



Interim Report to Shareholders

For the Fiscal Quarter Ended September 30, 2006

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MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS
For the Fiscal Quarter Ended September 30, 2006
November 10, 2006

All dollar figures are expressed in United States dollars unless otherwise indicated.

The following discussion and analysis is to be read in conjunction with the unaudited Consolidated Financial Statements for September 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 & SUMMARY OF RECENT BUSINESS ACTIVITIES

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. The Company's current focus is the feasibility stage Maoling Gold Project in Liaoning Province, China in which it first became involved in 1999. 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 identified deposits: Zone 1 and Zone 4. 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 which is now well underway and expected to be completed mid 2007.

Thus far, two deposits that outcrop at surface have been outlined at Maoling 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, estimated using a 0.50 g/t gold cut-off grade:

Tonnes (millions)	Grade (Au g/t)	Contained Gold (million ozs)	Tonnes (millions)	Grade (Au g/t)	Contained Gold (million ozs)
Zone 1 Pre-Feasibility Probable Reserve			Zone 1 Measured & Indicated Resource*		
88.8	1.0	2.8	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					

The Measured, Indicated and Inferred Resources place Mundoro in the category of one of the largest undeveloped gold deposits in the world.

Progress on the Definitive Feasibility Study

During the quarter, work continued to advance the Definitive Feasibility Study with Ausenco Limited ("Ausenco") of Australia as project manager, finalizing process design and working on preliminary costing. Ausenco has been working with Golder Associates Pty Limited ("Golder") which has been engaged for resource modeling and estimation, mine and tailings facility design, hydrology and geotechnical studies, and Sinosphere Corporation (environmental management, community engagement & project permitting). During the quarter, Mundoro completed a resource and reserve verification report in compliance with Chinese regulations by a government approved institution Jiaoaoote. The Chinese feasibility study, being prepared by China Nonferrous Engineering and Research Institute ("ENFI") is moving forward along with the work completed by Ausenco on the Definitive Feasibility Study. It is anticipated Ausenco will have the final Definitive Feasibility Study report completed for mid-2007.

Golder is completing the mine design and 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 one million ounces of gold more than were available for consideration in the Pre-Feasibility Study – Inferred Resources are not

allowed to be used for feasibility work. Nevertheless the mine plan is being designed to accommodate for further expansion as more of the Maoling's *Inferred Resources* of 4.4 million ounces from Zones 1 and 4, together with any additional mineralized material outlined by future exploration activities, are upgraded to the *Measured and Indicated Resource* categories.

Pursuant to the terms of engagement as the Company's exclusive debt advisors with respect to financing the development of Maoling, Société Générale Corporate & Investment Banking ("Société Générale") have selected SRK Engineering as independent engineer.

Sustainable Development & Community Relations

During the quarter, Mundoro continued to develop a comprehensive community development program in the area of its Maoling Gold Project in Liaoning Province, China. This program is to complement existing efforts within the community and region where Maoling is located by facilitating further development of local infrastructure and economic advancement, which is an integral component of the Company's commitment to sustainable development. The rural environment around Maoling has basic infrastructure such as paved roads, grid-connected electrical service and communications. Mundoro believes that it can provide further development in a variety of areas including basic sanitation, the provision of fresh water, local medical service improvements, as well as assistance in scholastic and professional development. The value, scale and feasibility of Mundoro's sustainable development efforts will be determined in such a way that individual programs can be implemented at appropriate stages of Maoling's development.

Licensing & Government Relations

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 much longer than anticipated, steady progress is being made towards a resolution of the situation. Contributing to the delay has been a number of factors including local political issues as well as the continuing evolution of the Chinese regulatory environment. 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 are positioned to further the process with the key decision makers in the province.

Changes in Management and Board

Subsequent to the quarter, Mundoro announced changes to the board of directors of Tianli. The board of directors of Tianli met to reconstitute the composition of the board to advance the Maoling Gold Project ("Maoling") in China towards production by both Mundoro and the joint venture partner Liaoning Aidi Resources Company Limited ("Aidi"), the corporate arm of the Liaoning Geology and Exploration Bureau. The new composition of the board represents a broad cross section of skills and experience that is well suited to advance the development of Maoling. From Aidi, the three directors provide the joint venture with extensive experience within the provincial and local governments: Mr. Yu Wenli, Mr. Qu Yajun, and Mr. Wang Baomin. The directors representing Mundoro are Mr. Robert van Doorn (Chairman), Mr. Alan Riles, Mr. Patrick Powers, Mr. John Gruetzner, and Mr. Thomas Allen. The directors represent the technical and business background needed to advance Maoling into the production phase.

As the Company transitions from a pure exploration company to a development company in the pursuit of building a world class sustainable gold mine at Maoling, there have been changes in the management team and board of the Company to reflect this transition. Mr. Colin McAleenan resigned as Chief Executive Officer and Chairman during the quarter. Mundoro would like to take this opportunity to thank Mr. McAleenan for his contributions to the Company. Mr. Robert van Doorn has been appointed as Chief Executive Officer and President of the Company. Mr. van Doorn has been President of Mundoro since

February 2005 and is well versed with the Company's strategic direction. With a mining engineering background, Mr. van Doorn will build on Mr. McAleenan's contribution to Maoling by moving Maoling into production phase. The board of directors has re-appointed Mr. Thomas Allen as the Vice Chairman of Mundoro. The Company would also like to thank Mr. Tore Birkland for his contributions to the Mundoro board of directors. Mr. Birkland has resigned due to the increasing time commitments to his many business interests in Norway and has been decreasing his participation in North American boards since moving to Norway in 2005. Mundoro also appointed Ms. Teo Dechev as CFO and Vice President of Corporate Development of the Company mid July 2006. Ms. Dechev is a mining engineer with over 10 years experience in the capital markets primarily in investment banking and institutional equity research. She brings to the company extensive experience in the financial sector which will be a great asset in arranging financing for a large-scale mining operation at Maoling. The Company will also be transitioning Mr. Cyrus Ameli, Vice President Communications, from his current role in investor relations to other activities in the Company such as furthering a sustainable community development program at Maoling.

The management team and board of directors at Mundoro and Tianli now reflect the technical and business expertise to progress the Maoling property into production.

2. FINANCIAL HIGHLIGHTS

- The Company's consolidated net loss for the quarter under Canadian GAAP was \$2,512,639 or \$0.07 per share compared with a net loss of \$1,364,898 or \$0.05 per share during the same quarter of 2005. The net loss is namely attributable to:
 - I. expending \$1,750,201 on Other Corporate operations, of which \$691,947 is non-cash accounting items,
 - II. expending \$976,119 on Definitive Feasibility Study and Mineral Exploration costs, and
 - III. the above were offset by earning interest income of \$213,681.
- The Company ended the quarter with \$20,885,843 in cash and cash equivalents and marketable securities and no debt.

3. RESULT OF OPERATIONS

	Q3/06	Q3/05	9 months ended Sept 2006	9 months ended Sept 2005
Definitive Feasibility Study and Exploration Costs	\$976,119	\$949,317	\$2,665,461	\$2,352,596
Other Corporate Expenses				
Accounting and audit	\$76,508	\$18,083	\$212,798	\$66,757
Amortization	\$8,797	\$7,015	\$24,404	\$19,898
Corporate communications	\$98,813	\$76,131	\$342,009	\$256,953
Corporate development and governance	\$165,880	\$37,873	\$409,522	\$115,034
Directors' fees	\$11,631	\$15,067	\$40,751	\$53,492
Exchange and regulation	\$1,831	\$14,645	\$53,995	\$51,036
Government relations & Community support	\$165,151	\$41,964	\$386,558	\$80,492
Office support	\$538,430	\$125,538	\$829,337	\$332,555
Stock-based compensation	\$700,838	\$92,857	\$1,413,323	\$586,689
Foreign exchange loss (gain)	\$(17,688)	\$20,166	\$33,195	\$15,664
Total Other Corporate Expenses	\$1,750,201	\$449,339	\$3,745,892	\$1,578,570

Three Months Ended September 30th 2006

- The increased loss in this quarter of \$1,147,741 to \$2,512,639 compared with \$1,364,898 for the same period the prior year is due primarily to increases in Other Corporate expenses of which \$691,947 or approximately 40% relates to non-cash accounting items as well as feasibility costs to advance the Maoling Gold Project
- Income from interest increased by \$179,923 in the quarter and amounted to \$213,681 compared with \$33,758 for the same quarter in 2005. The increase in interest income is a result of the increase in cash in the Company from the October 2005 bought deal public offering .
- During the quarter, the Company raised nil from the exercise of stock options and warrants, compared with \$96,072 being raised for the same quarter in 2005.
- Total project costs for the quarter were \$976,119 compared with \$949,317 during the same quarter of 2005, reflecting a small increase in the engineering work, as it moves towards completion for the Definitive Feasibility Study, and associated documentation for the Maoling Gold Project in Liaoning, China.

Nine Months Ended September 30th 2006

- The net loss for the nine months ended September 30, 2006 was \$5,774,702 (\$0.15 per share) compared to a net loss of \$3,826,236 (\$0.14 per share) for the same period in the prior year.
- The increase in net loss of \$1,948,466 is attributable to an increase in Definitive Feasibility Study and Mineral Exploration expenses by \$312,865 to \$2,665,461 from \$2,352,596 for the same period in the prior year; and an increase in other corporate expenses by \$2,167,322 to \$3,745,892 from \$1,578,570 for the same period in 2005. Of the other corporate expenses \$1,470,922 or approximately 39% relates to non-cash accounting items.
- Income from interest increased by \$531,721 during the nine months and amounted to \$636,651 compared with \$104,930 for the same period in the previous year.
- During the nine month period, the Company raised 366,500 from the exercise of stock options and warrants, compared with \$2,388,813.23 being raised during the same period in 2005.

4. DEFINITIVE FEASIBILITY STUDY AND MINERAL EXPLORATION ACTIVITIES

The Definitive Feasibility Study, which commenced in September 2005, has incurred costs of \$2,292,461 to-date under Ausenco's supervision as project manager. The Environmental & Social Impact Assessment ("ESIA") study has accumulated costs of \$510,291 to date.

5. SUMMARY OF QUARTERLY RESULTS

(000's US\$)	Q3/06	Q2/06	Q1/06	Q4/05	Q3/05	Q2/05	Q1/05	Q4/04
Interest income	\$214	\$220	\$203	\$181	\$34	\$35	\$37	\$37
Definitive Feasibility Study & Mineral Exploration costs	(\$976)	\$1,162)	(\$527)	(\$1,108)	(\$960)	(\$1,117)	(\$303)	(\$692)
General & Administrative costs ⁽¹⁾	(\$1,049)	(\$789)	(\$494)	(\$970)	(\$361)	(\$289)	(\$394)	(\$557)
Stock based compensation ⁽²⁾	(\$701)	(\$86)	(\$627)	(\$250)	(\$94)	(\$185)	(\$314)	(\$24)
Loss for the period	\$2,513)	(\$1,817)	(\$1,445)	(\$2,147)	(\$1,380)	(\$1,556)	(\$974)	(\$1,236)
Loss per share basic and diluted	(\$0.07)	(\$0.05)	(\$0.04)	(\$0.06)	(\$0.05)	(\$0.06)	(\$0.04)	(\$0.05)

(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

The Company considers it has sufficient working capital to cover all commitments and planned activities on the Maoling Gold Project, including completion of the Definitive Feasibility Study at Maoling and leading up to a production decision and pre-production phases of the project. Anticipated spending requirements following a production decision include detailed engineering and acquisition of mine components where long lead times are anticipated. Additional working capital will be required to complete construction at Maoling and continue exploration programs. The Company shall explore appropriate financing routes to fund the mine development phase at Maoling which 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. The Company continues to work with Société Générale as our project debt advisor for the Maoling Gold Project. 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 debt and equity financing will be met. Certain of these financing sources may be with 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 \$15,652,750 and \$7,933,625 respectively to the Company's treasury should they all be exercised.

The Company's principal source of liquidity as at September 30, 2006 is cash and cash equivalents and short-term investments of 20,885,843 (2005 - \$5,090,126). They are invested in highly liquid investments ranging from R1-High to R1-Low DBRS rated instruments, with varying maturities of up to one year. The counter-parties are corporations and financial institutions. At September 30, 2006, these instruments were yielding a weighted average interest rate of 3.56% per annum.

The Company has no long term debt.

A total of 4,675,000 warrants and 4,533,500 options remained outstanding at the end of the quarter, representing potential additional cash resources of \$23,586,375 if exercised.

Outstanding Share Data	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 Sept. 30, 2006	4,533,500	4,675,000	38,401,561	\$35,848,287

7. USE OF FINANCIAL INSTRUMENTS

The Company has not entered into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk. The principal financial instruments affecting the Company's financial condition and results of operations are currently its cash and short-term money market investments.

8. OUTLOOK

The Company continues to be focused on: advancing the technical and environmental studies as well as the community relations work for the Maoling Gold Project; obtaining all permits and licenses required for development; and, on financing the construction of a mining operation at Maoling. The Company expects to resolve the current joint venture license issues and to continue making progress in completing the Definitive Feasibility Study over the coming months. The Company is pursuing strategies to expand our shareholder base and investor audience. Such strategies include attending investor conferences and road shows in North America, Europe and Asia.

9. 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.

10. 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 forwardlooking 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.

Qualified Persons

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.Geol. 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 nine months ended September 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 September 30, 2006
(unaudited, prepared by management)
(Expressed in United States Dollars)

	September 30, 2006	December 31, 2005
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	\$ 6,891,924	\$ 6,461,749
Short-term investments (Note 3)	13,993,919	17,572,727
Accounts receivable	409,420	268,444
Prepaid expenses and deposits	184,890	59,130
	21,480,153	24,362,050
Mineral interests (Note 4)	100	100
Equipment and vehicles (Note 5)	218,369	226,093
Total Assets	\$ 21,698,622	\$ 24,588,243
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 644,409	\$ 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))	2,998,250	1,653,521
Deficit	(21,878,983)	(16,104,281)
Cumulative translation adjustment (Note 2 (g))	1,963,132	1,003,525
Total Shareholders' Equity	21,054,213	24,073,855
Total Liabilities and Shareholders' Equity	\$ 21,698,622	\$ 24,588,243

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

Approved by the Directors:

"Patrick Downey"
Patrick Downey

"Robert van Doorn"
Robert van Doorn

MUNDORO MINING INC.

Interim Consolidated Statements of Operations and Deficit

For the three and nine month period ended September 30, 2006 and 2005

(unaudited, prepared by management)

(Expressed in United States Dollars)

	3 months Ended		9 months Ended	
	30-Sep	30-Sep	30-Sep	30-Sep
	2006	2005	2006	2005
Interest income	\$213,681	\$33,758	\$636,651	\$104,930
Mineral Exploration and Definitive Feasibility Study costs (Note 4)	976,119	949,317	2,665,461	2,352,596
Administrative expenses				
Accounting and audit	76,508	18,083	212,798	66,757
Amortization	8,797	7,015	24,404	19,898
Corporate communications	98,813	76,131	342,009	256,953
Corporate development and governance	165,880	37,873	409,522	115,034
Directors' fees	11,631	15,067	40,751	53,492
Exchange and regulation	1,831	14,645	53,995	51,036
Government relations & community support	165,161	41,964	386,558	80,492
Office support	538,430	125,538	829,337	332,555
Stock based compensation (Note 6(c))	700,838	92,857	1,413,323	586,689
Foreign exchange loss (gain)	(17,688)	20,166	33,195	15,664
	1,750,201	449,339	3,745,892	1,578,570
Loss for the period	(2,512,639)	(1,364,898)	(5,774,702)	(3,826,236)
Deficit, beginning of period	(19,488,083)	(13,142,640)	(16,104,281)	(10,760,501)
Deficit, end of period	(22,000,722)	(14,507,538)	(21,878,983)	(14,586,737)
Loss per share - basic and diluted	\$ (0.07)	\$ (0.05)	\$ (0.15)	\$ (0.14)
Weighted average number of common shares outstanding - basic and diluted	38,401,561	28,395,707	38,006,800	27,294,497

MUNDORO MINING INC.**Interim Consolidated Statements of Cash Flows**

For the the three and nine month period ended September 30, 2006 and 2005

(unaudited, prepared by management)

(Expressed in United States Dollars)

	3 months Ended		9 months Ended	
	30-Sep 2006	30-Sep 2005	30-Sep 2006	30-Sep 2005
Cash flows from (used in) operating activities				
Loss for the period	\$ (2,512,639)	\$ (1,364,897)	\$ (5,774,702)	\$ (3,867,091)
Adjustments for items not involving cash:				
- amortization	8,797	14,909	24,404	46,134
- stock-based compensation and contributed surplus	707,484	92,857	1,428,953	586,689
	(1,796,358)	(1,257,131)	(4,321,345)	(3,234,268)
Change in non-cash working capital:				
- (increase) decrease in accounts receivables	(5,266)	(20,521)	(140,976)	(29,577)
- (increase) decrease in prepaid expenses and deposits	38,521	(48,528)	(125,760)	(97,894)
- (decrease) increase in accounts payable and accrued liabilities	298,738	(359,102)	130,021	(658,877)
	(1,464,365)	(1,685,282)	(4,458,060)	(4,020,616)
Cash flows from financing activities				
Proceeds from issuance of shares	0	96,072	366,500	2,388,813
	0	96,072	366,500	2,388,813
Cash flows provided by (used in) investing activities				
Acquisition/adjustments of equipment and vehicles, net	3,627	0	(16,680)	(13,337)
	3,627	0	(16,680)	(13,337)
Effect of exchange rate change on cash & cash equivalent	(88,416)	-	959,607	-
(Decrease) increase in cash and cash equivalents	(1,549,154)	(1,589,210)	(3,148,633)	(1,645,140)
Cash and cash equivalents, beginning of period	22,434,997	6,424,452	24,034,476	6,480,380
Cash and cash equivalents, end of period	\$20,885,843	\$4,835,242	\$20,885,843	\$4,835,240
Supplementary cash flow information				
Interest paid	\$0	\$0	\$0	\$0
Income taxes paid	-	-	-	-

MUNDORO MINING INC.

(an exploration stage company)

Notes to Consolidated Financial Statements

September 30, 2006

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

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 September 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 September 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.

MUNDORO MINING INC.

(an exploration stage company)

Notes to Consolidated Financial Statements

September 30, 2006

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

2. Significant Accounting Policies (continued)

(e) Short-term Investments

Short-term investments are comprised of highly liquid Canadian dollar denominated instruments ranging from R1-High to R1-Low DBRS rated instruments, with varying maturities of up to one year. Short-term investments are carried at the lower of cost or recoverable amount. The counter-parties are corporations and financial institutions.

(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.

(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 September 30, 2006 are anti-dilutive; however, they may be dilutive in the future.

MUNDORO MINING INC.

(an exploration stage company)

Notes to Consolidated Financial Statements

September 30, 2006

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

(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 comprised mainly of Canadian dollar denominated cash balances of \$6,891,924 (2005 - \$4,208,838) and short-term investments comprised of \$13,993,919 (2005 - \$881,287). At September 30, 2006, these short-term instruments were yielding a weighted average interest rate of 3.56% per annum.

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

4. Mineral Interests and Exploration Costs

On September 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 September 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 \$8,545,348.

MUNDORO MINING INC.

(an exploration stage company)

Notes to Consolidated Financial Statements

September 30, 2006

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

4. Mineral Interests and Exploration Costs (continued)

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.

The Company follows the practice of expensing all exploration costs until mineral reserves have been firmly established and a mining permit issued. Mineral Exploration and Definitive Feasibility Study ("DFS") costs on the Maoling Project, incurred in the first nine months of 2006 amounted to \$2,665,461 (2005 - \$2,352,595), are detailed below:

	3 MONTHS ENDED		9 MONTHS ENDED	
	Sept. 2006	Sept 2005	Sept 2006	Sept 2005
Mineral Exploration				
Core drilling and related costs	\$1,308	\$ 438,748	\$117,308	\$ 1,117,950
Assaying and analytical costs (net of recovery)	--	\$56,202	\$37,223	\$112,306
Technical services and project management	\$102,084	\$396,272	\$143,486	\$920,735
Amortization	\$7,517	\$7,895	\$22,552	\$26,236
Shipping, travel, office and all other costs	\$65,393	\$50,200	\$126,181	\$175,368
Definitive Feasibility Study				
Project Management	\$463,477		\$1,100,679	
Assaying and Analytical	\$29,095		\$215,296	
Resource Evaluation	\$6,726		\$28,233	
Mine Engineering	\$161,653		\$498,621	
Environment and Social Impact Assessment ("ESIA") Study	\$138,867		\$360,362	
Others	--		\$15,520	
	\$976,119	\$949,317	\$2,665,461	\$2,352,595

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.

MUNDORO MINING INC.

(an exploration stage company)

Notes to Consolidated Financial Statements

September 30, 2006

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

5. Equipment and Vehicles

	September 30, 2006	December 31, 2005
Cost:		
Computers	\$ 66,079	\$ 57,153
Furniture and fixtures	25,327	22,429
Office equipment	101,291	96,333
Vehicles	135,572	132,788
Leasehold improvements	<u>59,762</u>	36,153
	388,031	344,856
Less: Accumulated amortization	(169,662)	(118,763)
Net book value	\$ 218,369	\$ 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 September 30, 2006	38,401,561	\$35,848,287

Exchange Rate

The option and warrant prices referred to in notes 6(c) to 6(e) are principally and contractually denominated in Canadian dollars. The prices have been translated to U.S. dollars at the following exchange rates for the purpose of presenting the respective fiscal years or quarters:

- For year 2004 and 2005 at C\$1 = US\$0.8580, the exchange rate prevailing on December 31, 2005
- For Q1 and Q2 2006 at C\$1 = US\$0.8959, the exchange rate prevailing on June 30, 2006
- For Q3 2006 at C\$1 = US\$0.8956, the exchange rate prevailing on September 30, 2006

(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.

MUNDORO MINING INC.

(an exploration stage company)

Notes to Consolidated Financial Statements

September 30, 2006

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

In the first nine months of 2006, the Company granted stock options to purchase an aggregate of 1,915,000 common shares, to directors, employees, and consultants with exercise prices ranging from \$1.72 (C\$1.92) to \$2.39 (C\$2.67) per share, which equal the respective market prices at the time of grant.

6. Share Capital

A summary of the status of options granted under the Company's plans as at September 30, 2006 and December 31, 2005 and the changes during 9 months then ended are as follows:

	Shares	Weighted Average Exercise Price
Options outstanding at December 31, 2005	3,918,500	\$1.29
Granted	1,915,000	\$1.99
Exercised	(1,055,000)	\$0.35
Cancelled	(245,000)	\$2.31
Options outstanding at September 30, 2006	4,533,500	1.75

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 \$1,413,323 in the first nine months of 2006 (2005 - \$586,689) 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	0.58	0.24	62,500	0.24
\$1.07	955,000	2.03	1.07	955,000	1.07
\$1.29 - \$1.65	716,000	2.62	1.46	716,000	1.46
\$1.72	400,000	4.78	1.72	133,000	1.72
\$2.02	25,000	4.67	2.02	8,333	2.02
\$2.05 - \$2.06	1,375,000	4.26	2.06	916,667	1.99
\$2.08 - \$2.36	580,000	3.53	2.17	219,990	2.20
\$2.39	20,000	4.67	2.39	6,667	2.39
\$2.40 - \$2.61	400,000	3.86	2.46	100,000	2.53
	4,533,500	3.40	1.75	3,118,157	1.57

MUNDORO MINING INC.

(an exploration stage company)

Notes to Consolidated Financial Statements

September 30, 2006

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

6. Share Capital (continued)

The weighted average fair value of the options granted in first nine 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:

	September 30, 2006	December 31, 2005
Risk-free interest rate	4.09%	3.25%
Dividend yield	0.00%	0.00%
Price volatility	67.89%	58.24%
Expected lives (in years)	5	5
Number of common shares	1,915,000	1,030,000
Grant / Exercise price	\$1.99	\$2.30
Calculated fair value per share	\$1.18	\$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 September 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 public offering completed in October 2005, the Company credited \$2,123,527 of the fair value to Warrants with offset to share capital.

MUNDORO MINING INC.

(an exploration stage company)

Notes to Consolidated Financial Statements

September 30, 2006

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

6. Share Capital (continued)

(e) Contributed Surplus

Balance, December 31, 2005		\$1,653,521
Amount contributed in the period		\$1,428,953
Amount exercised in the period		(\$84,224)
Balance, September 30, 2006		\$2,998,250
The stock-based compensation charged to the consolidated statements of operations and deficit during the period consists of the following:		
	9 Months Ended September 30, 2006	9 Months Ended September 30, 2005
Stock options granted (Note 6(c))	\$ 1,413,323	\$ 586,689
Warrants issued (Note 6(e))	-	-
	\$ 1,413,323	\$ 586,689

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.

	3 Months Ended Sept. 30/06	3 Months Ended Sept. 30/05	9 Months Ended Sept. 30/06	9 Months Ended Sept. 30/05
Geological / Project management services	\$131,252	\$7,543	\$143,063	\$37,800
Management fees	\$255,728	\$25,137	\$295,342	\$60,243
Total	\$386,980	\$32,681	\$438,405	\$98,043

MUNDORO MINING INC.

(an exploration stage company)

Notes to Consolidated Financial Statements

September 30, 2006

(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 Canadian non-capital loss carry-forwards are estimated at \$4,793,000 (2004 - \$3,550,000) and the Chinese net operating loss carry-forwards are estimated at \$8,799,000 (2004 - \$3,900,000).		

MUNDORO MINING INC.

(an exploration stage company)

Notes to Consolidated Financial Statements

September 30, 2006

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

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 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

(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 \$919,388. 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 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 Société Générale 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.

MUNDORO MINING INC.

(an exploration stage company)

Notes to Consolidated Financial Statements

September 30, 2006

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

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	\$21,555,856	\$5,229,812
China	\$142,766	\$434,595
	\$21,698,622	\$5,664,407

12. Comparative Figures

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