Interim Report to Shareholders

For the Fiscal Quarter Ended June 30, 2006

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 INTERIM FINANCIAL RESULTS
For the Fiscal Quarter Ended June 30, 2006
August 11, 2006

<u>Expressed in United States dollars unless otherwise indicated.</u>

The following discussion and analysis is to be read in conjunction with the unaudited Consolidated Financial Statements for June 30, 2006 and 2005 and related notes which are prepared in accordance with Canadian Generally Accepted Accounting Principles. This document has been reviewed by the Audit Committee of the Board of Directors of the Company pursuant to its mandate and charter and has been approved by the Board of Directors. Additional information relating to the Company, including its Annual Information Form, can be found on SEDAR at www.sedar.com and on the Company's website at www.mundoro.com.

1) DESCRIPTION OF BUSINESS & RECENT BUSINESS ACTIVITIES

Mundoro Mining Inc. (the "Company"), a British Columbia registered company whose shares trade on the TSX, is involved in the acquisition, exploration and development of mineral resource properties. The Company's current focus is the feasibility stage Maoling Gold Project in Liaoning Province, China in which it first became involved in 1999. Liaoning Tianli Mining Company Ltd. ("Tianli"), the Sino-Foreign Joint Venture company operating the Maoling Gold Project, has been operating under a business license that has to be periodically renewed. In spite of a timely application having been submitted for renewal, the business license expired at the end of August 2005. As a result, Tianli's application for renewal of its exploration license, which expired in November 2005, was deferred by the Ministry of Land and Resources in Beijing until the business license is renewed by authorities in Liaoning Province. While the renewal of the business license for the joint venture company is taking longer than anticipated, the Company believes that progress is being made towards a resolution of the issue. Local political issues as well as the continuing evolution of the Chinese regulatory environment have contributed to the delay. For instance, a recent national emphasis on environmental stewardship and protection has added a new and constructive dimension to project developments within the country but has also led to some local ambiguities in the application of existing regulations. However, Mundoro and its partner, Liaoning Aidi Resources Company, have been building a base of awareness and support for the project through consultation with relevant provincial and national authorities, and the Company intends to further the process with key decision makers in the province.

The Company completed a Pre-Feasibility Study in June 2005 which demonstrated the economic viability of developing a large-scale open-pit mine in Zone 1, one of two deposits identified on the property. In September 2005, the Company appointed an international team of engineers and environmental experts to optimize the mine/mill design and to complete a Definitive Feasibility Study ("DFS") which is now well underway and expected to be completed in the first half of 2007.

Two gold zones have been identified by the Company at Maoling that outcrop at surface, in which disseminated, free-milling gold mineralization occurs within a sequence of metasedimentary rocks. Exploration and feasibility work conducted thus far has outlined the following Reserves and Resources, using a 0.50 g/t gold cut-off grade (prepared by Golder Associates Pty Ltd. (2006) and AMEC Americas (2005 & 2001)):

Zone 1 Probable Reserve*

Tonnes (millions)	Grade (Au g/t)	Contained Gold (million ozs)
88.8	1.0	2.8

* Pre-Feasibility Study – AMEC 2005

Project-Wide Gold Resource Estimates

Tonnes (millions)	Grade (Au g/t)	Contained Gold (million ozs)
Zone 1 Measured & Indicated Resource*		
161	0.92	4.8
Total Zone 1 and 4 Inferred Resource		
158	0.9	4.4

* estimate includes Measured Resource of 4 million tonnes grading 1.31 grams gold per tonne

During the quarter, work continued to advance the DFS with Ausenco Limited ("Ausenco") of Australia concentrating on processing and project management. Ausenco has been working with Golder Associates Pty Limited ("Golder" has been engaged for resource modeling and estimation, mine and tailings facility design, hydrology and geotechnical studies), and Sinosphere Corporation (which has been engaged for environmental management, community engagement & project permitting). Two reports that are fundamental to the application process for a mining license are currently being prepared by government approved institutes: i) a resource and reserve verification report, which is planned to be completed by the end of Q3, 2006; and ii) a feasibility study to Chinese government specifications, which is planned to be completed in the first half of 2007.

Ausenco has finalized the processing circuit design for Maoling. Additional metallurgical testing and optimization studies indicate improved efficiency over the pre-feasibility study ("PFS") results by the use of a gravity circuit preceding a carbon-in-leach circuit. These same studies show potential cost savings through the use of a coarse grind, reduced retention time and lower reagent consumption in processing and detoxification circuits, potentially offsetting lower overall gold recoveries. With the processing circuit essentially finalized, Ausenco is now focusing on defining capital costs and examining opportunities to lower them by sourcing mining and processing equipment locally.

Golder is optimizing layouts for the tailings impoundment site, water dam and waste rock dumps. The mine design is based on the updated, combined *Measured and Indicated* Resources of 4.8 million ounces of gold reported in February, 2006. This is approximately one million ounces of gold more than were available for consideration in the PFS study. The mine plan is being designed to accommodate further expansion as the two main deposits are still open and further work programs are planned to upgrade as much as possible of the project's *Inferred* Resources of 4.4 million ounces to the *Measured and Indicated* Resource categories.

The Company is in the process of reviewing proposals from Société Générale Corporate & Investment Banking ("Société Générale"), the Company's debt advisors with respect to financing the development of Maoling, for the appointment of an Independent Engineer to review the project's technical data. A final selection is expected to be made shortly.

Subsequent to the end of the quarter, the Company announced the appointment of Teo Dechev, MBA, P.Eng. as Chief Financial Officer and Vice President of Corporate Development. Ms. Dechev replaces Mr. Robert van Doorn, President, who had assumed the CFO role on an interim basis.

2) FINANCIAL HIGHLIGHTS

- The consolidated loss for the quarter under Canadian GAAP was $1,938,896 or $0.05 per share compared with a loss of $1,556,402 or $0.06 per share during the same quarter of 2005, of which $85,598 (2005 - $185,286) was attributable to non-cash stock based compensation.

- Total project costs for the quarter were $1,284,122 compared with $1,116,578 during the same quarter of 2005, reflecting higher levels of activity in the preparation of the DFS and associated documentation for the Maoling Gold Project, China.

- During the quarter, the Company raised $292,395 from the exercise of stock options, resulting in a total of 38,401,561 shares issued as at June 30, 2006.

- Interest income in the quarter amounted to $220,303 compared with $34,879 for the same quarter in 2005.

- The Company ended the quarter with $22,595,152 in working capital, compared with $23,847,662 at December 31, 2005.

3) FINANCIAL RESULTS

	Q2 2006	Q2 2005	YTD 2006	YTD 2005
Interest income	$ 220,303	$ 34,879	$ 422,970	$ 71,969
Loss for the Quarter	$ 1,938,896	$ 1,556,402	$ 3,383,802	$ 2,530,432
Loss per Share	$ 0.05	$ 0.06	$ 0.09	$ 0.09
Total Assets	$ 23,171,716	$ 6,892,089		

The higher loss in this quarter is due to increases in project feasibility costs and administrative expenses as the Company continues to advance the Maoling Gold Project. Of the administrative expenses, $85,598 or 10% relates to non-cash accounting stock-based compensation charges. Under the Company's accounting policy, all exploration and feasibility costs have been expensed until mineral reserves are firmly established and a mining permit issued.

4) RESULTS OF OPERATIONS

Mineral Exploration & Project Feasibility Costs

Mineral Exploration Costs	**Q2 2006**	**Q2 2005**	**YTD 2006**	**YTD 2005**
Core drilling and Related Costs	$ 104,833	$ 714,013	$ 121,876	$ 706,641
Assaying and Analytical Costs and/or (recoveries)	(31,522)	22,476	37,116	58,367
Technical Services and Project Management	56,441	302,683	115,950	545,650
Amortization	7,525	8,098	14,991	19,083
Shipping, travel, office and all other costs	23,671	69,308	59,331	130,225
Subtotal	$ 160,948	$ 1,116,578	$ 349,264	$ 1,459,966
Definitive Feasibility Study ("DFS")				
Project Management	369,167		413,975	
Assaying and Analytical Costs	215,285		215,285	
Resource Evaluation	15,821		21,446	
Engineering	305,404		572,001	
Environment and Social Impact Assessment ("ESIA") Study	202,021		223,634	
Other	15,476		15,476	
Subtotal	$ 1,123,174	0	$ 1,461,817	0
Total	$ 1,284,122	$ 1,116,578	$ 1,811,081	$ 1,459,966

- The Company has deferred drilling activity on the Maoling project until such time as the Exploration License renewal is conferred. As a result, exploration costs decreased in the second quarter compared to the same quarter of 2005. Costs incurred in the current quarter relate to onsite core and sample management and deferred payments.

Administrative Expenses

		2Q 2006	2Q 2005	YTD 2006	YTD 2005
Accounting and audit	$	84,648	11,817	136,290	49,224
Amortization		8,627	6,654	15,607	13,029
Corporate communications		128,582	90,312	243,196	182,862
Corporate development and governance		181,023	23,993	243,642	78,492
Directors' fees		12,757	16,084	29,120	38,859
Exchange and regulation		19,361	15,364	52,164	36,801
Government Relations and Community Support		121,475	20,803	221,397	38,963
Office support		142,463	100,867	290,907	209,353
Stock-based compensation		85,598	185,286	712,485	499,404
Foreign exchange loss (gain)		90,543	3,523	50,883	(4,552)
TOTAL	$	**875,077**	**474,703**	**1,995,691**	**1,142,435**

Consistent with the Company's growth and with the ongoing activities on the Maoling Project in China, administrative expenses have trended upwards. Senior management's time is divided among key activities and consequently, management fees may appear under more than one activity. Rationale for variances between periods includes:

- Accounting and Audit provide for finance, accounting, taxation, audit services incurred by the Corporation. Stricter regulatory requirements have meant increased accounting and auditor activity. These have contributed to the increase in expenses in the second quarter and year-to-date.

- Corporate Communications provide for the flow of information about the Corporation to all stakeholders. Expenses in the quarter were $38,270 higher than the second quarter of 2005 due to the increasing size and requirements of investor and other stakeholder groups. The scope of communications programs has also grown to include introductions to international investors.

- Corporate Development and Governance activities include, among others, policy development, business development evaluation, strategic planning and oversight of the Corporation's operations. Expenditures during the quarter were $157,030 higher than in Q2 2005 due to higher legal, insurance costs, tax advisory and project debt advisory costs.

- Exchange and Regulatory activities cover filing and listing fees, legal costs of compliance and the services of the transfer agent. Expenditures for Q2 2006 were $3,997 higher than in 2005 due to increases in fees to the TSX exchange and securities commissions, some of which are based on the higher number of shares and value outstanding at the end of the previous year.

- Government Relations activities are principally related to the Maoling Project development in China including work related to community support. This covers all expenses related to obtaining the various licenses and permits to explore and develop the Maoling Project. Intensive engagement activities during the quarter that focused on resolving the joint venture license renewal delay are responsible for increased expenditures over the same period of 2005. Among these expenditures was payment for the Company's sponsorship of the China-Mining conference.

- Office Support activities include all overhead costs associated with maintaining project and corporate administrative services in Vancouver, Beijing (representative office), Shenyang (joint venture) and

Maoling (field office). Expenses in Q2 2006 have increased over 2005 primarily as a result of higher overhead required to support the Maoling Project development out of the Vancouver and China offices.

- Stock-based Compensation is a non-cash charge and a fair value estimate which uses the Black-Scholes Option Pricing Model applied to stock options granted to employees, consultants and advisors. Charges in Q2 2006 were lower than 2005 due to a decreased number of options vesting in the quarter fewer new options granted to directors, officers and employees. Year to date figures show an increase due to the increase in number of options vesting and granted in Q1 of 2006.

- Foreign Exchange Losses are non-cash unrealized items arising primarily from the translation of Canadian dollar and Chinese RMB currencies into US dollar consolidated financial statements. The reported loss grew in 2Q 2006 due to the depreciation of the US dollar vis-a-vis the Canadian dollar on exchanged cash amounts and US dollar-denominated stock options granted in 2002. The strengthening of the RMB somewhat offset the exchange loss on accounts payable in US dollars.

5) SUMMARY OF QUARTERLY RESULTS

	2006		2005				2004	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Interest income	$ 220,303	$ 202,667	$181,227	$34,139	$ 34,879	$ 37,096	$36,673	$39,201
Project costs	(1,284,122)	(526,959)	(1,107,766)	(960,030)	(1,116,578)	(302,537)	(692,135)	(1,069,292)
Administrative expenses (1)	(789,479)	(493,727)	(969,825)	(360,505)	(289,417)	(394,469)	(556,525)	(166,956)
Stock based compensation (2)	(85,598)	(626,887)	(250,456)	(93,905)	(185,286)	(314,119)	(24,107)	(214,141)
Loss for the period	(1,938,896)	(1,444,906)	(2,146,820)	(1,380,301)	(1,556,402)	(974,029)	(1,236,094)	(1,411,188)
Loss per share basic and diluted	($0.05)	($0.04)	($0.06)	($0.05)	($0.06)	($0.04)	($0.05)	($0.06)

(1) Several transactions coincided in the fourth quarter of 2005 in the areas of government relations, corporate communications, financing, and settlement of litigation that combined to substantially increase administrative expenses.
(2) Stock based compensation expense is a non-cash item.

6) FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

	June 30, 2006	December 31, 2005	Change
Working capital	$22,595,152	$23,847,662	($1,252,510)
Total Assets	$23,171,716	$24,588,243	($1,416,527)
Cash flow from financing activities	$292,395	$22,609,212	($22,316,817)

The Company considers it has sufficient working capital to cover all commitments and planned activities on the Maoling Project, including completion of the DFS at Maoling, leading up to a production decision and preparation for pre-production phases of the project. Anticipated spending requirements following a production decision include detailed engineering and acquisition of long lead items. Additional working capital will be required to complete construction at Maoling and continue exploration programs. A number of sources may be available to the Company to meet future working capital needs, such as additional share offerings, the exercise of outstanding warrants and options, and other funding sources. The Company continues to work with Société Générale as project debt advisor for the Maoling Gold Project, and shall explore appropriate financing routes to fund mine development. This may include any or a combination of issuance of share capital, funding through strategic alliance, debt financing, project debt, convertible securities or other financial instruments. Although the intent is to plan and arrange the necessary project debt financing to build a mine at Maoling, there is no assurance that all of the required project debt financing will be underwritten. Certain of these financing sources may be recourse to the Company. Decisions with respect to financing will be made in conjunction with making a production decision.

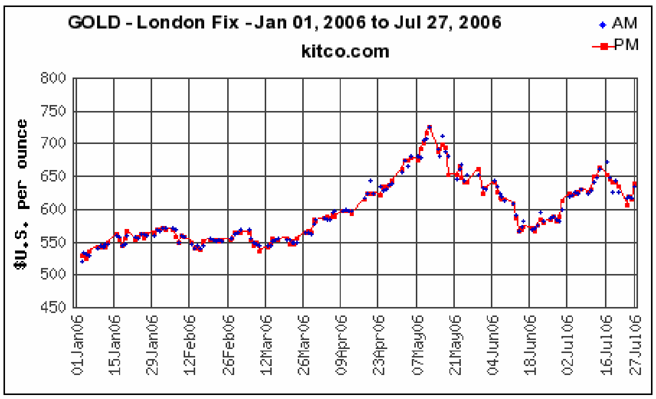
With the exception of interest earned on investments the Company does not have revenue and relies upon equity financings to fund its exploration and feasibility work. Further cash resources may become available through outstanding warrants and options, which would contribute $22,803,705 to the Company's treasury should they all be exercised.

The Company's principal source of liquidity as at June 30, 2006 is cash and cash equivalents and short-term investments of $22,313,258 (2005 - $6,417,061). Cash and cash equivalents are comprised mainly of Canadian dollar denominated cash balances of $3,941,095 (2005 - $3,455,699) and $8,851,362 (2005 - $1,816,617) of highly liquid investments in R1 rated money market instruments, with terms to maturity of 90 days or less when acquired. The counter-parties are corporations and financial institutions. At June 30, 2006, these instruments were yielding a weighted average interest rate of 3.51% per annum.

Short-term investments are comprised of Canadian dollar denominated $9,520,801 (2005 – $1,100,049) of highly liquid investments with similar characteristics and features as the cash and cash equivalents except that they have maturities greater than 90 days when acquired. At June 30, 2006, these instruments were yielding a weighted average interest rate of 3.92% per annum (2005 - 2.45% per annum).

The Company has no long term debt.

7) THE GOLD MARKET



The price of gold has risen in the second quarter of 2006 from $587 at the beginning of April to close at $613.50 on June 30. Subsequent to the end of the quarter, the gold price increased to $639/oz at the end of July.

Many industry commentators believe that the fundamentals for the gold market will remain strong for at least the medium term. If the upward trend in the price of gold continues, the economic attractiveness of Maoling and valuation of the Company should further strengthen.

8) DISCLOSURE OF OUTSTANDING SHARE DATA

During the quarter, the Company received $292,394 from the exercise of stock options, resulting in an increase of 965,000 shares issued to a total of 38,401,561 shares as at June 30, 2006.

	Outstanding Share Options	Outstanding Warrants	Outstanding Common Shares	Share Capital Amount
Balance, June 30, 2006	4,133,500	4,675,000	38,401,561	35,848,287
Stock options granted	400,000	-	-	-
Stock options exercised	-	-	-	-
Stock options cancelled	-	-	-	-
Balance, August 11, 2006	4,533,500	4,675,000	38,401,561	35,848,287

Securities Issued During the Period	**Amount**	**Price**
Common shares upon exercise of stock options	812,500	US$0.16

Common shares upon exercise of stock options	32,500	US$0.24
Common shares upon exercise of stock options	40,000	C$1.25
Common shares upon exercise of stock options	80,000	C$1.70
Cancellation of incentive stock options	(50,000)	C$2.83
Cancellation of incentive stock options	(100,000)	C$2.90
Cancellation of incentive stock options	(95,000)	C$2.30
Incentive stock options	20,000	C$2.67
Incentive stock options	25,000	C$2.25

9) CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

None

10) ANNUAL INFORMATION FORM

The Company's Annual Information Form ("AIF") was filed with the British Columbia, Alberta and Ontario securities commissions on March 31, 2006, and is available on SEDAR at www.sedar.com.

11) RISKS AND UNCERTAINTIES

An investment in the securities of the Company is speculative due to the nature of the Company's business and the present stage of exploration and development of its mineral properties. Risk factors could materially affect the Company's future results and could cause them to differ materially from estimates described in forward-looking statements made by the Company. Prospective investors should carefully consider these risk factors along with the other matters set out or incorporated by reference in this interim report. There has been no substantive change in the risks associated with the Company during the first two quarters of the year. These are more fully described in the Company's AIF, and include but are not limited to:

a) Permits and Approvals

At the exploration stage of the Maoling Gold Project, the primary licenses under which the Joint Venture 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 5, 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 Corporation 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, which is required before it can extract and process ore from Maoling. There can be no certainty that these or any other permits or approvals required to develop the Maoling Gold Project will be granted in a timely manner, or at all.

b) Risks Related to China

The Corporation's principal project is located in China. China's economy differs from the economies of most developed countries in many respects, including level of government involvement; level of development; growth rate; control of foreign exchange and legal recourse.

c) Exploration and Development

The mineral exploration and development business carries a number of significant risks including, among others, failure to discover mineral deposits; the discovery of deposits that are insufficient in quantity and/or quality to develop profitably. The marketability of minerals acquired or discovered by the Corporation may be affected by factors beyond the control of the Corporation and which cannot be accurately predicted, such as market fluctuations, proximity and capacity of milling facilities, mineral markets and currency exchange rates.

d) Environmental and Safety Regulations and Risks

Environmental laws and regulations may affect the operations of the Corporation. The Corporation intends to minimize these risks by complying with all applicable and international environmental, health and safety standards and regulations. The Corporation will rely on recognized engineers and contractors from which the Corporation will, in the first instance, seek indemnities in the event of a significant environmental damage event. In addition, there is also a risk that the environmental laws and regulations in China may become more onerous, making the Corporation's operations in that country more expensive. There is no assurance that future environmental regulations will not adversely affect the Corporation's operations.

Other risk factors include issues relating to: results of prior exploration work; estimates of reserves and resources; economics of mine development; uninsurable risks; gold sales; currency repatriation and conversion; environmental protection issues; mining title; legal recourse; industry competition; management performance and succession; fluctuating metal prices; financing risk; price volatility of publicly traded securities; foreign currency exchange; and the residency of directors and others.

12) OUTLOOK

The Company continues to be focused on advancing the technical and economic modeling of the gold deposits at Maoling; obtaining all permits and licenses required for development and on financing the construction of mining operations at Maoling.

The Company expects to resolve the current joint venture license issues and to continue making progress in completing the DFS over the coming few quarters.

The Company continues to pursue strategies to expand its shareholder base and investor audience, including the sponsorship of investor conferences and road shows in North America and Europe. The Company will be a key-level sponsor at the China-Mining Conference in November, China's premier mining symposium for government and industry.

Qualified Persons
Disclosure of a technical nature in this Annual Report has been reviewed by Colin H. McAleenan, P.Geo. of Vancouver, BC. Mr. McAleenan, Mundoro Mining's Chairman and CEO, is the Company's designated qualified person under National Instrument 43-101 regulations with respect to the Maoling Gold Project.

The PFS described herein was prepared to broadly quantify the Maoling Zone 1 deposit's capital and operating cost parameters, and to further the development of the project. It was not prepared for use as a valuation of the deposits, nor should it be considered to be a final feasibility study. The information contained in the PFS reflects various technical and economic conditions at the time of writing that can change significantly over relatively short periods of time. Reserves quoted were prepared by AMEC Americas Ltd. under the direction and oversight of Mr. Mark Pearson P.Eng. of Vancouver, BC, an 'Independent Qualified Person' as defined by National Instrument 43-101.

Resource estimation for the Zone 1 area in 2006 was carried out in the Brisbane, Australia office of Golder Associates Pty Limited, an international earth sciences consulting group under the direction and oversight of Dr. Andrew Richmond, MAusIMM, an 'Independent Qualified Person' as defined by NI43-101. The Zone 4 Resource Estimate (2001) was prepared by AMEC Americas and is reviewed in a technical report prepared by Peter Lewis, Ph.D., P.Geo,.

NI43-101 compliant technical reports for the pre-feasibility study and all reserve and resource estimates have been filed on the SEDAR website at www.sedar.com.

Information Concerning Estimates of Measured, Indicated and Inferred Resources
This management discussion and analysis of financial results used the terms "measured resources", 'indicated resources' and 'inferred resources'. The Company advises investors that although these terms are recognized and required by Canadian regulations (under National Instrument 43-101 Standards of Disclosure for Mineral Projects), the U.S. Securities and Exchange Commission does not recognize them. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves. In addition, 'inferred resources' have a great amount of uncertainty as to their existence, and 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 pre-feasibility studies, or economic studies except for Preliminary Assessment as defined under 43-101. Investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally mineable. Mineral Resources that are not classified as mineral reserves do not have demonstrated economic viability.

Cautionary Statement on Forward-Looking Information
Certain information contained or incorporated by reference in this MD&A for the three and six months ended June 30, 2006, including any information as to the Company's future financial or operating performance, constitutes "forward-looking statements". All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to: fluctuations in the currency markets; fluctuations in the spot and forward price of gold or certain other commodities (such as steel, diesel fuel and electricity); changes in national and local government legislation, taxation, controls, regulations and political or economic developments

in Canada and China or other countries in which the Company may carry on business in the future; business opportunities that may be presented to, or pursued by, the Company; the Company's ability to successfully integrate acquisitions; operating or technical difficulties in connection with mining or development activities; the speculative nature of gold exploration and development, including the risks of obtaining necessary licenses and permits; quantities or grades of reserves; and contests over title to properties. In addition, there are risks and hazards associated with the business of gold exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance, or inability to obtain insurance, to cover these risks). Many of these uncertainties and contingencies can affect our actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, us. Readers are cautioned that forward-looking statements are not guarantees of future performance. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

MUNDORO MINING INC.

Interim Consolidated Balance Sheets
As at June 30, 2006
(unaudited, prepared by management)
(Expressed in United States Dollars)

		June 30, 2006		December 31, 2005
ASSETS				
Current assets				
Cash and cash equivalents (Note 3)	$	12,792,457	$	6,461,749
Short-term investments (Note 3)		9,520,801		17,572,727
Accounts receivable		404,154		268,444
Prepaid expenses and deposits		223,411		59,130
		22,940,823		**24,362,050**
Mineral interests (Note 4)		100		100
Equipment and vehicles (Note 5)		230,793		226,093
Total Assets	$	**23,171,716**	$	**24,588,243**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	345,671	$	514,388
SHAREHOLDERS' EQUITY				
Share capital (Note 6)		35,848,287		35,397,563
Warrants (Note 6 (d))		2,123,527		2,123,527
Contributed surplus (Note 6(e))		2,290,766		1,653,521
Deficit		(19,488,083)		(16,104,281)
Cumulative translation adjustment (Note 2 (g))		2,051,548		1,003,525
Total Shareholders' Equity		22,826,045		24,073,855
Total Liabilities and Shareholders' Equity	$	**23,171,716**	$	**24,588,243**

Nature of operations (Note 1)
Contingencies and Commitments (Note 9)

Approved by the Directors:

"Patrick Downey"	"Colin H. McAleenan"
Patrick Downey	Colin H. McAleenan

MUNDORO MINING INC.

Interim Consolidated Statements of Operations and Deficit

For six month period ended June 30, 2006 and 2005

(unaudited, prepared by management)

(Expressed in United States Dollars)

	3 months Ended		6 months Ended	
	30-Jun 2006	30-Jun 2005	30-Jun 2006	30-Jun 2005
Interest income	$220,303	$34,879	$422,970	$71,969
Mineral Exploration and project feasibility costs (Note 4)	1,284,122	1,116,578	1,811,081	1,459,966
Administrative expenses				
Accounting and audit	84,648	11,817	136,290	49,224
Amortization	8,627	6,654	15,607	13,029
Corporate communications	128,582	90,312	243,196	182,862
Corporate development and governance	181,023	23,993	243,642	78,492
Directors' fees	12,757	16,084	29,120	38,859
Exchange and regulation	19,361	15,364	52,164	36,801
Government relations & community support	121,475	20,803	221,397	38,963
Office support	142,463	100,867	290,907	209,353
Stock based compensation (Note 6(c))	85,598	185,286	712,485	499,404
Foreign exchange loss (gain)	90,543	3,523	50,883	(4,552)
	875,077	474,703	1,995,691	1,142,435
Loss for the period	**(1,938,896)**	**(1,556,402)**	**(3,383,802)**	**(2,530,432)**
Deficit, beginning of period	(17,549,187)	(11,734,531)	(16,104,281)	(10,760,501)
Deficit, end of period	(19,488,083)	(13,290,933)	(19,488,083)	(13,290,933)
Loss per share - basic and diluted	$ (0.05)	$ (0.06)	$ (0.09)	$ (0.09)
Weighted average number of common shares outstanding – basic and diluted	38,016,768	27,268,255	37,797,577	26,743,892

MUNDORO MINING INC.

Interim Consolidated Statements of Cash Flows

For the six month period ended June 30, 2006 and 2005

(unaudited, prepared by management)

(Expressed in United States Dollars)

	3 months Ended		6 months Ended	
	30-Jun 2006	30-Jun 2005	30-Jun 2006	30-Jun 2005
Cash flows from (used in) operating activities				
Loss for the period	$ (1,938,896)	$ (1,556,402)	$ (3,383,802)	$ (2,530,432)
Adjustments for items not involving cash:				
- amortization	8,627	6,654	15,607	13,029
- stock-based compensation and contributed surplus	94,580	185,287	721,469	499,407
	(1,835,689)	(1,364,461)	(2,646,726)	(2,017,996)
Change in non-cash working capital:				
- (increase) decrease in accounts receivables	(24,188)	(65,082)	(135,710)	(9,159)
- (increase) decrease in prepaid expenses and deposits	(173,577)	(53,551)	(164,281)	(49,923)
- (decrease) increase in accounts payable and accrued liabilities	(43,625)	581,164	(168,717)	(303,159)
	(2,077,079)	(901,930)	(3,115,434)	(2,380,237)
Cash flows from financing activities				
Proceeds from issuance of shares	292,395	1,937,328	366,500	2,318,617
	292,395	1,937,328	366,500	2,318,617
Cash flows provided by (used in) investing activities				
Acquisition/adjustments of equipment and vehicles, net	(19,373)	(1,612)	(20,307)	5,060
	(19,373)	(1,612)	(20,307)	5,060
Effect of exchange rate change on cash & cash equivalent	1,115,480	-	1,048,023	-
(Decrease) increase in cash and cash equivalents	(688,577)	1,033,786	(1,721,218)	(56,560)
Cash and cash equivalents, beginning of period	23,001,835	5,463,171	24,034,476	6,553,517
Cash and cash equivalents, end of period	$22,313,258	$6,496,957	$22,313,258	$6,496,957
Supplementary cash flow information				
Interest paid	$0	$0	$0	$0
Income taxes paid	-	-	-	-

1. Nature of Operations

The Company was incorporated on January 10, 1997 under the Business Corporations Act of Yukon, Canada and is in the business of exploration and development of mineral properties. On November 30, 2000, the Company registered as an extra-provincial company under the Company Act of the Province of British Columbia. Effective on June 14, 2005 the Company continued as a corporation in the province of British Columbia.

2. Significant Accounting Policies

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

(a) Consolidation

These consolidated financial statements include the accounts of the Company and its 79% owned joint venture company, Liaoning Tianli Mining Company Ltd. ("Tianli"), incorporated on August 31, 2001 in Liaoning, China. The minority interest (21%) is $ nil as it represents only the profit sharing and working interest. As at June 30, 2006, the joint venture is still in the exploration stage and has not generated any revenue; therefore, the accounts of Tianli are 100% consolidated.

These consolidated accounts also include those of Mundoro Mining Corporation ("MMC") a wholly-owned subsidiary, and MMC's wholly-owned subsidiary Tianli Mining Corporation ("TMC"). Both MMC and TMC were incorporated on April 18th 2006 in the British Virgin Islands.

Inter-company accounts and transactions have been eliminated.

(b) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, amount of revenues and expenses reported during the period. Actual results may differ from those estimates.

(c) Mineral Interests

The Company follows the practice of expensing all exploration costs until mineral reserves have been firmly established and a mining permit issued.

(d) Cash and Cash Equivalents

Cash equivalents include those short-term money market instruments which have a term to maturity of 90 days or less when acquired.

2. Significant Accounting Policies (continued)

(e) Short-term Investments

Short-term investments are comprised of highly liquid Canadian dollar denominated, high investment grade money market instruments, with terms to maturity of greater than 90 days but not more than one year. Short-term investments are carried at the lower of cost or recoverable amount.

(f) Equipment and Vehicles

Equipment and vehicles are carried at cost. Amortization is provided at the following annual rates:

Vehicles	30% Declining balance
Computer	30% Declining balance
Furniture and fixtures	20% Declining balance
Office equipment	20% Declining balance
Leasehold improvements	5 years straight-line

(g) Foreign Currency Translations

As of December 31, 2005, the Company adopted the U.S. dollar for financial reporting. The reasons for the change are as follows: major capital expenditures have been, and are expected to be, predominantly in US dollars; and future gold mining revenues are typically priced in US dollars. In these consolidated financial statements, the Company has translated consolidated amounts previously reported in Canadian dollars using the current rate method in accordance with the guidance of the Emerging Issue Committee (EIC) 130, *Change in the Reporting Currency*, as follows: assets and liabilities at the rate of exchange in effect at the applicable balance sheet date and revenues and expense items at the average rates for the period. Unrealized gains and losses resulting from the translation are accumulated in a separate component of the shareholders' equity and described as a Cumulative Translation Adjustment.

(h) Stock Based Compensation

The Company follows the Canadian Institute of Chartered Accountants (CICA) 3870 "*Stock-Based Compensation and Other Stock-Based Payments."* Under this standard, all stock option awards require the application of the fair value method. CICA 3870 provides alternative methods of transition for the adoption of the fair value method, and as permitted, the Company has elected the prospective application method, which allows the fair value method to be applied to awards granted, modified or settled on or after January 1, 2003 to employees and directors.

The fair value of stock options is determined by the *Black-Scholes Option Pricing Model* with assumptions for risk-free interest rates, dividend yields, volatility factors of the market price of the Company's common shares and an expected life of the options. The fair value of direct awards of shares is determined by the quoted market price of the Company's stock.

2. Significant Accounting Policies (continued)

(i) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury method. The treasury method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to the basic loss per share because common share equivalents consisting of warrants and options to acquire common shares that are outstanding at June 30, 2006 are anti-dilutive; however, they may be dilutive in the future.

(j) Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to be eliminated.

(k) Long-lived Assets Impairment

Long-term assets of the Company are reviewed when changes in circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

(l) Asset Retirement Obligations

The Company follows CICA 3110 "*Asset Retirement Obligations,*" requiring that the fair value of liabilities for asset retirement obligations be recognized in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset, where one is identifiable, will be recorded and amortized over the life of the asset, using a systematic and rational method. Subsequent to initial measurement, the asset retirement obligations are adjusted to reflect period-to-period changes in liability.

(m) Revenue Recognition

Interest income on cash and cash equivalents and short-term investments is recognized as it is accrued.

3. Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents are comprised mainly of Canadian dollar denominated cash balances of $3,941,095 (2005 - $3,455,699) and $8,851,362 (2005 - $1,816,617) of highly liquid investments in R1 rated money market instruments, with terms to maturity of 90 days or less when acquired. The counter-parties are corporations and financial institutions. At June 30, 2006, these instruments were yielding a weighted average interest rate of 3.51% per annum.

Short-term investments are comprised of Canadian dollar denominated $9,520,801 (2005 – $1,100,049) of highly liquid investments with similar characteristics and features as the cash and cash equivalents except that they have maturities of greater than 90 days when acquired. At June 30, 2006, these instruments were yielding a weighted average interest rate of 3.92% per annum (2005 – 2.45% per annum).

The fair market value of the Company's cash and cash equivalents and short-term investments approximates their carrying values at June 30, 2006 and 2005.

4. Mineral Interests and Exploration Costs

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 and formed the Liaoning Tianli Mining Company Limited Joint Venture ("TJV"). Pursuant to the Cooperative Joint Venture Agreement, the Company is required to fund all work on the mining project ("Maoling Project").

The Company has satisfied its obligations under the Cooperative Joint Venture Agreement. At June 30, 2006 the cumulative registered capital contributions amounted to $2,780,000 (2005 - $2,780,000). In addition, the Company had advanced loans in cash of $789,200 and loans in kind of $7,224,969.

The TJV's business license was not renewed in the normal course by the authorities in Liaoning on August 31, 2005. No explanation for the delay has been received and Company officials are in communication with the appropriate government authorities to expedite the renewal of this license.

Under Chinese mining laws and regulations, exploration licenses have a three year term and have two two-year extensions. The TJV's exploration license for Maoling expired on November 5, 2005, at the end of the first two-year extension, in spite of an application for an extension having been filed on a timely basis. The Ministry of Land and Resources of China deferred the grant of the exploration license to the TJV pending the renewal of the business license. Under Chinese law, the holder of the exploration license has the first right to develop the property.

(Expressed in United States Dollars – except as noted otherwise)

4. Mineral Interests and Exploration Costs (continued)

The Company follows the practice of expensing all exploration costs until mineral reserves have been firmly established and a mining permit issued. Exploration costs, including costs associated with the Definitive Feasibility Study ("DFS") on the Maoling Project, incurred in the first six months of 2006 amounted to $1,811,081 (2005 - $1,390,225) are detailed below:

	3 MONTHS ENDED		**6 MONTHS ENDED**	
	June 2006	June 2005	June 2006	June 2005
Exploration				
Core drilling and related costs	$ 104,833	$ 714,013	$ 121,876	$ 706,641
Assaying and analytical costs and/or (recovery)	(31,522)	22,476	37,116	58,367
Technical services and project management	56,441	302,683	115,950	545,650
Amortization	7,525	8,098	14,991	19,083
Shipping, travel, office and all other costs	23,671	69,308	59,331	130,225
Definitive Feasibility Studies ("DFS")				
Project Management	369,167		413,975	
Assaying and Analytical	215,285		215,285	
Resource Evaluation	15,821		21,446	
Mine Engineering	305,404		572,001	
Environment and Social Impact Assessment ("ESIA") Study	202,021		223,634	
Others	15,476		15,476	
	$1,284,122	$1,116,578	$1,811,081	$1,459,966

The core drilling and related costs were incurred in 2005 but were paid during the current period.

The DFS costs include fees paid to engineering consultants and others retained for services of a geological, metallurgical, environmental, and geotechnical nature. The DFS commenced in September 2005 with the appointment of an integrated engineering team.

5. Equipment and Vehicles

	June 30, 2006	December 31, 2005
Cost:		
Computers	$ 65,276	$ 57,153
Furniture and fixtures	24,266	22,429
Office equipment	99,573	96,333
Vehicles	134,073	132,788
Leasehold improvements	59,626	36,153
	382,814	344,856
Less: Accumulated amortization	(152,021)	(118,763)
Net book value	$ 230,793	$ 226,093

6. Share Capital

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

(b) Issued:

	Shares	Amount
Balance at December 31, 2005	37,346,561	$ 35,397,563
Issued pursuant to exercise of stock options	1,055,000	366,500
Fair value of stock options exercised		84,224
Balance at June 30, 2006	38,401,561	35,848,287

Exchange Rate

The unit prices of common shares referred to in notes 6(c) to 6(e) are principally and contractually denominated in Canadian dollars. For the purpose of presenting the fiscal years 2005 and 2004, the Canadian dollar denominated unit prices have been translated using C$1= US$0.8580, the exchange rate prevailing on December 31, 2005 and for the first six months of 2006 C$1=US$0.8959, the exchange rate prevailing on June 30, 2005.

(c) Stock Options

In March 2005, the Company amended and restated its Stock Option Plan ("the Plan") whereby the maximum number of shares issuable under the Plan is a rolling number equal to 15% of the issued and outstanding common shares from time to time and also provided that no more than 7,000,000 common shares will be available under the Plan without the Company first obtaining shareholder approval.

In the first six months of 2006, the Company granted stock options to purchase an aggregate of 1,515,000 common shares, to directors, employees, and consultants with exercise prices ranging from $2.06 (C$2.29) to $2.39 (C$2.67) per share, which equal the respective market prices at the time of grant.

(Expressed in United States Dollars – except as noted otherwise)

A summary of the status of options granted under the Company's plans as at June 30, 2006 and December 31, 2005 and the changes during the years then ended are as follows:

	Shares	**Weighted Average** Exercise Price
Options outstanding at December 31, 2005	3,918,500	$1.29
Granted	1,515,000	$2.06
Exercised	(1,055,000)	$0.35
Cancelled	(245,000)	$2.31
Options outstanding at June 30, 2006	4,133,500	1.73

As disclosed in Note 2(h), the Company adopted prospectively the fair value method of accounting for stock-based compensation granted to employees and others. Under this method, the Company charged $712,485 in the first six months of 2006 (2005 - $499,404) of stock based compensation to operations with offset credit to contributed surplus.

Options Outstanding				**Options Exercisable**	
Range of Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Contractual Life (years)**	**Weighted Average Exercise Price**	**Number Exercisable**	**Weighted Average Exercise Price**
$0.24	62,500	0.83	0.24	62,500	0.24
$1.07	955,000	2.40	1.07	955,000	1.07
$1.29 - $1.65	716,000	2.99	1.46	716,000	1.46
$2.08 - $2.36	580,000	3.78	2.17	219,990	2.20
$2.40 - $2.61	400,000	4.11	2.46	100,000	2.53
$2.05 - $2.06	1,375,000	4.64	2.06	458,333	1.99
$2.02 - $2.39	45,000	4.92	2.18	6,667	2.39
	4,133,500	3.61	1.76	2,518,490	1.49

(Expressed in United States Dollars – except as noted otherwise)

The weighted average fair value of the options granted in first six months of 2006 and in fiscal year 2005 was estimated at $1.19 (C$1.37) and $1.24 (C$1.44) respectively, by using the *Black-Scholes Option Pricing Model* with the following weighted average assumptions:

	June 30, 2006	**Dec. 31, 2005**
Risk-free interest rate	4.03%	3.25%
Dividend yield	0.00%	0.00%
Price volatility	67.83%	58.24%
Expected lives (in years)	5	5
Number of common shares	1,515,000	1,030,000
Grant / Exercise price	$2.06	$2.30
Calculated fair value per share	$1.19	$1.24

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 a reliable measure of the fair value of the Company's stock options.

(d) Warrants outstanding as at June 30, 2006:

Number of Warrants	**Exercise Price Per Warrant**	**Expiry Date**
4,250,000	$3.43	October 5, 2007
425,000	$2.53	October 5, 2007
Total = 4,675,000		

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

As disclosed in Note 2(h), the Company adopted prospectively the fair value method of accounting for stock-based compensation granted to employees and others. The fair value method was also applied to warrants granted to the underwriters in the public offering mentioned in Note 6(d) above as part of their compensation. Under this method, the Company charged $308,246 of the fair value of the 425,000 warrants (exercise price $2.53 (C$2.95) per share) to operations with offset credit to contributed surplus. The $308,246 was charged to stock based compensation. With respect to the warrants attached to the unit financing referred to in Note 6(d) above, the Company credited $2,123,527 of the fair value to Warrants with offset to share capital.

(Expressed in United States Dollars – except as noted otherwise)

6. Share Capital (continued)

(e) Contributed Surplus

Balance, December 31, 2005		$1,653,521
Amount expensed in the period		721,469
Amount exercised in the period		(84,224)
Balance, June 30, 2006		$2,290,766

The stock-based compensation charged to the consolidated statements of operations and deficit during the period consists of the following:

	June 30, 2006	**June 30, 2005**
Stock options granted (Note 6(c))	$ 712,485	$ 499,404
Warrants issued (Note 6(e))	-	-
	$ 712,485	$ 499,404

7. Related Party Transactions

The Company is related to other companies through common directors or officers. Any transactions with related parties are all in the normal course of business. In consideration for services provided by certain directors or companies controlled by them, the Company paid the following fees according to pre-established contracts.

	2006	**2005**	**2006**	**2005**
	3 Months	3 Months	6 Months	6 Months
	US$	US$	US$	US$
Geological / Project management services	$ 3,330	$ 15,136	$ 11,751	$ 29,975
Management fees	33,232	17,241	39,414	49,067
TOTAL	$36,562	$35,136	$51,165	$79,043

(Expressed in United States Dollars – except as noted otherwise)

8. Income Taxes

	2005	2004
Future income tax assets:		
Losses and resource pools	$ 4,887,000	$ 2,903,000
Share issuance costs	602,000	299,000
Other	12,000	8,000
Total future income tax assets	5,501,000	3,210,000
Less valuation allowance:	(5,501,000)	(3,210,000)
Net future income tax assets	-	-

The reconciliation of income taxes at the statutory rate to the income tax expense (recovery) is as follows:

	2005	2004
Loss before income taxes	$ (6,058,000)	$ (5,042,000)
Expected tax recovery at 34.87% (2004-35.62%)	(2,112,000)	(1,796,000)
Increase (reduction) in income taxes resulting from:		
Stock-based compensation	294,000	246,000
Expiry of losses	175,000	246,000
Share issuance costs	(517,000)	-
Foreign exchange rate and tax rate differences	(249,000)	(129,000)
Losses and other deductions for which no benefit has been recorded	2,291,000	1,435,000
Other	118,000	(2,000)
Income tax expense	-	-

The Company's Canadian non-capital loss carry-forwards estimated at $4,793,000 (2004 - $3,550,000) and China net operating loss carry-forwards estimated at $8,799,000 (2004 – $3,900,000).

9. Contingencies and Commitments

(a) Office Lease

The Company has signed leases for office space in Vancouver for a term of up to three years ending on June 30, 2007 and in Beijing, China for a term of up to two years ending on March 14, 2008. The Company pays base rent and its proportionate share of the operating costs. The obligations remaining under these leases are as follows:

	2006	2007	2008
Vancouver	$69,684	$34,842	-
Beijing	44,349	56,020	11,671
Total	$114,033	$90,862	$11,671

(Expressed in United States Dollars – except as noted otherwise)

9. Contingencies and Commitments (continued)

(b) Consulting Contracts and Employment Agreements

The Company has entered into agreements with four of its senior officers through which in the event of a defined change of control and under certain circumstances, the Company may be liable for termination fees and salaries. The total maximum obligation under these agreements is $933,519. These agreements have terms ranging from indefinite to two years.

(c) Definitive Feasibility Study ("DFS")

With the formation of a team to complete the DFS, the Company has entered into engineering consulting agreements with certain key contractors whose work is estimated to cost $4,170,000. 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.

(d) Exclusive Project Debt Advisor

On February 14, 2006, the Company engaged Societe Generale Corporate & Investment Banking ("SG") as exclusive project debt advisor for the development of the Maoling Gold Project in China. Under the terms of the engagement, SG will advise and assist the Company in developing and executing a financing strategy including the arrangement of a syndicate of financial institutions as prospective lead arranger(s) for the debt component of the project financing.

10. Financial Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

11. 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:

	2006	**2005**
Canada	$34,502,476	$7,212,642
China	154,485	371,003
	$34,656,961	$7,583,645

12. Comparative Figures

Certain 2005 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2006.