MAOLING

mundoro mining inc. 2007 annual report

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mundoro mining inc.

mundoro mining inc. 2007 annual report

MAOLING

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The Maoling Gold Project, China's largest undeveloped gold resource, is the cornerstone property for Mundoro Mining Inc. for which we continue to **advance** the technical and environmental **merits**, the community **benefits** and the **awareness** for the project.

In order for Mundoro to build shareholder value, we are focused on Maoling.

2000-2001
Mundoro conducted project assessment and began partnership discussions with Liaoning Aidi Resources Company Limited

2001
Mundoro Mining Inc. and Liaoning Aidi Resources Company Ltd. sign cooperative joint venture agreement to form Liaoning Tianli Mining Company Ltd. (Tianli)

2001-2005
Drilling and Resources – Total of 231 holes, 63,338 metres drilled and over 26,000 samples of drill core were cut, prepped and assayed

2003
Mundoro Mining Inc. Initial Public Offering – Raised Cdn $13 million. AMEC Resource Estimate with Indicated Resource of 1.1 M Au oz and Inferred Resource of 4.4 M Au oz

2005
Bought deal financing - Raised Cdn $25 million. Pre-Feasibility Study Published – National Instruments 43-101 compliant gold reserve.

- Open Pit Mining / Milling & Carbon-In-Pulp Processing
- Average Production: 328,000 ounces Gold per year
- NPV US$134 million (5% @ US$400/oz Gold)

Merits: Substantially completed the feasibility study

Awareness: Continued engagement in government relations

Benefits: Renewed engagement in community relations

MAOLING

2006
Management changes

Updated Golder Reserve and Resource estimate

Completed Chinese qualified geological exploration report

Golder completed hydrology report for Maoling area

2007
Qinghua University completed an environmental assessment of the Maoling area

BGRIMM took over work on environmental planning for the region

Contributed RMB 1.2 million to be used over 3 years for community projects

Substantially completed most of the feasibility study

Mundoro donated RMB 1.2 million commitment over a three year period to fund local community programs

2007 Highlights:

Technical Merits

Qinghua University completed an independent, environmental report which concurred with an earlier Golder report – that there would be no detrimental impact on environment in the area.

Government Relations

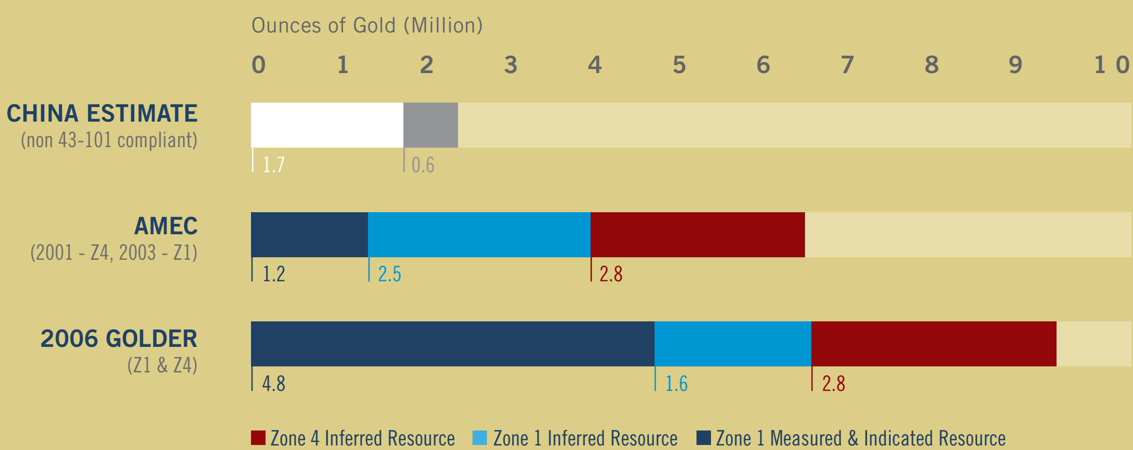
Documented and conveyed Maoling's economic and environmental benefits to country, provincial and national levels of government.

Requests for endorsement of Maoling will be made to the government and leadership of Liaoning province after a formal Environmental Social Impact Assessment is completed.

Community Benefits

Donation of RMB 1.2 million over a three year period to fund community development programs.

Mundoro **value-added** expertise expands original resource estimate



- World Bank's Equator Principles
- Chinese Mining and Foreign Investment Laws
- National PRC guidelines for low-grade ore extraction and foreign participation in gold
- PDAC's E3 Principles

merits...

superior quality, excellence

Merits:

Substantially completed the feasibility study

Concentrated on optimization of capital and operating costs

Process improvements through production ramp-up

Chinese consultant (BGRIMM) assumed work on environmental planning and evaluation

Golder and BGRIMM coordinated on Environment Social Impact Assessment

Chinese engineering company engaged for work on the Chinese feasibility study

awareness... sharing the knowledge

Awareness:

Continued engagement in government relations

Project continues to meet Chinese guidelines for foreign investment

Chinese report indicate deposit can be developed in an environmentally benign manner

Continue to work with Yingkou's Municipal Peoples' Congress and with Aidi to integrate the Maoling Project with the economic and sustainable development plans for that region

British Columbia Government's Chief Geologist, David Lefebure (left), visited Maoling site in November

(Below, Left) President and CEO, Robert van Doorn, addresses the audience at the Asia Pacific Mining Forum on Mining and Minerals in October.
(Below, Right) Mundoro's Senior Geologist, Feng Tao, at the China Mining Conference in November

Government/Industry Associations

- Canadian Embassy in Beijing
- International Trade Canada
- Natural Resources Canada
- China International Mining Group
- Canada-China Business Council
- British Columbia Government

Events Attended

- Cambridge Resource Investment Conferences
- Prospectors and Developers Association of Canada
- Denver Gold Forum
- Global Chinese Investment Forum
- China Mining Conference
- Asia Pacific Forum on Mining and Minerals

(1)

(2)

(3)

(1) + **(3)** Donation ceremony to elementary school children
(2) Computer donation and construction of dedicated room at middle school

benefits... to the community

Benefits:

Renewed engagement in community relations

Supplied materials to several hundred school children

Built a new roof for the local medical clinic

Constructed a technology centre at the local school

Donated 21 computers for use by middle school students

To date, Mundoro spent RMB 160,000 and will continue the commitment for 2008 and 2009

life in

Maoling...

AR
07_

Maoling:
Primary substance of locals is farming and silkworm production

Average local family household annual income ranges from US$1,200 to $3,750

Almost every house has electricity, a television with satellite service and a telephone

Top left, clockwise
- Plowing fields with traditional methods
- A farmhouse at Maoling
- A senior farmer
- Corn husks to be collected for heating and cooking fuel for the winter

Letter
to the Shareholders

DEAR FELLOW SHAREHOLDERS AND STAKEHOLDERS,

The Company entered 2007 to build upon the technical aspects of the Maoling Gold Project, to create awareness for the project with relevant stakeholders and to become a responsible corporate citizen of the local community.

RESTORING THE BASE

2007 was the year in which Mundoro built the base of support to move the Company's joint ventured Maoling Gold Project forward. We spent a major effort in getting more people comfortable with our plans to develop a state of the art large open pit mine at Maoling.

The feasibility study conducted by Ausenco Ltd. for the processing design and Golder for the mining design was substantially completed. Although capital expenditure increases in general have hit the majority of mining projects in development around the world, the Company partially compensated for such increases by updating the mining plan such that the operation would start at full capacity rather than a stepped approach over 2 years.

The Company believes gold mining in China by foreigners is possible as has been shown by operations commissioned in 2007 by SinoGold, Jinshan Gold and Eldorado Gold. In the fourth quarter of 2007, Goldfields Mineral Services announced that China became the largest gold producing country in the world, surpassing long-time champion South Africa.

BUILDING AWARENESS

Over the last 2 years, Mundoro has met with many groups and people to build confidence in the Company and to promote the ability of the joint venture to build a mine which can become a standard for responsible mining in China. Whilst the local population and most technical experts agree that a properly designed mine should have no detrimental impact on the environment, there are still some that believe old misconceptions with respect to mining and the risk it may pose to the environment if not managed properly. Mundoro expanded its community relations and government relations programs to explain how the Company proposes to build a properly managed, state of the art mining operation.

Mundoro is very grateful for the support the Company has had from our joint venture partner, the Liaoning Geological Bureau and from the various Chinese and Canadian government agencies and business associations.

COMMUNITY INITIATIVES

The Maoling Gold Project is situated in a relatively low income rural area of Liaoning Province in northeastern China. The development of a large scale mine in that area will bring many changes, not the least of which will be economic prosperity to the local community. It has been a long wait for the community and delays have led to disappointments. Mundoro decided to show its commitment to the local community in spite of the long delays, by implementing a donation program that would see RMB 1.2 million being spent over a three year period on community improvement programs. The purpose of the donation is to assist the local community through improvements in infrastructure for education and health care which are the most sought after services by that community. In 2007, Mundoro built a computer technology centre, complete with 21 computers at the local school. This computer centre is mainly used by the secondary school students though primary school students have access to the centre through educational field trips; the centre is available to over 400 students in the local community.

Mundoro is grateful for the foresight and co-operation of the Peoples' Municipal Government of Gaizhou in making this computer centre possible for the community.

WORLD CLASS ASSETS

There are not many gold deposits around the world with the potential to exceed 10 million ounces. The Maoling deposit remains one of the largest undeveloped know gold deposits in the world and the Company is working on moving the project forward towards production.

WHAT IS IN STORE FOR 2008?

Mundoro believes the misunderstandings that prevented the renewal of the business license have been primarily resolved, but the Company is unable to give any assurance that the business license will be renewed. Once the license is renewed, the Company plans to finish the outstanding work required for completing the feasibility study - mainly a geotechnical drilling program and finishig the Environmental and Social Impact Assessment. Applying for a mining permit should be straightforward as most government departments will be fully aware of the joint venture's plans for developing the Maoling Gold Project.

Maoling still has substantial exploration upside which can influence the sequence of how the deposits will be mined. In view of this potential, the joint venture plans to apply for the restoration of the exploration license as soon as possible post the renewal of the business license.

While the executive team has been devoting its energy to demonstrating to officials that a business license can be responsibly granted to Mundoro, Mundoro has been looking for other exciting projects. Although Maoling will remain a key strategic asset for the Company, Mundoro has the team which can identify, negotiate the acquisition of, and develop a credible mining plan for a project of the size of Maoling and we are anxious to utilize this capability to identify and develop other projects.

We hope the "Year of the Rat" will prove to be a very prosperous one for Mundoro shareholders. We at Mundoro will certainly work hard to make that come true.

Thomas I.A. Allen, Q.C.
Chairman

Robert van Doorn
President and CEO

MD&A

management discussion and analysis of financial results

For the Fiscal Year Ended December 31, 2007

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 audited Consolidated Financial Statements for December 31, 2007 and December 31, 2006 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 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 Activities

Mundoro Mining Inc. (the "Company"), a BC registered company whose shares trade on the TSX, is involved in the exploration and development of mineral resource properties. Mundoro entered China in 1997. The Company's focus is the feasibility stage Maoling Gold Project ("Maoling") in Liaoning Province, China. In 2001 the Company was invited by a central government tender to help develop the Maoling gold deposit. It formed a Chinese joint venture company Liaoning Tianli Mining Company Ltd. ("Tianli"). The joint venture partner is Liaoning Aidi Resources Company Limited ("Aidi"), the corporate arm of the Liaoning Geology and Exploration Bureau. Mundoro's 79% interest in Tianli is represented on the Tianli board by five directors and Aidi's 21% interest is represented by three directors.

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 integrated technical team of Chinese and international engineers and environmental experts to optimize the mine/mill design and to complete a Feasibility Study.

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:

Reserves			Resources		
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 tones grading 1.31 grams gold per tonne

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

Progress on the Feasibility Study

Work on the Feasibility Study has been substantially completed apart from some fieldwork and final cost estimation, detailed below, that awaits the business license renewal. The western engineering companies engaged on the feasibility work are: Golder Associates ("Golder") for resource modeling and estimation, mine and tailings facility design, hydrology and geotechnical studies; and Ausenco International Pty Ltd. ("Ausenco"), for managing the overall feasibility study and for process design and engineering.

The work on the Feasibility Study considers only the Zone 1 Indicated Resources of 161 million tonnes grading 0.92 gram gold per tonne ("g/t"), or 4.8 Moz. Zone 4, which has an Inferred Resource of 95 Mt of 0.94 g/t, or 2.9 Moz, requires infill drilling before the resource can be utilized in a mine plan and is therefore not included in the Feasibility Study at this time. The Company believes there is further exploration upside on the property. Both Zone 1 and Zone 4 outcrop to surface with each having strike lengths of more than 1.5 kilometers. Upon re-issue of the business license of the joint venture company, Tianli, the Company will apply for permission to conduct additional scoping and exploration.

Because of the delays in the renewal of joint venture company's business license, certain portions of the feasibility study, such as geotechnical drilling for the final pit slope design in Zone 1 and final Chinese cost estimations, cannot be completed at this stage. It is anticipated that once the joint venture company's business license has been renewed, Mundoro will complete the remaining engineering work needed to produce a feasibility study that will be NI 43-101 compliant and will complete a full Environmental and Social Impact Assessment ("ESIA") for Maoling.

The Company has streamlined the ESIA process by retaining Beijing General Research Institute of Mining and Metallurgy ("BGRIMM") to assist with environmental planning and evaluation. Golder and BGRIMM have been coordinating their efforts on the ESIA. The China Nonferrous Engineering and Research Institute ("ENFI") also based in Beijing is engaged to complete the Chinese feasibility work.

Licensing & Government Relations

To counter historical misconceptions regarding the project and the technical abilities of the Company, Mundoro continues to document and convey the economic and environmental merits of the Maoling Gold Project to the county, municipal, provincial and national levels of the government in China. The technical merits of Maoling are well documented in the Pre-feasibility Study completed in 2005 and have been supplemented with the work completed for the Feasibility Study and the preparatory material for the completion of a full ESIA.

The Company continues to advocate the benefits of development of a modern mine at Maoling which will serve as a showcase in modern mine management methods including environmental protection. Some of the developments are:

- Over the last 2 years the Company has been communicating the mining plan for Maoling and building confidence with officials in Liaoning province and the central government.
- The Company still has the strong support of our Chinese partner, Aidi. The Company and Aidi have been working together diligently in explaining the merits of the project at the various levels of provincial authorities.
- In 2006, Mundoro and Aidi completed a Chinese qualified geological exploration report (i.e. a Chinese reserve estimate) and are awaiting the restoration of Tianli's business license before being permitted to submit this report to relevant agencies for review and acceptance.

- The Company has completed substantially all of the components of the Feasibility Study and is working to restore Tianli's business license to be able to complete a formal ESIA. Neither the government nor the leadership of the province is being asked to endorse the project until a team of experts has completed the formal ESIA process as required under the 2005 ESIA law in China.
- The Maoling Gold Project continues to meet China's guidelines for foreign participation in gold projects.
- An independent report by Qinghua University in Beijing and the analysis completed to date by ENFI, BGRIMM, Ausenco and Golder all indicate the deposit can be developed in a safe and responsible manner with no detrimental impact on the environment.
- The Company is committed to the Equator Principles followed by the World Bank and adheres to international and Chinese national standards for mining.
- Mundoro has a strong balance sheet to complete the ESIA process and to commence the development process for Maoling and furthermore have engaged Societe Generale in 2006 for financial advisory services on alternatives to fund the construction of a gold mine at Maoling.
- The Company continues to build awareness of Maoling and the Company's commitment to execute the project in a sound manner by deploying communication channels in China by utilizing the resources of the Canadian Government such as Natural Resources Canada, as well as China International Mining Group, Canada China Business Council, Austrade and other agencies.
- The Company continues to work with the City of Yingkou and its Municipal People's Congress. The development of Maoling is an integral part of Yingkou's plans for economic development, with a view to build sustainable wealth for that region.

In the latter part of 2005 the Company's Board of Directors commenced a transition in the senior management of the Company which brought on board a new Chairman, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer to make the transition from exploration to development, complete the technical design of the mine at Maoling and move the project towards production. To complement the technical team, the Board also transitioned the local management team in China by appointing a Vice President for Mundoro's China operations, Patrick Powers, and appointing a new General Manager of Tianli. As of March 2008, Patrick Powers will be reducing his role as the Vice President of Mundoro's China operations to focus on being a more active board member of Tianli. Tianli's General Manager will continue in his role in building the technical understanding of Maoling among Chinese stakeholders.

Sustainable Development & Community Relations

Mundoro has a continuing community development program in the area of its Maoling Gold Project. 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 assist 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.

Beginning in 2007, Mundoro began implementation of a plan to donate RMB 1.2 million, to be spent over a three year period to fund educational, health and sanitation development in Gaizhou County. To date, Mundoro has supplied materials to several hundred local school children; has paid for a new roof for a local medical clinic; and paid for the construction of a technology centre with 21 computers for use by students at the local secondary school. The Company spent over RMB 160,000 in 2007 and will continue this commitment for 2008 as part of the donation program.

In order to address any regional environmental concerns and to properly communicate the Company's plans for the project's development, Mundoro formed the Maoling Advisory Committee on Environmental Protection and Sustainable Development ("MACEPSD"). This committee's mandate is to provide independent review and recommendations to the Board of Mundoro in addition to the regular compliance and reporting required by the laws and regulations of the State Environmental Protection Agency. The committee is comprised of and led by expert representatives from local community, government and academic bodies, with the primary objectives of providing: two-way communication between stakeholders and the Company; input into the mine design and development process; and input on the design features of reclamation and sustainable development aspects of the project.

Sampling and Control Procedures

The Company has in place, high quality assurance and control procedures for its sample integrity, preparation, handling, storage, analysis and security. All drilling and re-assay programs were in consultation with contracted engineering firms to ensure proper adherence to globally accepted standards. These procedures and programs have been verified under the direction and oversight of an 'Independent Qualified Person' as defined by National Instrument 43-101. Over the course of developing the Maoling project, three engineering firms (Ausenco, Golder and AMEC) have independently verified the Company's sampling and control procedures, most recently for the preparation of the feasibility study. National Instrument 43-101 compliant technical reports for the pre-feasibility and all reserve and resource estimates have been filed on the SEDAR website at www.sedar.com.

2. Financial Highlights

The Company's consolidated net loss for the year was $6,437,128 or $0.17 per share compared with a net loss of $6,911,414 or $0.18 per share for the previous year. The net loss is attributable to:

I. expending $1,267,079 on the final Feasibility Study and Mineral Exploration costs;
II. expending $ 2,565,466 on corporate expenses;
III. expending $ 3,460,537 on other expenses that are non-cash accounting items; and
IV. earning interest income of $ 855,954.

The Company ended the year with $ 18,374,368 in cash with no long term debt.

3. Result Of Operations

	Year ended December 31, 2007	Year ended December 31, 2006
Engineering and Exploration Costs	1,267,079	3,226,458
Corporate Expenses		
Accounting and Audit	426,245	367,465
Corporate Communication & Marketing	387,832	441,220
Corporate & Legal	427,036	551,584
Government & Community Relations	813,718	538,697
General and Administrative	510,635	1,061,160
Total Corporate Expenses	2,565,466	2,960,126
Other Expenses		
Amortization	39,746	36,372
Foreign exchange loss	1,614,702	114,649
Stock-based compensation	1,806,089	1,426,413
Total Other Expenses	3,460,537	1,577,434

Twelve months ended December 31, 2007 compared to the twelve months ended December 31, 2006

- The Company's corporate expenses for the year were $2,565,466 which decreased from the previous year of $2,960,126 primarily due to the elimination of a one time expense last year during the third quarter for employee termination.
- The loss in this year is $6,437,128 compared to $6,911,414 for the previous year. The decrease in loss is primarily due to the decrease in engineering and exploration costs and the elimination of a one time expense last year during the third quarter for employee termination; these decreases in costs were offset by an increase in non-cash accounting items (shown as Other Expenses in the table above). The non-cash accounting items increased due to the foreign exchange loss which is a non-cash adjustment due to the increase in the Canadian dollar against the Chinese remnimbi and company stock based compensation.
- Income from interest in the year was virtually the same at $855,954 compared with $852,604 for the previous year, due to higher short term rates, despite a decrease in the cash and marketable securities from year end 2006.
- Engineering and exploration costs for the year were $1,267,079 compared with $3,226,458 during the previous year, reflecting the substantial completion of work on the Feasibility Study in 2007 compared with the level of work on the Feasibility Study in 2006.

4. Feasibility Study and Mineral Exploration Activities

The Feasibility Study, which commenced in September 2005, has cost $3,298,461 to-date under Ausenco's supervision as project manager. The Environmental & Social Impact Assessment study has accumulated costs of $955,259 to date.

5. Summary Of Quarterly Results

(000's US$)	Q4/07	Q3/07	Q2/07	Q1/07	Q4/06	Q3/06	Q2/06	Q1/06
Interest income	$209	$264	$179	$204	$216	$214	$220	$203
Engineering & Exploration costs	(234)	(245)	(425)	(363)	(561)	(976)	(1,162)	(527)
Corporate Expenses (1)	(667)	(583)	(736)	(579)	(686)	(1,059)	(690)	(526)
Other Expenses (2)	94	(326)	(1,664)	(1,565)	(106)	(692)	(185)	(594)
Loss and comprehensive loss for the period	(598)	(890)	(2,646)	(2,303)	(1,137)	(2,513)	(1,817)	(1,444)
Loss and comprehensive loss per share, basic and fully diluted	($0.02)	($0.02)	($0.07)	($0.06)	($0.03)	($0.07)	($0.05)	($0.04)

(1) Corporate Expenses include: accounting and audit, corporate and legal, government and community relations, corporate communication and marketing, and general and administrative expenses.

(2) Other Expenses include: non-cash items such as stock based compensation, amortization and foreign exchange loss (gain).

6. Financial Condition, Liquidity And Capital Resources

The Company considers it has sufficient funds to cover all current commitments, including completion of a Feasibility Study at Maoling and a full ESIA plus any other related costs leading up to a production decision. Additional funds will be required to complete construction at Maoling. The Company plans to explore appropriate financing routes to fund the mine development phase at Maoling which may include any one of or combination of: issuance of share capital, funding through strategic alliance, project debt, convertible securities or other financial instruments. The Company continues to work with Société Générale as the 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 raised. Certain of these financing sources may be with recourse to the Company. Decisions with respect to financing alternatives will be made at the time of 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 ongoing business operations. Further cash resources may become available through the exercise of outstanding options, which would contribute $8,919,530 to the Company's treasury should they all be exercised.

The Company's principal source of liquidity as at December 31, 2007 is cash of $18,374,368 (December 31, 2006 – $19,130,742 cash, cash equivalents and short term investments).

The Company has no long term debt.

7. Use Of Financial Instruments

The Company is not in a situation where it needs to enter 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.

8. Outlook

The Company continues to be focused on: (i) the renewal of the business license; (ii) advancing the technical and environmental studies as well as the community relations work for the Maoling Gold Project; (iii) investigating financing alternatives for the construction of a mining operation at Maoling; and (iv) evaluating opportunities for property acquisitions and other strategic alternatives to build shareholder value. The Company continues to market to investors to increase market awareness of the Company and build the shareholder base through attending investor conferences and road shows in North America, Europe and Asia.

As indicated in the Management Information Circular filed in connection with the Company's Annual General and Special Meeting to be held on April 11, 2008, the Company has proposed a plan of arrangement under which Mundoro Mining will become a wholly owned subsidiary of a newly formed entity, Mundoro Capital Inc. Mundoro Capital is being created to provide a corporate structure whereby shareholders can continue to benefit from further development of the Maoling Gold Project and at the same time, benefit from investments in additional resource opportunities. The current executive management team has asset valuation, investment evaluation and financial structuring experience focused on the resource sector; this knowledge and specialized experience can be used with the cash in the Company to invest in resource opportunities to build new shareholder value.

9. Annual Information Form

The Company's Annual Information Form ("AIF") was filed with the British Columbia, Alberta and Ontario securities commissions on March 12, 2008, and is available on SEDAR at www.sedar.com.

10. Disclosure controls and procedures update

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by Mundoro is accumulated and communicated to the management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the year that the disclosure controls and procedures are effective to provide reasonable assurance that material information related to Mundoro, including the consolidated subsidiary, is made known to them by others within both entities. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

11. Internal controls over financial reporting

The Chief Executive Officer and Chief Financial Officer of Mundoro are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company has assessed the design of the internal control over financial reporting and during this process the Company identified certain weaknesses in internal controls over financial reporting which are as follows:
Due to the limited number of staff at Mundoro, it is not feasible to achieve complete segregation of incompatible duties.

- Due to the size of the Company and the limited number of staff, Mundoro does not have the optimum complement of personnel with all the technical accounting knowledge to address all complex and non-routine accounting transactions that may arise. Hence the Company hires external accounting firms to assist in the completion of such transactions.
- These weaknesses in Mundoro's internal controls over financial reporting may result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of a material misstatement in financial reporting, however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

12. 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 relating to the Company 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 annual report. These are more fully described in the Company's AIF, and include but are not limited to:

Property Rights, Permits, Licenses and Approvals - In general all mining projects in China require government approval. At the exploration stage, the primary licenses under which a joint venture operates are a business license and an exploration license. As previously disclosed, the Company's Joint Venture business license expired on August 31, 2005 and the Exploration License expired on November 5, 2005. There can be no assurance they will be re-issued to the Joint Venture. There can be no certainty that other licenses or permits or approvals required to develop the Maoling Gold Project will be granted in a timely manner, or at all.

Unknown Title Defects – A legal title opinion, in the fourth quarter of 2005, was rendered on the Maoling Property that supports the Company's position; however, there is no guarantee that challenges to title will not be made in the future.

Risks Related to China – All of the Company's projects are located in China. China's economy differs from the economies of most developed countries in many respects, including government intervention; foreign investment; domestic sales of commodities; level of development; growth rate; control of foreign exchange; allocation of resources; and legal recourse. Regardless of the economic viability of the Company's properties, factors such as political instability, terrorism, expropriation by governments or the imposition of new regulations or tax laws may prevent or restrict mining of some or all of the Company's properties.

Exploration, Development and Uninsurable Risks – 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 Company's only current property is the Maoling Property in which a body of ore containing 2.8 million ounces of Probable Reserve has been defined. A considerable percentage of the Company's property-wide resources have not yet been converted to reserves and there is no guarantee that additional drilling and economic studies will cause these resources to be converted into reserves. The marketability of minerals acquired or discovered by the Company may be affected by factors beyond the control of the Company and which cannot be accurately predicted, such as proximity and capacity of milling facilities and mineral markets.

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Environmental and Safety Regulations and Risks – Environmental laws and regulations may affect the operations of the Company. The Company minimizes these risks by complying with all applicable and international environmental, health and safety standards and regulations. As well, the Company relies on recognized engineers and contractors, from which the Company will, in the first instance, seek indemnities in the event of a significant environmental damage event. Globally, environmental legislation is evolving towards stricter standards and enforcement, more stringent environmental impact assessments of new mining projects and increasing liability exposure for companies and their directors and officers. In addition, there is also a risk that the environmental laws and regulations in China may become more onerous, making the Company's operations in that country more expensive. There is no assurance that future environmental regulations will not adversely affect the Company's operations. China is strengthening its environmental protection legislation and enforcement of its regulations. There is no assurance that future environmental regulations will not adversely affect the Company's operations.

Limited History of Operations – The Company is a mineral exploration and development company and has no history of, or current cash flow, revenues and earnings. The Company's reserves and resources are estimates and may be greater or less than the actual reserves and resources. If the Company cannot execute its business model and growth strategy, it may result in a material and adverse effect on the Company's profitability, results of operation and financial conditions.

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

Price Volatility – In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the common shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company's common shares will be affected by such volatility.

Changes in Market Price of Commodities – The Company's revenues, if any, are expected to be in large part derived from the sale of gold. The price of which fluctuates widely and is affected by factors beyond the control of the Company including, but not limited to, international economic and political trends, currency exchange fluctuations, economic inflation and expectations for the level of economic inflation in the consuming economies, interest rates, global and local economic health and trends, speculative activities and changes in the supply of gold due to new mine developments, mine closures as well as advances in various production and use technologies of gold. All of these factors will have impacts on the viability the Company's exploration projects that are impossible to predict.

Foreign Exchange Rates – The Company maintains its accounts in US dollar, Canadian dollar and Renminbi (RMB) denominations. On July 21, 2005 the Chinese government, through the central bank, decided to allow the RMB to float in a broader band relative to a basket of currencies. This uncoupling of the RMB from the US dollar could ultimately impact the cost of doing business in China for the Company.

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; industry competition for resource investments and experienced management professionals; management performance and succession; price volatility of publicly traded securities; 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.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 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.

auditor's report

TO THE SHAREHOLDERS,
MUNDORO MINING INC.

ERNST & YOUNG

We have audited the consolidated balance sheets of Mundoro Mining Inc. as at December 31, 2007 and December 31, 2006 and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and December 31, 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Vancouver, Canada
February 20, 2008

Chartered
Accountants

financial statements

MUNDORO MINING INC.
(an exploration stage company)

Consolidated Balance Sheets
December 31, 2007 and 2006

(Expressed in United States Dollars)

	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents (Note 4)	$ 18,374,368	$ 14,857,490
Short-term investments (Note 4)	-	4,273,252
Accounts receivable	127,391	166,999
Prepaid expenses and deposits	92,971	111,825
	18,594,730	19,409,566
Mineral interests (Note 5)	100	100
Equipment and vehicles (Note 6)	178,975	217,671
Total Assets	$ 18,773,805	$ 19,627,337
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$245,151	$470,004
Contingencies and Commitments (Note 10)		
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	36,157,820	35,954,791
Warrants (Note 7(d) and 7(e))	-	2,123,527
Contributed surplus (Note 7 (e))	6,826,920	2,957,833
Deficit	(29,452,823)	(23,015,695)
Accumulated other comprehensive income (Note 2(g))	4,996,737	1,136,877
Total Shareholders' Equity	18,528,654	19,157,333
Total Liabilities and Shareholders' Equity	$ 18,773,805	$ 19,627,337

Nature of operations (Note 1)

Approved by the Directors:

"Patrick Downey"	"Robert van Doorn"
Patrick Downey	Robert van Doorn

MUNDORO MINING INC.
(an exploration stage company)

Consolidated Statements of Loss, Comprehensive Loss and Deficit
Years Ended December 31, 2007 and 2006

(Expressed in United States Dollars)

	2007	2006
Interest income	$ 855,954	$ 852,604
Engineering and exploration costs (Note 5)	1,267,079	3,226,458
Expenses		
Accounting and audit	426,245	367,465
Corporate communication and marketing	387,832	441,220
Corporate and legal	427,036	551,584
Government and community relations	813,718	538,697
General and administrative	510,635	1,061,160
	2,565,466	2,960,126
Loss before Other Expenses	2,976,591	5,333,980
Other Expenses		
Amortization	39,746	36,372
Foreign exchange loss	1,614,702	114,649
Stock based compensation (Note 7(c) and Note 7(e))	1,806,089	1,426,413
	3,460,537	1,577,434
Loss and comprehensive loss for the year	(6,437,128)	(6,911,414)
Deficit, beginning of year	(23,015,695)	(16,104,281)
Deficit, end of year	$ (29,452,823)	$ (23,015,695)
Loss and comprehensive loss per basic share	$ (0.17)	$ (0.18)
Weighted average shares outstanding:		
Basic	38,627,540	38,139,232

MUNDORO MINING INC.
(an exploration stage company)

Consolidated Statements of Cash Flows
Years Ended December 31, 2007 and 2006

(Expressed in United States Dollars)

	2007	2006
Cash flows used in operating activities		
Loss and comprehensive loss for the year	$(6,437,128)	$(6,911,414)
Adjustments for items not involving cash:		
- amortization	71,285	66,598
- stock-based compensation	1,806,089	1,426,413
	(4,559,754)	(5,418,403)
Change in non-cash working capital:		
- decrease in accounts receivables	39,608	101,445
- decrease (increase) in prepaid expenses and deposits	18,854	(52,695)
- decrease in accounts payable and accrued liabilities	(224,853)	(44,384)
	(4,726,145)	(5,414,037)
Cash flows from financing activities		
Proceeds from issuance of shares	142,500	435,127
	142,500	435,127
Cash flows provided by investing activities		
Proceeds from short-term investments	4,273,252	13,299,475
Acquisition/disposals of equipment, net	(14,430)	(26,972)
	4,258,822	13,272,503
Effect of exchange rate changes on cash and cash equivalents	3,841,701	102,148
Increase in cash and cash equivalents	3,516,878	8,395,741
Cash and cash equivalents, beginning of year	14,857,490	6,461,749
Cash and cash equivalents, end of year	$18,374,368	$14,857,490

notes

1. Nature of Operations

Mundoro Mining Inc. (the "Company" or "Mundoro Mining") 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 December 31, 2007, the joint venture is still in the exploration and development 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 18, 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the 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 engineering and exploration costs until a production decision is made for putting the deposit into production.

(d) Cash Equivalents

Cash equivalents in 2006 included those short-term money market instruments which had a term to maturity of 30 days or less when acquired. The Company redeemed the cash equivalent into cash in 2007.

(e) Short-term Investments

Short-term investments in 2006 were comprised of highly liquid, high investment grade money market instruments, with terms to maturity of greater than 30 days but not more than 360 days. Short-term investments were carried at the lower of cost or recoverable amount. The Company redeemed the short-term investments into cash in 2007.

(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

notes

(g) Foreign Currency Translations
As of December 31, 2005, the Company adopted the U.S. dollar for financial reporting purposes. The reasons for the change were 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. The Company translated 100% of Tianli's amounts from Chinese Renminbi yuan to Canadian dollars using the temporal method for consolidation with the Company's accounts, as follows: monetary items such as cash, accounts receivable, accounts payable and accrued liabilities at the rate of exchange in effect at the applicable balance sheet date; non-monetary items such as equipment and vehicles, amortization and share capital items at the transaction's historical rate of exchange; and revenue and expense items at the average rate for the year. Any unrealized gains and losses using the temporal method of translation have been recorded as foreign exchange loss/(gain) in the Company's consolidated statement of operations and deficit. In the consolidated financial statements, the Company has translated consolidated accounts from Canadian dollars to US 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 revenue and expense items at the average rate for the period. Unrealized gains and losses resulting from the translation are accumulated in a separate component of the shareholders' equity and described as an Accumulated Other Comprehensive Income in the Company's consolidated balance sheet.

(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, directors and consultants.

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) Basic and Diluted 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 options to acquire common shares that are outstanding at December 31, 2007 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) 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 year 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 year-to-year changes in liability.

(l) Revenue Recognition
Interest income on cash and cash equivalents and short-term investments is recognized on an accrual basis.

3. Changes in Accounting Policies

Effective January 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under CICA Handbook Section 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement", Section 3861 "Financial Instruments – Disclosure and Presentation", and Section 3865 "Hedges". These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

(a) Comprehensive Loss and Equity
This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive loss" until it is considered appropriate to recognize into loss. This standard requires the presentation of comprehensive loss, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements.

Accordingly, the Company now reports comprehensive loss and includes, if applicable, the account "accumulated other comprehensive income" in the shareholders' equity section of the consolidated balance sheet.

The major component in both the comprehensive loss and the accumulated other comprehensive income is the net unrealized gains and losses on the Company's net financial assets.

(b) Financial Instruments
The Company classifies its financial instruments into one of the five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured at fair value on initial recognition. Transaction costs are included in the initial carry amount of financial instruments except for held-for-trading items in which case transaction costs are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Financial assets and liabilities "held-for-trading" are subsequently measured at fair value with changes fair value recognized in net income. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income. Financial assets "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently amortized using the effective interest rate method.

Financial instruments that are derivative contracts are considered "held-for-trading" unless they are designated as a hedge. Cash equivalents and short-term investments are classified as "held-for-trading" and are measured at carrying value which approximates fair value due to the short-term nature of these instruments. Accounts receivable and certain other assets that are financial instruments are classified as "loans and receivables". Accounts payable is classified as "other financial liabilities".

(c) Hedges
This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any hedges.

4. Cash, Cash Equivalents and Short-Term Investments

Cash and cash equivalents are comprised mainly of Canadian dollar denominated cash of $18,374,368 (2006 – cash and cash equivalents of $14,857,490).

Short-term investments were nil at December 31, 2007 (2006 - $4,273,252 with a weighted average interest rate of 4.33% per annum).

notes

The fair market value of the Company's cash and short-term investments approximates their carrying values at December 31, 2007 and 2006.

5. Mineral Interests and Exploration Costs

Mineral Interests:

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 December 31, 2007 the cumulative registered capital contributions amounted to $2,780,000 (2006 - $2,780,000). In addition, the Company had advanced loans in cash of $789,200 (2006 - $789,200) and loans in kind of $11,867,087 (2006 - $9,478,564).

On August 31, 2005, the TJV's business license was not renewed by the authorities in Liaoning. Management has received no explanation for the delay, and the Company is in communication with the appropriate government authorities for the renewal of this license. The renewal of this license has taken longer than anticipated.

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. 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.

The Company follows the practice of expensing all exploration costs until mineral reserves have been firmly established and a mining permit issued. Engineering and Exploration Costs incurred in 2007 amounted to $1,267,079 (2006 - $3,226,458) and are detailed below:

	2007	2006
Engineering and Exploration Costs		
Engineering	$771,353	$2,236,404
Environmental	223,270	582,060
Geological	272,456	392,397
Other	-	15,597
	$1,267,079	$3,226,458

The Engineering costs include fees paid to engineering consultants and others retained for services of an engineering, metallurgical, and geotechnical nature. The Environmental costs include fees paid to consultants for the environment and social impact assessment ("ESIA") study and other environmental studies completed. The Geological costs include fees paid for services of geological nature.

6. Equipment and Vehicles

	2007	2006
Cost:		
Computers	$ 91,731	$ 70,002
Furniture and fixtures	35,590	29,691
Office equipment	138,750	110,171
Vehicles	178,159	151,544
Leasehold improvements	40,439	56,530
	484,669	417,938
Less: Accumulated amortization	(305,694)	(200,267)
Net book value	$ 178,975	$ 217,671

7. Share Capital

(a) Authorized: Unlimited number of common shares without par value.
(b) Issued and fully paid common shares:

	Shares	Amount
Balance at December 31, 2005	37,346,561	$ 35,397,563
Issued pursuant to exercise of stock option	1,167,500	435,127
Reclassification of contributed surplus on exercise of options		122,101
Balance at December 31, 2006	38,514,061	$ 35,954,791
Issued pursuant to exercise of stock option	130,000	142,500
Reclassification of contributed surplus on exercise of options		60,529
Balance at December 31, 2007	38,644,061	$ 36,157,820

Exchange Rate

The option and warrant prices referred to in notes 7(c) to 7(e) are principally and contractually denominated in Canadian dollars. The prices have been translated to US dollars at the following exchange rates for the purpose of presenting the respective fiscal years:

- Q1 2006:C$1 = US$0.87, the average exchange rate for the quarter then ended
- Q2 2006: C$1 = US$0.90, the average exchange rate for the quarter then ended
- Q3 2006: C$1 = US$0.90, the average exchange rate for the quarter then ended
- Q4 2006: C$1 = US$0.88, the average exchange rate for the quarter then ended
- Q1 2007: C$1 = US$0.85, the exchange rate on the date of grant
- Q2 2007: C$1 = US$0.89, the exchange rate on the date of grant
- Q3 2007: C$1 = US$0.95 and US$0.98, the exchange rates on the dates of grant
- Q4 2007: C$1 = US$0.99 and US$1.07, the exchange rates on the dates of grant

(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 2007 fiscal year, the Company granted stock options to purchase an aggregate of 2,350,000 common shares, to directors, employees, and consultants with exercise prices ranging from $0.62 (C$0.65) to $1.62 (C$1.89) per share, which equal the respective market prices at the time of grant.

A summary of the status of options granted under the Company's plans as at December 31, 2007 and 2006 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
Exercised	(1,167,500)	$ 0.31
Cancelled	(395,000)	$ 1.82
Granted	2,055,000	$ 1.93
Options outstanding at December 31, 2006	4,411,000	$ 1.75
Exercised	(130,000)	$ 1.10
Cancelled	(962,500)	$ 1.50
Granted	2,350,000	$ 1.15
Options outstanding at December 31, 2007	5,668,500	$ 1.57

As disclosed in Note 2(h), the Company adopted prospectively the fair value method of accounting for stock-based compensation granted. Under this method, the Company charged $1,806,089 in 2007 (2006 - $1,426,413) of stock based compensation to operations for options granted and expected to vest with offset credit to contributed surplus.

Option Outstanding Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Vested and Exercisable	Weighted Average Exercise Price
$0.00-$1.00	880,000	4.43	$ 0.71	5,000	$ 0.62
$ 1.01-$ 1.50	1,988,500	2.63	$ 1.31	1,988,500	$ 1.31
$ 1.51-$ 2.00	765,000	3.72	$ 1.69	565,667	$ 1.69
$ 2.01-$ 2.50	1,935,000	2.90	$ 2.14	1,274,990	$ 2.07
$2.51-$3.00	100,000	2.21	$ 2.61	100,000	$ 2.61
	5,668,500	3.14	$ 1.57	3,934,157	$ 1.64

The weighted average fair value of the options granted in fiscal years 2007 and 2006 was estimated at $0.67 (C$0.75) and $1.14 (C$1.38) respectively, by using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	2007	**2006**
Risk-free interest rate	4.15%	4.07%
Dividend yield	0.00%	0.00%
Price volatility	71.32%	67.88%
Expected lives (in years)	4.55	5.00
Number of common shares	2,350,000	2,055,000
Weighted average exercise price	$1.15	$1.93
Calculated fair value per share	$0.67	$1.14

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

As at December 31, 2007, the Company has no warrants outstanding. All warrants expired in Q4 2007 unexercised. With respect to the fair value of $2,123,527 which the Company credited to the warrants which was offset to share capital on the date of grant, the Company reclassified the whole amount to the credit of contributed surplus (note7(e)) at time of expiration.

	Number of Warrants	**Exercise Price Per Warrant**
Issued in 2005, with expiry date October 5, 2007	4,250,000	$3.43
	425,000	$2.53
Balance at December 31, 2005 and 2006	4,675,000	
Cancelled and unexercised in 2007	(4,250,000)	$3.43
	(425,000)	$2.53
Balance at December 31, 2007	-	

(e) Contributed Surplus

Balance, December 31, 2005	$1,653,521
Amount expensed in the year	1,426,413
Amount exercised in the year	(122,101)
Balance, December 31, 2006	$2,957,833
Amount expensed in the year	1,806,089
Amount exercised in the year	(60,529)
Amount reclassified from unexercised Warrant (Note 7(d))	2,123,527
Balance, December 31, 2007	$6,826,920

notes

8. Related Party Transactions

During the year, there were no related party transactions. In 2006, the Company was related to other companies through common directors or officers and paid the following fees according to pre-established contracts for services provided in the normal course of business.

	2007	2006
Geological / Project management services	$ -	$ 8,451
Management fees	-	466,124
TOTAL	$ -	$ 474,575

9. Income Taxes

	2007	2006
Future income tax assets:		
Losses and resource pools	$ 6,926,000	$ 6,442,000
Share issuance costs	188,000	368,000
Other	27,000	17,000
Total future income tax assets	7,141,000	6,827,000
Less valuation allowance:	(7,141,000)	(6,827,000)
Net future income tax assets	-	-

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

	2007	2006
Loss before income taxes	$ (6,437,000)	$ (6,911,000)
Expected tax recovery at 34.12% (2006-34.12%)	(2,196,000)	(2,358,000)
Increase (reduction) in income taxes resulting from:		
Stock-based compensation	712,000	487,000
Expiry of losses	130,000	168,000
Foreign exchange rate and tax rate differences	471,000	265,000
Non-taxable foreign exchange gain (loss)	588,000	(116,000)
Losses and other deductions for which no benefit has been recorded		
	314,000	1,397,000
Other	(19,000)	157,000
Income tax expense	-	-

The Company's Canadian non-capital loss carry-forwards and Chinese net operating loss carry-forwards totaling approximately $9,806,000 (2006-$7,407,000) expire between 2008-2027, and are available to reduce future taxable income.

notes

10. Contingencies and Commitments

Office Lease

The Company has signed a lease for office space in Vancouver for a term of up to six years ending on June 30, 2013. The Company also has signed a lease for office space in Beijing, China for a term of up to two years ending on March 31, 2008. The Company pays base rent and its proportionate share of the operating costs. The obligations remaining under these leases are as follows:

	Vancouver	Beijing	Total
2008	$88,159	$14,005	$102,164
2009	88,159	-	88,159
2010	90,673	-	90,673
2011	93,187	-	93,187
2012	93,187	-	93,187
and thereafter	46,593	-	46,593
Total	$499,958	$14,005	$513,963

11. 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 the 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.

12. 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:

	2007	2006
Canada	$ 18,670,843	$ 19,473,322
China	102,962	154,015
	$ 18,773,805	$ 19,627,337

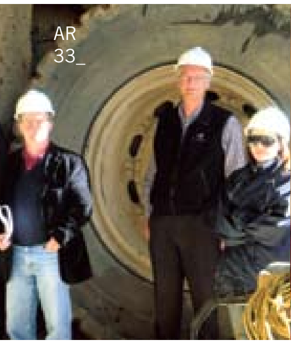
13. Subsequent Events

Upon receiving necessary approval from shareholders and the court, the Company will complete in the second quarter of 2008 a Plan of Arrangement. Upon completion of the Arrangement, Mundoro Mining will become a wholly-owned subsidiary of Mundoro Capital, a company to be formed. The shareholders of Mundoro Capital immediately following the Arrangement will be identical to the Mundoro Mining shareholders immediately before the Arrangement and each Mundoro Capital shareholder will, immediately after the Arrangement, continue to indirectly own the same proportionate of equity interest in all of the assets currently held by Mundoro Mining through their ownership of Mundoro Capital shares. Applications have been filed with the Toronto Stock Exchange ("TSX") to have the Mundoro Capital shares listed on the TSX in substitution for the Mundoro Mining shares immediately upon completion of the Arrangement.

14. Comparative Figures

Certain 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2007.

Mundoro management




ROBERT VAN DOORN

President, Chief Executive Officer and Director

A mining engineer and MBA graduate, Mr. van Doorn has accumulated over 25 years experience in the mining industry. He has held senior positions in various underground and open-pit mining operations with Anglo American, Mt Isa Mines and Billiton and more recently with Rio Narcea. His extensive understanding of the mining sector has been enhanced by more than 10 years in the financial industry during which he was in charge of mining investments for Old Mutual, South Africa's largest financial institution; was Worldwide Gold Equity Analyst for Morgan Stanley and was Chief Mining Analyst for Loewen Ondaatje McCutcheon.

TEO DECHEV

Chief Financial Officer and Vice President of Corporate Development

Ms. Dechev has extensive experience in capital markets, most recently as a Vice President in Corporate Finance with Desjardins Securities in Toronto, covering investment banking, mergers and acquisitions, financial analysis and commodities trading with some of Canada's leading financial institutions. Throughout her investment banking career she has participated in corporate financings of over half a billion dollars. Ms. Dechev has an MBA from the Schulich School of Business at York University, a Bachelor of Applied Science and Engineering (Geological & Mineral Engineering Program) from the University of Toronto and is a licensed Professional Engineer in Ontario.

ALAN RILES

Chief Operating Officer

A professional metallurgical engineer, Mr. Riles has over 25 years of international operating management experience in the mining industry. In the six years prior to joining Mundoro, he held key management positions at mining and development operations including Western Metals Resources Ltd.'s Mount Gordon mine in Australia, Rio Narcea Gold Mines' operations in Spain, and most recently as Chief Operating Officer for INCO's Goro Nickel development project in New Caledonia. Mr. Riles is a member of the Australasian Institute of Mining and Metallurgy.

Board of Directors

THOMAS I.A. ALLEN

Chairman

Mr. Allen is Counsel to the Canadian law firm Ogilvy Renault, and until 2006 served as a senior partner. He is a past Chairman of the Accounting Standards Oversight Council of Canada and a former member of the Advisory Board of the Office of the Superintendent of Financial Institutions of Canada.

PATRICK G. DOWNEY

Director

Mr. Downey, P.Eng., has over 20 years of experience in the resource industry on four continents. He is President and CEO of Aura Minerals Inc., a TSX listed company actively exploring and developing properties in Brazil.

LOUIS W. MACEACHERN

Director

Mr. MacEachern is the president and owner of Fortune Industries Ltd., a private company based in Calgary that was the major shareholder in the Servpro/Dalco Group of companies until the sale of the group in 1999.

SPECIAL ADVISORS TO THE BOARD

EARL G. DRAKE

Mr. Drake has a wide variety of experience spanning more than 45 years in international relations and commercial development. He has served as Canada's Ambassador to China and Indonesia among his many postings within the Canadian Department of Foreign Affairs and International Trade. Honorary Vice Chairman and former President, Canada China Business Council (CCBC).

FRANK H. CRERIE

Mr. Crerie was one of the founding directors of Mundoro Mining until his retirement from the board in June of 2005, and served as Chairman until February of 2005. Mr. Crerie has over 55 years of experience in investment banking, venture capital and the corporate finance industry.

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Munich Stock Exchange
MU: NGU