar.

Related party transactions are described in detail in the notes to the financial statements. Directors' fees are identified in the statement of operations and hence they do not appear in the related party note disclosure.

3) SUMMARY OF QUARTERLY RESULTS

The following information has been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). All amounts are in $CDN.

	2005			2004				2003
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Interest income	41,320	42,215	44,898	47,618	50,901	40,180	282,602	45,926
Exploration costs	(1,161,955)	(1,280,006)	(366,170)	(898,713)	(1,388,440)	(1,320,850)	(658,386)	(53,934)
Administrative expenses	(436,330)	(421,713)	(477,438)	(722,628)	(216,786)	(392,998)	(472,166)	(704,293)
Stock based compensation	(113,656)	(224,258)	(380,188)	(31,302)	(278,055)	(388,456)	(199,636)	(368,885)
(Loss) for the period	(1,670,621)	(1,883,762)	(1,178,898)	(1,605,025)	(1,832,380)	(2,062,124)	(1,047,586)	(1,081,186)
(Loss) per share basic and diluted	(0.06)	(0.07)	(0.04)	(0.06)	(0.07)	(0.08)	(0.04)	(0.07)

The Company's sole source of income derives from cash management, and is generally predictable from quarter to quarter. The high income amount for the first quarter of 2004 reflects a gain on sale of long term government bonds.

The Stock-based Compensation costs relate to Administrative expenses.

In the fourth quarter of 2003 additional costs were incurred pursuant to the initial public offering and subsequent stock exchange listing.

During the period, the Company reported no discontinued operations or extraordinary items.

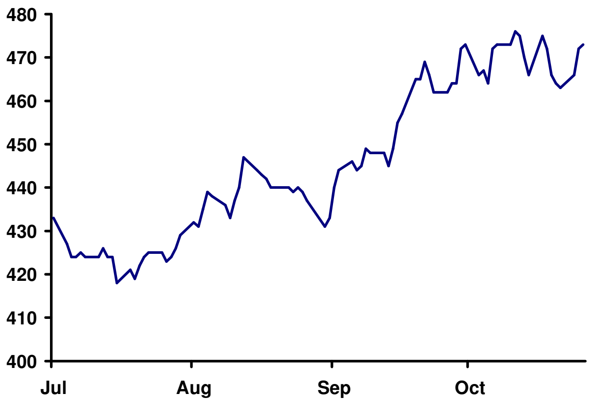
4) FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

	September 30, 2005	December 30, 2004	Change
Working capital	$5,886,711	$6,937,915	$(1,051,204)
Total Assets	$6,586,006	$8,483,707	$ (1,897,701)

The decreases in both working capital and assets over this nine month period reflect the financing of exploration activities and pre-feasibility studies completed on the Maoling Gold Project. These requirements were reduced in part by modest amounts of interest income, and, more significantly, by cash received on the exercise of stock options and warrants, particularly in 2005.

During the quarter, new cash arose primarily from the exercise of warrants that were to expire in November 2005. Current working capital is sufficient to fund all currently anticipated costs of the definitive feasibility study for Zone 1.

5) THE GOLD MARKET



Gold price chart for period July 1 to October 26, 2005

From a price of US$433 per ounce at the start of the third quarter, the dollar value of gold has shown a consistent rise to US$473 on September 30. As of the date hereof, the price of gold is little changed, after a short period of consolidation during October in the US$460 to US$470 range.

Many industry commentators believe that the fundamentals for the gold market will remain strong for at least the medium term. If this proves to be true then the financial markets are likely to remain supportive of the Company as it advances Maoling closer to final development and production.

6) ANNUAL INFORMATION FORM

The Company's 'Initial' Annual Information Form (AIF) was receipted by the British Columbia Securities Commission on April 18, 2005, and is available on SEDAR at www.sedar.com. Subsequent to this filing the Company attained POP issuer status.

7) RISKS AND UNCERTAINTIES

Exploration Risk
The Company's only current property is the Maoling Property in which a body of ore containing 2.8 million ounces of Probable Reserve has been defined. A considerable percentage of the Company's property-wide resources have not yet been converted to reserves and there is no guarantee that additional drilling and economic studies will cause these resources to be converted into reserves.

Licenses and Permits

At the exploration stage of the project the primary licenses under which the Company's joint venture company operates are a business license and an exploration license. As previously disclosed the joint venture's business license expired on August 31, 2005 and the Exploration License expired on November 5th 2005 in spite of applications to extend them having been made in a timely manner. Although delays in the extension and granting of licenses are not unusual in China's evolving regulatory environment, and the Company has no reason to believe that the licenses will not be issued, there can be no assurance they will be issued.

In due course, the joint venture company will apply for a mining license before it can extract and process ore from Maoling. There can be no assurance that this license will be issued.

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.

Environment Protection Legislation
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 strengthening its environmental protection legislation and enforcement of its regulations. There is no assurance that current or future Chinese 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, consequently, if a dispute were to arise between the Company and its joint venture partners or any third party the Company would be obliged to depend on the courts of China for adjudication.

Currency Exchange Rates
The Company operates its business using US dollar, Canadian dollar and Renminbi (RMB) currencies. The government of China has maintained the exchange rate between the RMB and the US dollar at a constant exchange rate 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. On July 21, the Chinese government, through the central bank, decided to allow the RMB to float in a broader band relative to a basket of currencies. As a result of this change in policy the RMB gained 2.1% in value relative to the US dollar. This uncoupling of the RMB from the US dollar could ultimately impact the cost of doing business in China for the Company.

8) OUTLOOK

During the fourth quarter of this year the Company expects to: (i) complete an updated resource model for Zone 1 that will be the foundation of the definitive feasibility study; (ii) take metallurgical samples from Zone 1 and initiate testing for the DFS; (iii) complete various phases of the geotechnical data gathering; (iv) reapply for and obtain government approval to increase the total investment amount of the joint venture and renew the business license of the joint venture company accordingly; (v) submit application to extend the exploration license which expired on November 5th, 2005 for another two years. The Company is a sponsor of and will be presenting at the China Mining 2005 convention in Beijing in November.

MUNDORO MINING INC.

Interim Consolidated Financial Statements
(unaudited, expressed in Canadian Dollars)

For the Three and Nine Months Ended

SEPTEMBER 30, 2005 and 2004

Index

MUNDORO MINING INC.

Interim Consolidated Balance Sheets
As at September 30, 2005 and December 31, 2004
(unaudited, expressed in Canadian Dollars)

		September 30 2005		December 31 2004
ASSETS				
Current assets				
Cash and cash equivalents	$	5,918,289	$	7,931,922
Accounts receivable		186,846		150,644
Prepaid expenses and deposits		171,817		51,996
		6,276,952		8,134,562
Mineral interests (Note 2)		100		100
Equipment and vehicles (Note 3)		308,954		349,045
	$	6,586,006	$	8,483,707
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	390,241	$	1,196,647
SHAREHOLDERS' EQUITY				
Share capital (Note 4 and 7)		22,088,886		18,986,191
Contributed surplus (Note 4e)		1,863,963		1,324,672
Deficit		(17,757,084)		(13,023,803)
		6,195,765		7,287,060
	$	6,586,006	$	8,483,707

Commitments (Note 8)

Approved by the Directors:

"Patrick Downey" — Patrick Downey

"Colin H. McAleenan" — Colin H. McAleenan

MUNDORO MINING INC.

Interim Consolidated Statements of Operations and Deficit

Three Months and Nine Months Ended September 30, 2005 and 2004

(unaudited, expressed in Canadian Dollars or numbers of common shares)

	3 Months Ended		9 Months Ended	
	2005	2004	2005	2004
Income				
Interest income	$41,320	$59,621	$128,433	$273,183
Gain on sale of bonds	-	(8,720)	-	149,980
Write down bond premium to market	-	-	-	(49,480)
	41,320	50,901	128,433	373,683
Mineral exploration costs (Note 2)	1,161,955	1,388,440	2,879,554	3,367,676
Administrative expenses				
Accounting and audit	22,133	13,410	81,710	64,634
Amortization	8,586	7,710	24,355	18,400
Corporate communications	93,184	61,004	314,508	316,789
Corporate development and governance	46,356	27,862	190,805	126,168
Directors' fees	18,442	19,375	65,474	66,625
Exchange and regulation	17,925	14,703	62,467	164,416
Government relations & community support	51,364	-	98,522	65,882
Office support	153,657	100,804	407,044	327,966
Stock based compensation (Note 4d)	113,656	278,055	718,102	866,147
Foreign exchange loss (gain)	24,683	(28,082)	19,173	(68,930)
	549,986	494,841	1,982,160	1,948,097
Loss for the period	(1,670,621)	(1,832,380)	(4,733,281)	(4,942,090)
Deficit, beginning of period	(16,086,463)	(9,586,398)	(13,023,803)	(6,476,688)
Deficit, end of period	$(17,757,084)	$(11,418,778)	$(17,757,084)	$(11,418,778)
Loss per share - basic and diluted	$(0.06)	$(0.07)	$(0.17)	$(0.19)
Weighted average number of common shares outstanding – basic and diluted	28,395,707	25,740,143	27,294,497	25,652,466

MUNDORO MINING INC.

Interim Consolidated Statements of Cash Flows
Three Months and Nine Months Ended September 30, 2005 and 2004

(unaudited, expressed in Canadian Dollars)

	3 Months	Ended	9 Months	Ended
	2005	2004	2005	2004
Cash flows from (used in) operating activities				
Loss for the period	$(1,670,621)	$(1,832,380)	$(4,733,281)	$(4,942,090)
Adjustments for items not involving cash:				
- amortization	18,249	14,371	56,468	33,309
- stock-based compensation	113,656	278,055	718,102	866,147
- write down of bond premium to market	-	-	-	49,480
	(1,538,716)	(1,539,954)	(3,958,711)	(3,993,154)
Change in non-cash working capital:				
- accounts receivables	(25,117)	(74,381)	(36,202)	(53,871)
- prepaid expenses and deposits	(59,398)	(69,647)	(119,821)	(114,007)
- accounts payable and accrued liabilities	(439,537)	452,191	(806,459)	912,571
	(2,062,768)	(1,231,791)	(4,921,193)	(3,248,461)
Cash flows from financing activities				
Proceeds from issuance of shares	117,591	-	2,923,884	283,836
Cash flows provided by (used in) investing activities				
Sale of marketable securities	-	2,142,520	-	8,021,070
Acquisition of equipment and vehicles	-	(50,823)	(16,324)	(291,547)
	-	2,091,697	(16,324)	7,729,523
Increase(decrease) in cash and cash equivalents	(1,945,177)	859,906	(2,013,633)	4,764,898
Cash and cash equivalents, beginning of period	7,863,466	7,983,629	7,931,922	4,078,637
Cash and cash equivalents, end of period	$5,918,289	$8,843,535	$5,918,289	$8,843,535
Supplementary cash flow information				
Interest paid	$ -	$ -	$ -	$ -
Income taxes paid	-	-	-	-

MUNDORO MINING INC.

Notes to Interim Consolidated Financial Statements

For the Three and Nine Months Ended
September 30, 2005 and 2004
(unaudited, expressed in Canadian Dollars)

1. Basis of Presentation

The accompanying interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. These interim consolidated financial statements follow 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, 2004. 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 to the current period's presentation.

2. Mineral Interests

The Company follows the practice of expensing all exploration costs until mineral reserves have been firmly established and a mining permit issued. Work has commenced this quarter on the definitive feasibility study following the release of the results of the pre-feasibility study towards the end of the last quarter which identified a mineral reserve at Maoling.

Exploration costs incurred in the quarter ended September 30, 2005 including pre-feasibility work amounted to $1,161,955 (2004, $1,388,440) as detailed below:

Mineral Exploration Costs:	3 Months Ended to September 30		9 Months Ended to September 30	
	2005	2004	2005	2004
Core drilling and related costs	$ 537,022	$ 913,456	$ 1,368,360	$ 2,241,700
Assaying and analytical	68,794	97,119	137,461	196,587
Technical services and project management	485,032	215,333	1,126,971	437,869
Amortization	9,663	6,661	32,113	14,909
Shipping, travel, office and others	61,444	155,871	214,649	476,611
	$ 1,161,955	$ 1,388,440	$ 2,879,554	$ 3,367,676

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 Maoling Gold Project through to production and thereby earns a 79% profit interest in the joint venture. Aidi's contribution consists of all the work completed to 2001 on the project as well as the exploration license for the Maoling area.

(unaudited, expressed in Canadian Dollars)

The Company has made registered capital contributions and direct payments on behalf of the joint venture amounting to US$7.49 million to September 30, 2005 or approximately US$1.54 million in the quarter.

Under Chinese mining laws and regulations, exploration licenses have a three year term and allow two two-year extensions. The Joint Venture's license for Maoling for the first two year extension expired on November 5, 2005 and the Company has applied for a final extension in the normal course. The renewal of the Company's business license which expired August 31, 2005 is underway with the relevant Chinese authority.

3. Equipment and Vehicles

	2005	2004
	September 30	December 31
Cost:		
Computers	$ 66,140	$ 61,039
Furniture and fixtures	26,022	25,379
Office and technical equipment	121,318	111,486
Vehicles	176,407	176,407
Leasehold improvements	47,211	46,463
	437,098	420,774
Less: Accumulated amortization	(128,144)	(71,729)
Net book value	$308,954	$349,045

4. Share Capital

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

(b) Issued:

	Shares	Amount
Balance, December 31, 2004	26,039,479	$18,986,191
Issued pursuant to warrants	363,749	436,737
Issued pursuant to stock options	16,500	24,750
Reclassification of contributed surplus on exercise of options	-	3,887
Balance March 31, 2005	26,419,728	$19,451,565
Issued pursuant to warrants	1,540,811	1,919,995
Issued pursuant to stock options	375,000	424,811
Reclassification of contributed surplus on exercise of options	-	174,924
Balance, June 30, 2005	28,335,539	$21,971,295
Issued pursuant to warrants	94,073	117,591
Balance, September 30, 2005	28,429,612	$22,088,886

(unaudited, expressed in Canadian Dollars)

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

(d) Stock Options

At the Company's annual shareholders' meeting held in April 2005, a modification to the Company's 2004 Stock Option Plan was approved. This modification provides for a rolling maximum of 15% of issued stock made available for the granting of stock options.

There were no stock options granted during the current quarter. A summary of the status of options granted appears below.

	Options	Weighted Average Exercise Price
Options outstanding at December 31, 2004	3,415,000	$ 1.11
Granted	430,000	$ 2.59
Exercised	(16,500)	$ 1.50
Options outstanding at March 31, 2005	3,828,500	$1.27
Exercised	(75,000)	$1.92
Exercised	(125,000)	US$0.16
Exercised	(100,000)	$1.25
Exercised	(75,000)	$1.70
Options outstanding at June 30, 2005 and September 30, 2005	3,453,500	$1.29

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (yr)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
US$0.16	812,500	.58	US$0.16	812,500	US$0.16
US$0.24	125,000	1.58	US$0.24	125,000	US$0.24
$1.25	1,160,000	3.10	$1.25	1,160,000	$1.25
$1.50-$1.92	826,000	3.74	$1.70	809,333	$1.70
$2.73 - $2.83	100,000	3.75	2.78	83,333	$2.77
$2.42 - $3.04	430,000	4.38	$2.59	286,667	$2.59
	3,453,500	2.16	$1.29	3,276,833	$1.23

(unaudited, expressed in Canadian Dollars)

The Company uses the fair value method of accounting for all stock-based payments to employees and directors since 2003. Under this method the fair value of stock options is calculated and expensed at date of grant, with the offsetting credit to contributed surplus. If the stock options are exercised the proceeds are credited to share capital.

The Company uses the Black-Scholes option pricing model to calculate the fair value of all stock options. In doing so, management is required to estimate future stock price volatility and the period within which the stock options will be exercised. The assumptions made will likely change from time to time. In determining the fair value of the options, the model uses historical information as well as anticipated future events.

During the nine months ended September 30, 2005, the Company granted stock options to purchase an aggregate of 430,000 common shares to directors and employees with exercise prices ranging from $2.42 to $3.04 per share which equal the respective market prices at the time of grant. The stock options have a vesting period of one year, in which 33% vested immediately, 33% in six (6) months and the remaining 33% in twelve (12) months and expire over five (5) years from the date of the grant.

During the nine months ended September 30, 2005 and 2004, the assumptions used in calculating fair values were:

	2005	2004
Number of common shares	430,000	942,500
Grant/exercise per share	$2.59	$1.74
Risk-free interest rate	3.25%	3.25%
Annual dividend per share	Nil	Nil
Price volatility	64.15%	83%
Option life in years	4	4
Calculated fair value per share	$1.33	$1.09

(e) Contributed Surplus

Balance, December 31, 2004	$	1,324,672
Stock options vested in the period		380,188
Stock options exercised in the period		(3,887)
Balance, March 31, 2005		1,700,973
Stock options vested in the period		224,259
Stock options exercised in the period		(174,924)
Balance, June 30, 2005		1,750,308
Stock options vested in the period		113,655
Balance, September 30, 2005	$	1,863,963

(unaudited, expressed in Canadian Dollars)

(f) Warrants outstanding and exercisable as at September 30, 2005:

Number of Warrants	Exercise Price Per Warrant	Expiry Date
8,000	$1.25	November 12, 2005
273,949	$1.25	November 24, 2005
281,949		

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

5. Related Party Transactions

The Company incurred administrative and geological consulting fees to a management company controlled by the CEO in the normal course of business as follows:

	2005	2004	2005	2004
Periods Ended September 30	3 months	3 months	9 months	9 months
Geological/Project Management Services	$ 9,233	$ 19,834	$ 46,267	$ 58,633
Corporate Management Services	30,768	36,507	73,737	119,453
	$ 40,001	$ 56,341	$ 120,004	$178,086

6. 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:

	2005	2004
	September 30	December 31
Canada	$6,080,702	$7,890,621
China	505,304	593,086
	$6,586,006	$8,483,707

7. Subsequent Event

On October 6, 2005, the Company completed a bought deal unit financing with a syndicate of underwriters which resulted in the Company issuing 8,500,000 units at a price of $2.95 per unit for gross proceeds of $25,075,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to purchase one common share at a price of $4.00 for the period of

7. Subsequent Event (Continued)

two years following October 6, 2005. If the common shares trade at a volume-weighted average price of not less than $5.00 for 15 consecutive trading days during the term of the Warrant, then the Warrants must be exercised within 15 business days after notice by the Company of that event, failing which they will expire.

The financing net proceeds amounted to $23,482,092 after 6% commission costs of $1,504,500 and legal and other expenses of $88,408. In addition, the underwriters received 425,000 warrants where each warrant entitles the holder to one common share. The financing will be used to fund further exploration and development of the Maoling Gold Project in Liaoning Province, China and for general corporate purposes.

8. Commitments

The commitments as disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2004 remain outstanding and should be read in conjunction with the following commitments

With the formation of a team to complete the definitive feasibility study, the Company has entered into engineering consulting agreements with certain key contractors whose work is estimated to cost $4.97 million. The contracts have allowed for earlier cancellation without termination cost by one month's notice if the Company, after assessment of its business needs, finds that the work is no longer required.