



# MUNDORO

## **MANAGEMENT DISCUSSION AND ANALYSIS**

For The Nine Months Ending September 30, 2012

(Unaudited)

Expressed in United States Dollars

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## 1. INTRODUCTION

Mundoro Capital Inc. ("Company", "MCI", "Mundoro"), is a Canadian based mineral acquisition, exploration, development and investment company. During 2011, substantially all of Mundoro Mining Inc. ("Mundoro Mining" or "MMI") was disposed of by the Company (see discussion under "Summary of Activities"). Mundoro continues to hold a 5% interest in MMI. Effective September 30, 2011, the Company's common stock is quoted on the TSX Venture Exchange ("TSXV") under the symbol MUN.

This management discussion and analysis ("MD&A") should be read in conjunction with the Company's condensed consolidated interim financial statements for the nine months ended September 30, 2012 and supporting notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

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. All amounts are expressed in United States dollars unless otherwise indicated.

Additional information relating to Mundoro is available on its website at [www.mundoro.com](http://www.mundoro.com) and on the Canadian Securities Administrator's website at [www.sedar.com](http://www.sedar.com).

## 2. FORWARD LOOKING STATEMENTS

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A and in particular the "Outlook" section, contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of November 8, 2012.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.
- Subject to applicable laws, the Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

The material assumptions that were applied in making the forward looking statements in this MD&A include: expectations as to the Company's future strategy and business plan; and execution of the Company's existing plans, which may change due to changes in the views of the Company or if new information arises which makes it prudent to change such plans.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties".



### 3. SUMMARY OF ACTIVITIES

#### Mexico Exploration Program

Mundoro registered a local Mexican subsidiary (Mundoro de México, S.A. de C.V., (“MMSA”) and has staked mineral properties in the Mesa Central, Sierra and Llanuras de Norte, Sierra Madre Occidental and the Sierra Madre Oriental physiographic provinces in northwestern Mexico. To date, the Mexican General Bureau of Mines (“GBM”) has granted MMSA ten 100%-owned mineral concessions. Three licenses totaling ~452 sq. km. comprise the Cuencame Property, one ~221 sq. km. concession comprises the Camargo Property, five licenses totaling ~431 sq. km. comprises the Hidalgo Property, and one ~62 sq. km. concession comprises the Tejaman Property. The Company has seven additional applications pending for mineral concessions totaling 1,056 sq. km. located in Durango and Chihuahua States, Mexico. On August 20, 2012 the Company executed a definitive option agreement to acquire 100% of the Centauro project, which comprises 9 easily accessed, adjacent exploration licenses covering a total of 3,310 hectares.

The areas which Mundoro has staked are being explored by the Company for porphyry (Au-Cu) deposits, “Penasquito Type” breccia pipe, carbonate replacement and manto type deposits, intrusion-related disseminated sulphide deposits, polymetallic (Au-Ag-Pb-Zn) intermediate sulphidation epithermal deposits and low sulphidation type epithermal deposits. Many of the outcropping vein type deposits in Mexico have been explored for decades and in some cases for centuries, but deeper targets under cover and peripheral to outcropping vein deposits are now considered highly prospective targets. These styles of mineralization have generally been under explored in Mexico.

In August 2011, the Company received a National Instrument 43-101 (“NI43-101”) technical evaluation report (“Technical Report”) for the Company’s 100% owned Cuencame Property located in Durango State, Mexico. The Technical Report was independently compiled and submitted by Geologica Groupe-Conseil Inc (Geologica) of Val-d’Or, Quebec, Canada. The report is supported by a field visit held in August 2011 and rock sampling by Geologica confirmed that the observed limestone belongs to the favorable host sedimentary Tertiary stratigraphic units and formations hosting several local polymetallic skarn replacement and/or epithermal vein-type deposits present in the region. The Technical Report recommends a two phase exploration program consisting of initial surface exploration followed by a trenching and diamond drilling program (if warranted).

A team of geologists and consultants with diverse experience has been established and equipped in Mexico and is fully operational to work on all the Mexican properties. Mundoro completed an initial evaluation and ranking of the mineral concessions staked by the Company on the basis of: (i) airborne geophysics, (ii) favorable geology, (iii) known mineral occurrences and (iv) prospective structures. Results from this work have identified the most prospective areas for follow up exploration including: (i) ground magnetics, (ii) ground Induced Polarization and Resistivity, (iii) stream sediment sampling, (iv) geologic mapping (v) ASTER imagery and (vi) drill hole testing. The Company is conducting reconnaissance geological, geochemical and geophysical programs with the objective to define and test drill targets.

Mundoro focused on three primary projects to advance during the quarter with the following work completed on the projects:

#### *Camargo*

- The Camargo concession is located 480 kilometres north of Durango City and covers 22,100 hectares. The property lies within the Sierra and Llanuras del Norte physiographic province. This province is made up of Tertiary volcanic, intrusive and Cretaceous, Tertiary and Quaternary sedimentary rocks. Work completed on the Camargo concession includes: ‘Aster’ alteration imagery, geochemical surveys (rock–60 samples; stream sediment–32 samples), geophysical surveys (Induced polarization–21.5 line kilometres; Ground magnetic–35.8 line kilometres) and geological mapping (1: 10,000 Scale– approximately 5,000 hectares). A drilling permit was granted by the Secretaria de Medio Ambiente y Recursos Naturales in September 2012 and landowner access agreements signed subsequent to the quarter end in October 2012. Drilling commenced on the Camargo property in October with diamond drill hole CAM12-01. A program of four to six drill holes have been planned



to target a high chargeability feature identified by the induced polarization survey conducted in Q2 2012. The current diamond drilling program will test the chargeability high as well as moderately conductive features. The target model for this drilling program is copper-gold porphyry and/or associated skarn mineralization.

## *Centauro*

- On August 22, 2012 the Company announced that it has executed, through its 100%-owned subsidiary Mundoro de Mexico S.A de C.V, a definitive option agreement for the Centauro Gold Property ("Centauro") located in Chihuahua State, Mexico. The option agreement provides Mundoro an option for a five year term to acquire 100% interest in Centauro for US\$4,000,000 subject to a 3% Net Smelter Return royalty ("NSR") with the right to buyback two-thirds (i.e. 2% NSR) of the 3% NSR for US\$2,000,000 and annual payments over five years as follows: (i) US\$20,000 on signing, (ii) US\$50,000 on the first anniversary, (iii) US\$75,000 on the second anniversary, (iv) US\$100,000 on the third anniversary, (v) US\$125,000 on the fourth anniversary. At any time up to the fifth anniversary, the Company has the option to exercise the assignment agreement to acquire 100% of the Centauro Property for US\$4,000,000. The Company has no minimum expenditure requirements and can terminate the option agreement at any time. The offer is subject to TSX-V and regulatory approvals.

The Centauro property is located on the eastern flanks of the Sierra Madre Occidental in the south of Chihuahua State, about 280km south of Chihuahua City. The main area of interest at Centauro is a series of gently rolling hills which cover an area of 2.5 km by 1.5 km and rise in altitude about 100m to 200m above the surrounding plain. The hills comprise mainly Cretaceous conglomerates, with few occurrences of andesites and associated volcanic plugs and dykes of dioritic and monzonitic composition. A field mapping and sampling program commenced at Centauro in September and is currently underway. The geology of the Centauro project area comprises three distinct conglomerate units which have undergone multiple hydrothermal alteration and mineralization events. The upper unit has undergone very strong chalcedonic silicification over an area of over 2.5km x 1.5 km. It is believed that the Centauro project is a long lived, multi phased, low sulphidation epithermal system and previous drilling programs (27 holes drilled by Silver Spruce in 2008 – 2010) did not test deep enough. The Company's mapping and sampling program will concentrate on identifying areas of clay alteration, structures and mineralization as well as re-logging and sampling of all existing drill core. Samples will be analyzed by terra-spec to ascertain the clay alteration minerals present. A two phase drilling program comprising 4800m of reverse circulation followed by 4800m of diamond drilling has been planned for 2013. As it is believed the current topographical surface is close to the paleosurface the target depth is likely to be 400 – 600m deep.

## *Jimenez*

- The Jimenez concession is located 300 kilometres north of Durango City, Mexico and covers 72,748 hectares. This property lies within the Sierra and Llanuras del Norte physiographic province. This province is made up of Tertiary volcanic, intrusive and Cretaceous, Tertiary and Quaternary sedimentary rocks. Work completed to date on the Jimenez concession includes: 'Aster' alteration imagery (property wide), prospecting (property wide); mapping of continuous chip sampling trenches, geochemical (rock–112 samples; stream sediment–123 samples; soil–35 samples) and geophysical surveys (Induced polarization–20.0 line kilometres; Ground magnetic–117.9 line kilometres).

## *Cuencame (Cuencame and Cuencame 1, 2, 4)*

- The Cuencame (Cuencame and Cuencame 1, 2, 4) concessions are located 165 kilometres northeast of Durango City and cover 46,455 hectares. These properties lie within the Sierra Madre Oriental and Mesa Central physiographic provinces. These provinces are made up of Mesozoic marine strata that were deformed during the Laramide Orogeny. Northeast-southwest oriented compression during the Cretaceous to Early Tertiary



deformed the Mesozoic sedimentary rock into a series of roughly parallel northwest trending folds and faults. Work completed to date on the Cuencame concessions includes: 'Aster' alteration imagery (mostly property wide), geochemical surveys (rock-28 samples; stream sediment-139 samples), National Instrument 43-101 and limited prospecting.

### Serbia Exploration Program

Pursuant to the project generation program initiated in 2011, the Company through its wholly-owned subsidiary, Stara Planina Resources EAD, has received approval from the Serbian government for seven mineral exploration licenses in the Republic of Serbia ("Serbia"): (i) Osanica-Bukovska (March, 2012), (ii) Rakova Bara (March, 2012), (iii) Zeleznik (March, 2012), (iv) Glozana (April, 2012), (v) Manastirica (April, 2012), (vi) Topla (June, 2012) and (vii) Borsko Jezero (July, 2012). The Company owns 100% of the seven licenses. The license areas are a total of 499 square kilometres (49,900 hectares) and are located in northeastern Serbia approximately 100 kilometres east of Belgrade.

The seven mineral exploration licenses are within the well-known Timok Magmatic Complex ("TMC"), which hosts significant Au-Cu porphyry deposits (Bor, Majdanpek, etc.) and related Cu-Au epithermal deposits. TMC is a segment of the Tethyan Metallogenic Belt, a host to world class porphyry and epithermal Cu-Au deposits from Eastern Europe to Southeast Asia, which resulted from the convergence and collision of the Indian, Arabian and African plates with Eurasia. Within the Timok province the most economically significant segments comprise the Upper Cretaceous subduction-related magmatic rocks. The bulk of Mundoro's project areas contain Jurassic sediments and late Cretaceous volcanics, sediments and breccias of andesitic composition intruded by dykes, sills and stocks, of dioritic, quartz-dioritic and granodioritic composition, similar to areas containing major mines and ore deposits in the area.

The Company has initiated a systematic exploration program on these license areas and has six additional applications with the Ministry of Environment, Mining and Spatial Planning. A local team of geologists and consultants with diverse experience was established, equipped and is fully operational.

Exploration has started with data compilation, planning and execution of stream sediment sampling programs over all the license areas. Significant data set of historical information of known mineral occurrences, airborne magnetics, gravity, geology and topography has been re-evaluated and is being digitized where deemed necessary. Compilation is ongoing with a focus on known mineral occurrences where historical activities (sampling, trenching and drilling) report anomalous Au and Cu-Au results. First reconnaissance field trip confirmed Au-Sb-W association with up to 1.13 g/t Au at Osanica occurrence.

Stream sediment sampling was completed over all license areas (Rakova Bara, Glozana, Osanica Bukovska, Zeleznik, Manastirica, Borsko Jezero and Topla), and a total of 480 samples were analyzed. Results returned numerous anomalous in Au and multi-element streams which are currently being evaluated, analyzed and followed-up with prospecting, mapping and rock sampling in the field. A total of 88 rock samples were collected from Zeleznik, Glozana and Manastirica and submitted for analysis. Detailed 1:10,000 scale geological mapping and rock sampling is underway at the Borsko Jezero and Topla licenses. A SCAMT geophysical survey is planned over these areas and is expected to be completed in Q4 2012.

### Future Project Acquisitions and Outlook

The Company continues to evaluate advanced and development stage mineral resource properties for acquisition or joint venture while at the same time advancing the exploration properties in Mexico and South Eastern Europe. All properties staked or acquired are evaluated on a quarterly basis as to whether to continue exploration, progress into development, drop the property, or joint venture with another company. Mundoro expects to continue to maintain its 5% interest in MMI and thereby an interest in the Maoling Gold Project until further value can be realized.



Maoling Property, China

On August 2, 2011, the Company announced it had entered into a definitive share purchase agreement with China National Gold Group Hong Kong Limited (“CNGHK”), which the Company understood to be a wholly-owned subsidiary of China National Gold Group Corporation (“CNG”). Pursuant to the share purchase agreement, CNGHK acquired 95% of the issued and outstanding shares of Mundoro Mining Inc. (“MMI”), the Company’s previously wholly owned subsidiary, for a cash purchase price of CDN\$13,800,000. On October 11, 2011, the Company completed the transaction with CNGHK. The Company maintains an interest in the Maoling Gold Project through its 5% interest in MMI. Maoling is a pre-feasibility stage gold deposit located in Liaoning Province, China. The Company has not been informed by MMI (a private Canadian Company controlled by CNGHK) to date of any change in the status of the licenses for the Maoling Gold Project. Mundoro has nominated a board nominee to the MMI board who has been reelected to June 30, 2013.

Normal Course Issuer Buy Back Program

Mundoro submitted to the TSXV its Notice of Intention to Make a Normal Course Issuer Bid (the “NCIB Program”) in Q4-2011. Pursuant to the proposed NCIB Program, the Company may purchase for cancellation up to a maximum of 1,919,963 of its Common Shares, or approximately 5% of the Common Shares outstanding. In Q4 2011, the Company purchased and cancelled 206,500 common shares with an average purchase price of CAD \$0.314 per share. In Q1 2012, the Company purchased and cancelled 281,000 common shares with an average purchase price of CAD \$0.380 per share. During the three months ended September 30, 2012, the Company made no purchases under the NCIB program.

Dissident Related Costs

Prior to its originally scheduled annual general meeting, the Company adopted an Advance Notice Policy (the “Policy”) on June 11, 2012. Shortly thereafter, dissident shareholder Northern Minerals Investment Corp. (NMI) filed a petition in the Supreme Court of British Columbia seeking, among other relief, a declaration that the policy is unenforceable.. The Board of Directors of Mundoro postponed the Annual General Meeting of shareholders to provide ample opportunity for any shareholder seeking to propose nominations to do so. In response, NMI amended its petition to also seek orders that the Company is not permitted to postpone the meeting or change the record date. On June 19, 2012 the Court dismissed the petition brought by NMI to prevent Mundoro from postponing its meeting of shareholders and from changing the record date for the meeting. At the Annual General Meeting on August 27, 2012, shareholders showed their support of the current board and voted to re-elect John J. Hoey, Teo Dechev, Richard Moores and Michael Calyniuk to the board. To September 30, 2012 the costs of addressing the dissident shareholders actions are \$1,156,786 (2011: nil).

	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
<b>Dissident Costs</b>				
Legal	\$ 694,122	\$ -	\$ 944,222	\$ -
Directors' fees	28,186	-	54,033	-
Solicitation	57,586	-	82,439	-
Printing and mailing	20,198	-	25,559	-
Other	44,642	-	50,533	-
	<b>\$ 844,734</b>	<b>\$ -</b>	<b>\$ 1,156,786</b>	<b>\$ -</b>



## 4. FINANCIAL HIGHLIGHTS

### *Nine Months Ended September 30, 2012*

The Company recorded a loss of \$3,709,819 (\$0.10 per share) for the nine months ended September 30, 2012 compared to a loss of \$2,426,496 (\$0.06 per share) for 2011, which included a loss from discontinued operations of \$494,401. The 2012 loss was principally attributable to the following:

- Exploration and project evaluation costs of \$1,564,406, compared to \$576,552 in 2011; and
- Dissident related expenses of \$1,156,786, compared to nil in 2011.

The Company ended the period with \$17,586,716 in cash and cash equivalents and short-term investments, and no debt.

## 5. SUMMARY OF QUARTERLY RESULTS

The following quarterly information is prepared in accordance with IFRS. The Company's reporting currency is the U.S. dollar.

US\$000's, except per share data	Q3/12	Q2/12	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10
<b>From continuing operations:</b>								
Interest Income	\$ 58	\$ 55	\$ 54	\$ 37	\$ 13	\$ 26	\$ 17	\$ 20
Exploration and project evaluation	(532)	(464)	(568)	(351)	(289)	(138)	(150)	-
Corporate expenses <sup>(1)</sup>	(341)	(290)	(381)	(308)	(274)	(173)	(175)	(394)
Loss before other (expenses) income	(815)	(699)	(895)	(622)	(550)	(285)	(307)	(374)
Dissident related costs	(845)	(312)	-	-	-	-	-	-
Other income (expense) <sup>(2) &amp; (3)</sup>	(124)	55	(74)	986	(343)	(171)	(275)	27
Income (loss) for the period	(1,784)	(956)	(969)	364	(893)	(456)	(583)	(347)
Income (loss) per share:								
Basic	\$ (0.04)	\$ (0.03)	\$ (0.03)	\$ -	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.01)
Diluted	(0.04)	(0.03)	(0.03)	-	(0.02)	(0.01)	(0.02)	(0.01)
Income (loss) on discontinued operations:								
	\$ -	\$ -	\$ -	\$ 12,417	\$ (296)	\$ (86)	\$ (112)	\$ (758)
Earnings (loss) per share on discontinued								
Basic	\$ -	\$ -	\$ -	\$ 0.31	\$ -	\$ -	\$ -	\$ (0.04)
Diluted	-	-	-	0.31	-	-	-	(0.04)

- (1) Corporate Expenses include accounting and audit, corporate governance, corporate communication, and general and administrative expenses.
- (2) Other Expenses include share-based payments, litigation settlement of \$389,883 in 4Q 2010 and foreign exchange loss (gain).
- (3) As part of the year end close process, management identified a reclassification between foreign exchange (gains) losses and the foreign currency translation reserve. The above quarterly table includes the revised reclassification.

The principal factors that cause fluctuations in the Company's quarterly results related to non-cash items include: (i) the timing of stock option grants; (ii) mark-to-market adjustments on restricted share units; (iii) foreign exchange gains or losses that principally result from translating the foreign currency transactions to the functional currency of each entity, and (iv) disposal of subsidiaries.



## 6. RESULT OF OPERATIONS

The following selected information is prepared in accordance with IFRS. The Company's reporting currency is the U.S. dollar.

	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
<b>From continuing operations:</b>				
Interest income	57,673	13,076	166,430	56,143
Exploration and project evaluation	532,377	289,002	1,564,406	576,552
Corporate expenses <sup>(1)</sup>	340,420	273,972	1,012,048	622,052
Loss before other expenses (income)	815,124	549,898	2,410,024	1,142,461
Dissident related costs	844,734	-	1,156,786	-
Other (income) expense <sup>(2) &amp; (3)</sup>	123,883	342,852	143,009	789,634
Loss for the period	(1,783,741)	(892,750)	(3,709,819)	(1,932,095)
Basic and diluted loss per share	\$ (0.04)	\$ (0.02)	\$ (0.10)	\$ (0.05)
<b>Loss on discontinued operations:</b>				
	-	(296,101)	-	(494,401)
<b>Basic and diluted loss per share on discontinued operations:</b>	\$ -	\$ (0.01)	\$ -	\$ (0.01)

	As at September 30, 2012	As at December 31, 2011	As at December 31, 2010
Total Assets	18,454,462	19,900,885	9,508,738
Total Long Term Liabilities	Nil	Nil	Nil
Cash Dividends per Share	Nil	Nil	Nil

- (1) Corporate Expenses include accounting and audit, corporate governance, corporate communication, and general and administrative expenses.
- (2) Other Expenses include share –based payments and foreign exchange loss (gain).
- (3) As part of the year end close process, management identified a reclassification between foreign exchange (gains) losses and the foreign currency translation reserve. The above table includes the revised reclassification.

The principal factors that cause fluctuations in the Company's results related to non-cash items include: (i) the timing of stock option grants; (ii) mark-to-market adjustments on restricted share units; (iii) foreign exchange gains or losses that principally result from translating the foreign currency transactions to the functional currency of each entity, and (iv) disposal of subsidiaries.



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## **Quarter Ended September 30, 2012 Compared to the Quarter Ended June 30, 2012**

The Company's net loss for the quarter ended September 30, 2012 was \$1,783,741 (\$0.04 per share) compared to a loss for the quarter ended June 30, 2012 of \$956,300 (\$0.03 per share). Total operating costs for the quarter ended September 30, 2012 were \$1,717,531 compared to \$1,066,359 for the quarter ended June 30, 2012. Excluding dissident shareholder costs, operating costs for the quarter ended September 30, 2012 were \$872,797 compared to \$754,307 for the quarter ended June 30, 2012. Changes in the quarter ended September 30, 2012 compared to the quarter ended June 30, 2012 is primarily due to:

- Dissident shareholder costs of \$844,734 for the quarter ended September 30, 2012, compared to \$312,052 for the quarter ended June 30, 2012.

## **Quarter Ended September 30, 2012 Compared to the Quarter Ended September 30, 2011**

The Company's net loss for the quarter ended September 30, 2012 was \$1,783,741 (\$0.04 per share) compared to a loss for the quarter ended September 30, 2011 of \$1,188,851 (\$0.03 per share), which included a loss from discontinued operations of \$296,101. Total operating costs for the quarter ended September 30, 2012 were \$1,717,531 compared to \$562,974 for the quarter ended September 30, 2011. Excluding dissident shareholder costs, operating costs for the quarter ended September 30, 2012 were \$872,797 compared to \$562,974 for the quarter ended September 30, 2011. Changes in the quarter ended September 30, 2012 compared to the quarter ended September 30, 2011 is primarily due to:

- Expenditures on exploration and project evaluation costs of \$532,377 for the quarter ended September 30, 2012 compared to \$289,002 for the quarter ended September 30, 2011. This increase was primarily the result of the exploration activity in Mexico and project generation activity in Serbia.
- Dissident related costs of \$844,734 for the quarter ended September 30, 2012 compared to nil for the quarter ended September 30, 2011.
- Corporate expenses, which increased by \$66,448 to \$340,420 for the quarter ended September 30, 2012 compared to \$273,972 for the quarter ended September 30, 2011.

## **Nine Months Ended September 30, 2012 Compared to the Nine Months Ended September 30, 2011**

For the nine months ended September 30, 2012 the Company recorded a loss of \$3,709,819 (\$0.10 per share) compared to a loss of \$2,426,496 (\$0.06 per share) for the nine months ended September 30, 2011, which included a loss from discontinued operations of \$494,401. Total operating costs for the nine months ended September 30, 2012 were \$3,733,240 compared to \$1,198,604 for the nine months ended September 30, 2011. Excluding dissident shareholder costs, operating costs for the nine months ended September 30, 2012 were \$2,576,454 compared to \$1,142,461 for the nine months ended September 30, 2011. The changes in the period for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 is primarily due to:

- Expenditures on exploration and project evaluation costs of \$1,564,406 for the nine months ended September 30, 2012 compared to \$576,552 for the nine months ended September 30, 2011. Increased exploration activity in Mexico and project generation activity in the Serbian projects are the primary sources of increased costs for 2012.
- Dissident related costs of \$1,156,786 for the nine months ended September 30, 2012 compared to nil for the nine months ended September 30, 2011.
- Corporate expenses for the nine months ended September 30, 2012 were \$1,012,048 compared to \$622,052 for the nine months ended September 30, 2011. This increase was primarily the result of increases in corporate governance, accounting and audit fees, and general and administrative expenses.



## **7. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

The Company's principal source of liquidity as at September 30, 2012 was cash and cash equivalents totaling \$7,295,118 (December 31, 2011 – \$9,650,881) and short-term investments of \$10,291,598 (December 31, 2011– \$9,819,335).

The majority of the Company's cash has been placed with a Canadian Chartered Bank. The majority of the Company's cash equivalents are in commercial paper, bankers' acceptances and other money market instruments issued by Canadian Federal and Provincial governments and other entities with a Dominion Bond Rating Service credit rating of R1L or higher.

The Company expects its current capital resources will be sufficient to carry its exploration, development and investment plans and operations through the current operating period. When required, the Company will explore appropriate financing routes which may include any one of, or combination of: issuance of share capital, funding through joint ventures or strategic partnership, project debt, convertible securities or other financial instruments.

With the exception of interest earned on investments and the one-time sale of 95% of the shares outstanding in MMI, the Company does not have revenue and relies upon current cash resources to fund its ongoing business operations.

## **8. SHARE CAPITAL**

On July 26, 2012 the Company closed an unsolicited brokered private placement consisting of 3,950,000 common shares sold at a price of US \$0.395 (CAD \$0.40) per share to Sheridan Platinum Group Ltd. ("Sheridan Group"). The Sheridan Group now holds approximately 9.9% of the Company's issued and outstanding shares. As part of the strategic investment, the Sheridan Group has been granted the right to one board seat (subject to clearance of a PIF) and has agreed to certain voting and standstill covenants. The common shares issued under the private placement are subject to a four month hold period in accordance with Canadian securities laws. In connection with the transaction, the Company has paid a 5% cash commission to Sheridan Brothers L.P., a broker dealer member of IIROC and unrelated to the Sheridan Group.

As of September 30, 2012, the Company had one class of common shares issued and 41,861,776 shares outstanding.

At the date of this MD&A, the Company had 41,861,776 common shares outstanding and 2,745,000 stock options granted at prices ranging from \$0.30 (CAD\$0.31) to \$0.79 (CAD\$0.82).

## **9. OFF BALANCE SHEET ARRANGEMENTS**

There are no off balance sheet arrangements for the Company.

## **10. 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 and cash equivalents. The Company is exposed to insignificant interest rate risk with respect to its cash and cash equivalents given extremely low market interest rates. The Company does not hold any asset-backed commercial paper.



## 11. CHANGES IN ACCOUNTING POLICIES

### Future Accounting Pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for the June 30, 2012 reporting period. As at September 30, 2012, the following standards are assessed not to have any impact on the Company's financial statements:

		<u>Effective Date</u>
IAS 1 (Amendment)	Presentation of Financial Statements	July 1, 2012
IFRS 7 (Amendment)	Financial Instruments: Disclosure	January 1, 2013
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013
IAS 27 (Amendment)	Separate Financial Statements	January 1, 2013
IAS 28 (Amendment)	Investments in Associates and Joint Ventures	January 1, 2013
IFRS 9	Financial Instruments	January 1, 2015

## 12. CONTRACTUAL OBLIGATIONS

The Company's only contractual obligations consist of operating lease commitments for office space in Vancouver and Durango, summarized as follows:

	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>4-5 years</b>	<b>After 5 years</b>	<b>Total</b>
Operating leases	\$41,994	\$59,439	--	--	\$101,433

The Company has an ongoing annual commitment for maintaining title of mineral concessions in Mexico and Serbia. Should the Company choose to maintain title to the properties, the Company will be obligated to make future semi-annual renewal payments.

## 13. 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 has concluded, based on its evaluation as of the end of the period, the disclosure controls and procedures are effective to provide reasonable assurance that material information related to Mundoro, including the consolidated subsidiaries, is made known to them by others within both entities. It should be noted that while the Company believes that the disclosure controls and procedures provide a reasonable level of assurance and that they are effective, it does 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.



## **14. INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Company is responsible for designing internal controls over financial reporting or causing them to be designed under the supervision of the CEO and CFO in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. 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 the Company, it is not feasible to achieve complete segregation of incompatible duties.
- Due to the size of the Company and the limited number of staff, the Company 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 the Company'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.

## **15. RISKS AND UNCERTAINTIES**

The Company is a mineral acquisition, exploration, development and investment company and is exposed to a number of risks and uncertainties that are common to other companies in the same business. 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 as it is not always possible to fully insure against some or any of the risk factors. Risks to be considered include, but are not limited to:

### ***Global Financial Condition***

Financial conditions globally continue to experience significant volatility following the U.S. led financial crisis in 2008, which impacted numerous financial institutions globally, and more recently the escalating financial turmoil in Europe. Each has created considerable uncertainty as a result of excessive government debt levels and the unprecedented steps being taken to avert a full blown global crisis. These factors may impact the ability of the Company to issue debt and equity in the future and to issue it on terms that are reasonable to the Company. Although there have been certain signs of economic recovery, these increased levels of volatility and market turmoil may continue and, as a result, the Company's business, financial condition, results of operations and share price could be adversely impacted.



## ***Environmental Laws and Regulations***

Our activities are subject to extensive federal, provincial, state and local laws and regulations that govern environmental protection and employee health and safety. Mundoro minimizes these risks by complying with all applicable and international environmental, health and safety standards and regulations. Environmental legislation may change and make the mining and processing of ore uneconomic or result in significant environmental or reclamation costs. Changes in these laws and regulations or changes in their enforcement or interpretation could result in changes in legal requirements or in the terms of the Company's permits that could have a significant adverse impact on the Company's existing or future operations or projects. In addition, certain types of operations require the submission of environmental impact statements and approval by government authorities. Environmental legislation is evolving towards stricter standards, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors, officers and employees. Any future changes to these laws could adversely affect our financial condition, liquidity or results of operations. Permits from a variety of regulatory authorities are required for many aspects of mineral exploitation activities, including closure and reclamation.

Future environmental legislation could cause additional expense, capital expenditures, restrictions, liabilities and delays in the development of the Company's properties, the extent of which cannot be predicted. The Company's business may be affected by amendments or changes to environmental laws, regulations and requirements in the host country. At any time, a number of draft environmental laws may be proposed. It is not possible to predict when or if a draft environmental bill will be enacted into law or what the final provisions of such law will be, if enacted. It is possible that the host country government will issue further decrees or otherwise attempt to modify existing environmental rights or other laws affecting the Company, its properties and its ability to operate in the host country. Any changes to host country environmental law may adversely affect the Company's ability to develop and operate its properties in the host country. 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. There is no assurance that future environmental regulations will not adversely affect Mundoro's operations.

## ***Permits and Licensing***

Exploration, development and operation of mineral property are subject to laws and regulations governing health and worker safety, employment standards, environmental matters, mine development, project development, mineral production, permitting and maintenance of title, exports, taxes, labour standards, reclamation obligations, heritage and historic matters and other matters. The Company is required to have a wide variety of permits from government and regulatory authorities to carry out its activities. These permits relate to virtually every aspect of the Company's exploration and exploitation activities. The owners and operators of the properties in which Mundoro holds an interest require licenses and permits from various governmental authorities in order to conduct their operations. Future changes in such licenses and permits could have a material adverse impact on the costs Mundoro incurs. Such licenses and permits are subject to change in various circumstances and are required to be kept in good standing through a variety of means, including cash payments and satisfaction of conditions of issue. There can be no guarantee that Mundoro or the operators of those properties in which Mundoro holds an interest, will be able to obtain on a timely basis or maintain all necessary licenses and permits in good standing that may be required to explore, develop and operate the properties, commence construction or operation of mining operations that economically justify the cost. Any failure to comply with applicable laws and regulations, permits and licenses, or to maintain permits and licenses in good standing, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or fines, penalties or other liabilities accruing to the owner or operator of the project. Any such occurrence could cause the termination of operations on the property, and thereby have a material and adverse effect on Mundoro's results of operation and financial condition.



## ***Exploration & Development***

Exploration is highly speculative in nature and exploration projects involve many risks that even a combination of careful evaluation, experience and knowledge utilized by the Company may not eliminate. Once a site with mineralization is discovered, it may take several years from the initial phases of drilling until production is possible. Substantial expenditures are normally required to locate and establish Mineral Reserves and to permit and construct mining and processing facilities. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines.

The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations all have an impact on the economic viability of a mineral deposit. The Company has no production of minerals and its properties are all currently at the exploration stage. There is no assurance that a commercially viable mineral deposit exists on any of the Company's properties, and substantial additional work will be required in order to determine the presence of any such deposit.

It is impossible to ensure that the current exploration and development programs of the Company will result in profitable commercial mining operations. The profitability of the Company's operations will be, in part, directly related to the cost and success of its exploration and development programs which may be affected by a number of factors. Development projects are subject to the completion of successful feasibility studies and environmental assessments, issuance of necessary governmental permits and receipt of adequate financing. They typically require a number of years and significant expenditures during the development phase before production is possible. The economic feasibility of development projects is based on many factors such as: estimation of reserves, anticipated metallurgical recoveries, environmental considerations and permitting, future gold prices, and anticipated capital and operating costs.

## ***Competition***

The mining industry is competitive with many companies competing for the limited number of precious metal acquisition and exploration opportunities. The Company faces competition from other mining companies in connection with the acquisition of properties. Many of these companies have greater financial resources, operational experience and technical capabilities than the Company. With metal prices at their current levels, activity in the industry has increased dramatically. Many companies are engaged in the search for and the acquisition of mineral interests, and there is a limited supply of desirable mineral interests. The mineral exploration and mining business are competitive in all phases. Mundoro may be at a competitive disadvantage in acquiring interests, whether by way of investment or otherwise, as many competitors have greater financial resources and technical staff. As a result of this competition, there can be no assurance that the Company will be able to acquire or maintain attractive mineral properties or operations on economically acceptable terms. Consequently, the Company's business, results of operations and financial condition could be materially adversely affected.

## ***Key Executives***

The success of Mundoro will be largely dependent on the performance of its management team. The loss of the services of these persons would have a materially adverse effect on Mundoro's business and prospects. There is no assurance Mundoro can retain the services of its officers or other qualified personnel required to operate its business. Mundoro's success depends on attracting and retaining qualified personnel in a competitive labour environment.



## ***Commodities***

Mundoro's revenues, if any, are expected to be in large part derived from the sale of natural resource assets. The price of natural resource assets 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 precious metals due to new mine developments, mine closures, as well as advances in various production and use technologies of precious metals. All of these factors will have impacts on the viability of Mundoro's exploration projects that are impossible to predict.

## ***Foreign Exchange***

By virtue of its international operations, the Company incurs costs and expenses in a number of foreign currencies. The Company reports in U.S. dollars while the majority of operating and capital expenditures are denominated in the Mexican peso, Canadian dollar, Bulgarian lev, which is pegged to the Euro, and Serbian dinar. Fluctuations in exchange rates between the U.S. dollar and the Euro, the U.S. dollar and the Serbian dinar and Bulgarian lev, the U.S. dollar and the Canadian dollar, and the U.S. dollar and the Mexican Peso give rise to foreign exchange exposures, either favourable or unfavourable, which could have a material impact on the Company's results of operations and financial condition. The Company does not anticipate entering into hedging or derivative arrangements to manage its foreign exchange risk.

## ***Financing***

Mundoro has finite financial resources, has no source of operating income and has no assurance that additional funding will be available to it for further exploration and development of its projects. There can be no assurance that Mundoro will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further business activities and may result in a material adverse effect on Mundoro's profitability, results of operation and financial condition.

## ***Price Volatility***

In recent years, the securities markets 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 Mundoro in creating revenues, cash flows or earnings. The value of Mundoro's common shares will be affected by such volatility.

## ***Dilution to Common Shares***

During the life of the Company's outstanding stock options granted under its share based compensation plans, the holders are given an opportunity to profit from an increase in the market price of the common shares with a resulting dilution in the interest of shareholders. The holders of stock options may exercise such securities at a time when the Company may have been able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding rights. The increase in the number of common shares in the market, if all or part of these outstanding rights were exercised, and the possibility of sales of these additional shares may have a depressive effect on the price of the common shares.



## ***Investments***

The Company intends to participate in a limited number of investments and, as a consequence, the aggregate return of the Company may be substantially adversely affected by the unfavourable performance of even a single investment. In addition, as the Company's investments are expected to be concentrated in the resource sector, the Company's performance will be disproportionately subject to adverse developments in the resource sector.

## ***Conflicts of Interest***

Certain of the directors and officers of the Company are directors or officers of other mineral resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director who has such a conflict will abstain from voting for or against the approval of such matter. Furthermore, in appropriate cases the Company will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict.

## ***Insured and Uninsured Risks***

The Company's business is subject to numerous risks and hazards, including severe climatic conditions, industrial accidents, equipment failures, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and other natural events such as earthquakes. Such occurrences could result in damage to mineral properties or facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in operations, monetary losses and possible legal liability. In order to eliminate or reduce certain risks, the Company purchases and maintains insurance coverage, subject to limits and deductibles that are considered reasonable and prudent. This insurance does not cover all potential risks because of customary exclusions and/or limited availability, and in some instances, the Company's view that the cost of certain insurance coverage is excessive in relation to the risk or risks being covered. Further, there can be no assurance insurance coverage will continue to be available on commercially reasonable terms, that such coverage will ultimately be sufficient, or that insurers will be able to fulfill their obligations should a claim be made. Losses arising from any such events that are not fully insured may cause the Company to incur significant costs that could have a material adverse effect on its business, financial condition and results of operations.

## ***Mineral Resources and Reserves Estimates***

The mineral reserves and resources identified on properties are estimates only, and no assurance can be given that the estimated reserves and resources are accurate or that the indicated level of minerals will be produced. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralization or formations may be different from those predicted. Further, it may take many years from the initial phase of drilling before production is possible, and during that time the economic feasibility of exploiting a discovery may change. Resource estimates in particular must be considered with caution. Resource estimates for properties that have not commenced production are based, in many instances, on limited and widely spaced drill holes or other limited information, which is not necessarily indicative of the conditions between and around drill holes. Accordingly, such resource estimates may require revision as more drilling or other exploration information becomes available or as actual production experience is gained. Further, resources may not have demonstrated economic viability and may never be extracted by the operator of a property. It should not be assumed that any part or all of the mineral resources on properties constitute or will be converted into reserves. Market price fluctuations of the applicable commodity, as well as increased production and capital costs or reduced recovery rates, may render the proven and probable reserves on properties unprofitable to develop at a particular site or sites for periods of time or may render reserves containing relatively lower grade mineralization uneconomic. Moreover, short-term operating factors relating to the reserves, such as the need for the orderly development of ore bodies or the processing of new or different ore grades, may cause reserves to be reduced or not extracted. Estimated reserves may have to be



recalculated based on actual production experience. Any of these factors may require the operators to reduce their reserves and resources, which may result in a material and adverse effect on Mundoro's results of operation and financial condition.

### ***Title to Properties***

A defect in the chain of title to any of the underlying properties in which Mundoro may have an interest may arise to defeat the claim of the operator to a property. To the extent an owner or operator is not entitled to title on the property, it may be required to cease operations or transfer operational control to another party. As a result, known title defects, as well as unforeseen and unknown title defects may impact operations at a project in which Mundoro has an interest and may result in a material and adverse effect on Mundoro's results of operation and financial condition.

### ***Foreign Operations***

The Company's operations consist of the acquisition, exploration, development and investment in mineral resource properties. The majority of the Company's operations and business are outside of Canada, and as such, the Company's operations are exposed to various political and other risks and uncertainties. The Company conducts its operations through foreign subsidiaries and substantially all of its assets are held in such entities. Accordingly, any limitation on the transfer of cash or other assets between or among Mundoro and such entities could restrict or impact the Company's ability to fund its operations. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's business, financial condition and results of operations.

### ***Foreign Country Political Environment***

Mundoro operates in foreign countries and the Company's operations in foreign countries may be subject to political, economic and other risks that may affect our future operations and financial position. There is sovereign risk in investing in foreign countries, including the risk that the resource concessions may be susceptible to revision or cancellation by new laws or changes in direction by the government in question. It is possible that changes in applicable laws, regulations, or changes in their enforcement or regulatory interpretation could result in adverse changes to mineral operations. These are matters over which Mundoro has no control. There is no assurance that future political and economic conditions in such countries will not result in the adoption of different policies or attitudes respecting the development and ownership of resources. Any such changes in policy or attitudes may result in changes in laws affecting ownership of assets, land tenure and resource concessions, taxation, royalties, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, which may affect both the ability to undertake exploration and development on the properties on which Mundoro holds royalty or other interests. In certain areas in which Mundoro has an interest, the regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. Any changes in governmental laws, regulations, economic conditions or shifts in political attitudes or stability are beyond the control of Mundoro and such changes may result in a material and adverse effect on Mundoro's results of operation and financial condition. Investors should assess the political risks of investing in a foreign country. Any variation from the current regulatory, economic and political climate could have an adverse effect on the affairs of the Company. In addition, the enforcement by the Company of its legal rights to exploit its properties may not be recognized by the government of the foreign country or by its court system.

### ***Security and Safety***

The Company has projects located in the States of Durango and Chihuahua, Mexico. Criminal activities in the region or the perception that such activities are likely, may disrupt the Company's exploration programs, hamper the Company's ability to hire and keep qualified personnel, and impair the Company's access to sources of capital. Risks associated with conducting business in the region include risks relating to the safety of personnel and assets. Such risks may include, but are not limited to: kidnappings of employees and contractors, exposure of employees and contractors to local crime related activity and disturbances, exposure of employees and contractors to drug trade activity, and damage



or theft of Company or personal assets. These risks may result in serious adverse consequences including personal injuries, kidnappings or death, property damage or theft, limiting or disrupting exploration programs, restricting the movement of funds, impairing contractual rights, or causing the Company to shut down operations, all of which may expose the Company to costs as well as potential liability. Such events could have a material adverse effect on the Company's cash flows, earnings, results of operations and financial condition and make it more difficult for the Company to obtain required financing. Although the Company has developed precautions regarding these risks, due to the unpredictable nature of criminal activities, there is no assurance that the Company's efforts are able to effectively mitigate risks and safeguard personnel and Company's property effectively.

### ***Litigation***

All industries, including mining, are subject to legal claims that can be with and without merit. Defense and settlement costs can be substantial, even for claims that have no merit. Potential litigation may arise with respect to a property in which Mundoro is in the process of evaluating as a strategic investment and/or holds an interest directly or indirectly in an exploring, developing and/or operating mineral property now or in the future (for example, litigation between joint venture partners or original property owners). Mundoro might not generally have any influence on the litigation nor will it necessarily have access to data. To the extent that litigation results in the cessation or reduction of production from a property (whether temporary or permanent), it could have a material and adverse effect on Mundoro's results of operations and financial condition. The litigation process is inherently uncertain, so there can be no assurance that the resolution of a legal proceeding will not have a material adverse effect on our future cash flow, results of operations or financial condition.

### ***Future Plans***

As part of its overall business strategy, the Company examines, from time to time, opportunities to acquire and/or develop new mineral projects and businesses. A number of risks and uncertainties are associated with these potential transactions and Mundoro may not realize all of the anticipated benefits. The acquisition and the development of new projects and businesses are subject to numerous risks, including political, regulatory, design, construction, labour, operating, technical, and technological risks, as well as uncertainties relating to the availability and cost of capital. Failure to successfully realize the anticipated benefits associated with one or more of these initiatives successfully could have an adverse effect on the Company's business, financial condition and results of operations.

### ***MCI's interest in MMI and Maoling Gold Project***

Mundoro owns 5% of the issued and outstanding shares of Mundoro Mining which has rights to 79% interest in Tianli for the Maoling Gold Project located in Liaoning Province, 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. Some of these measures benefit the overall economy of China, but may have a negative effect on Mundoro Mining. Regardless of the economic viability of the Maoling Gold Project, factors such as political instability, terrorism, expropriation by governments or the imposition of new regulations or tax laws may prevent or restrict mining or exploration of the Maoling Gold Project.

The activities of foreign-invested mining companies in China are subject to extensive laws and regulations at national, provincial and local level, including the Mineral Resources Law of China and regulations thereunder; laws and regulations governing foreign investment enterprises in China; and various rules and policies of the Ministry of Land and Resources. Operations of foreign-invested mining companies may be affected by such government regulations and restrictions on production as import and export controls, taxes, maintenance of claims, environmental legislation, land use, water use and safety regulations. The effect of these factors cannot be accurately predicted.



Foreign-invested mining companies are required to work within a framework which is different to that imposed on local companies. Current Chinese regulations permit foreign investment in some mineral sectors but not all. If the Chinese government should impose greater restrictions on foreign investment and on the operations of foreign-invested mining companies, Mundoro Mining's business and future earnings could be negatively affected.

Mechanisms are in place to allow for repatriation of profits and capital from certain foreign-invested mining companies, however there is no certainty that some or all future local currency or capital can be repatriated.

Foreign exchange transactions under Mundoro Mining's capital account, including principal payments in respect of foreign currency-denominated obligations, continue to be subject to significant foreign exchange controls and require the approval of the State Administration of Foreign Exchange. These limitations could affect Mundoro Mining's ability to obtain foreign exchange through debt or equity financing, or to obtain foreign exchange for capital expenditures. Any appreciation of the RMB may adversely affect Mundoro Mining's earnings, through higher foreign currency denominated operating costs.

The Chinese legal system is a system based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the Chinese government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. Because these laws and regulations are relatively new, and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties. In addition, as the Chinese legal system develops, changes in such laws and regulations, their interpretation or their enforcement may have a material adverse effect on Mundoro Mining's business operations since the Maoling Gold Project is located in China and, consequently, if a dispute were to arise between Mundoro Mining and its joint venture partners or any third party, Mundoro Mining would be obliged to depend on the courts of China for adjudication.

The legal rights of Mundoro Mining to participate in the Joint Venture are predicated on Mundoro Mining being able to enforce its rights under the Joint Venture Contract governed by the laws of the PRC. Should it become necessary for Mundoro Mining to seek to enforce its legal rights under the Joint Venture Contract, it would need to do so in accordance with the laws of at least China and perhaps other jurisdictions. There can be no assurance that should it become necessary for Mundoro Mining to take such legal action, it will be possible to obtain the legal remedies that are being sought.



## **16. QUALIFIED PERSONS & INFORMATION CONCERNING ESTIMATES OF RESOURCES**

The Pre-Feasibility Study (“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](http://www.sedar.com).

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.



# MUNDORO

**Condensed Consolidated Interim Financial Statements**

**(Unaudited)**

**For the Nine Months Ended September 30, 2012**

**Expressed in United States Dollars**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**Mundoro Capital Inc.***(An exploration stage company)***Condensed Consolidated Interim Statements of Financial Position****(Expressed in United States Dollars - unaudited)**

<i>As at</i>		<b>September 30, 2012</b>		<b>December 31, 2011</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Mineral interests (note 9)	\$	<b>198,302</b>	\$	130,720
Equipment and vehicles (note 8)		<b>80,787</b>		24,910
Investment (note 7)		<b>64,572</b>		62,284
		<b>343,661</b>		217,914
<b>Current assets</b>				
Deposits		<b>13,019</b>		12,089
Prepaid expenses		<b>174,901</b>		73,518
Amounts receivable (note 6)		<b>336,165</b>		127,148
Short-term investments (note 5)		<b>10,291,598</b>		9,819,335
Cash and cash equivalents (note 4)		<b>7,295,118</b>		9,650,881
		<b>18,110,801</b>		<b>19,682,971</b>
<b>TOTAL ASSETS</b>	\$	<b>18,454,462</b>	\$	<b>19,900,885</b>
<b>EQUITY</b>				
Share capital (note 12)	\$	<b>36,733,942</b>	\$	35,691,807
Share premium (note 12(b))		<b>386,301</b>		168,738
Additional paid-in-capital (note 12(e))		<b>7,354,886</b>		7,319,886
Stock options reserve (note 12(e))		<b>709,335</b>		610,184
Foreign currency translation reserve (note 12(e))		<b>1,160,978</b>		529,719
Deficit		<b>(28,328,401)</b>		(24,618,582)
<b>TOTAL EQUITY</b>		<b>18,017,041</b>		<b>19,701,752</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities (notes 11 & 13)		<b>437,421</b>		199,133
<b>TOTAL LIABILITIES</b>		<b>437,421</b>		<b>199,133</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	\$	<b>18,454,462</b>	\$	<b>19,900,885</b>

*Commitments (note 14)**Segmented information (note 15)**Subsequent events (note 19)*

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

These consolidated financial statements are authorized for issue by the Board of Directors on November 8, 2012.

They are signed on the Company's behalf by:

*/s/ Michael Calyniuk* Director

*/s/ Teo Dechev* Director

**Mundoro Capital Inc.***(An exploration stage company)***Condensed Consolidated Interim Statements of Comprehensive Loss****(Expressed in United States Dollars - unaudited)**

	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
<b>Interest income</b>	\$ 57,673	\$ 13,076	\$ 166,430	\$ 56,143
<b>EXPENSES</b>				
Exploration and project evaluation (note 10)	532,377	289,002	1,564,406	576,552
Corporate governance	114,949	156,088	354,679	288,753
General and administrative	121,581	49,894	303,878	99,254
Accounting and audit	46,547	25,079	199,698	115,342
Corporate communication	57,343	42,911	153,793	118,703
	872,797	562,974	2,576,454	1,198,604
<b>LOSS BEFORE OTHER EXPENSES (INCOME)</b>	<b>815,124</b>	<b>549,898</b>	<b>2,410,024</b>	<b>1,142,461</b>
<b>OTHER EXPENSES (INCOME)</b>				
Dissident related costs (note 18)	844,734	-	1,156,786	-
Share-based payments (notes 12(c)&(d))	66,097	178,509	134,151	183,409
Depreciation	5,821	-	13,643	-
Foreign exchange loss (gain)	51,965	164,343	(4,785)	606,225
	968,617	342,852	1,299,795	789,634
<b>LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>1,783,741</b>	<b>892,750</b>	<b>3,709,819</b>	<b>1,932,095</b>
<b>DISCONTINUED OPERATIONS</b>				
Loss for the period from discontinued operations	-	296,101	-	494,401
<b>NET LOSS FOR THE PERIOD</b>	<b>1,783,741</b>	<b>1,188,851</b>	<b>3,709,819</b>	<b>2,426,496</b>
<b>OTHER COMPREHENSIVE (INCOME) LOSS</b>				
Foreign currency translation differences for foreign operations	(741,509)	388,720	(631,259)	171,843
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ 1,042,232</b>	<b>\$ 1,577,571</b>	<b>\$ 3,078,560</b>	<b>\$ 2,598,339</b>
<b>Loss per share (note 12(f))</b>				
<b>Basic and diluted loss per share:</b>				
Continuing operations	\$ (0.04)	\$ (0.02)	\$ (0.10)	\$ (0.05)
Discontinued operations	-	(0.01)	-	(0.01)
Comprehensive loss	\$ (0.03)	\$ (0.04)	\$ (0.08)	\$ (0.07)

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**Mundoro Capital Inc.**

*(An exploration stage company)*

**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**

**(Expressed in United States Dollars - unaudited)**

	Share capital		Reserves					Deficit	Total
	Number of shares	Amount	Share Premium	Additional paid-in capital	Stock options reserve	Foreign currency translation reserve			
<b>Balance at December 31, 2011</b>	<b>38,192,776</b>	<b>\$ 35,691,807</b>	<b>\$ 168,738</b>	<b>\$ 7,319,886</b>	<b>\$ 610,184</b>	<b>\$ 529,719</b>	<b>\$ (24,618,582)</b>	<b>\$ 19,701,752</b>	
Shares issued for cash - private placement	3,950,000	1,560,250	-	-	-	-	-	1,560,250	
Share issue costs	-	(192,620)	-	-	-	-	-	(192,620)	
Repurchase of common shares	(281,000)	(325,495)	217,563	-	-	-	-	(107,932)	
Reclassification of grant-date fair value on expired options	-	-	-	35,000	(35,000)	-	-	-	
Share-based payments	-	-	-	-	134,151	-	-	134,151	
Net loss and comprehensive loss for the period	-	-	-	-	-	631,259	(3,709,819)	(3,078,560)	
<b>Balance at September 30, 2012</b>	<b>41,861,776</b>	<b>\$ 36,733,942</b>	<b>\$ 386,301</b>	<b>\$ 7,354,886</b>	<b>\$ 709,335</b>	<b>\$ 1,160,978</b>	<b>\$ (28,328,401)</b>	<b>\$ 18,017,041</b>	
<b>Balance at December 31, 2010</b>	<b>38,340,301</b>	<b>\$ 35,873,603</b>	<b>\$ -</b>	<b>\$ 6,890,036</b>	<b>\$ 863,532</b>	<b>\$ 40,622</b>	<b>\$ (34,432,801)</b>	<b>\$ 9,234,992</b>	
Shares issued for cash - stock option exercise	58,975	33,831	-	-	-	-	-	33,831	
Reclassification of grant-date fair value on exercise of stock options	-	15,724	-	-	(15,724)	-	-	-	
Reclassification of grant-date fair value on expired options	-	-	-	375,811	(375,811)	-	-	-	
Share-based payments	-	-	-	-	209,452	-	-	209,452	
Net loss and comprehensive loss for the period	-	-	-	-	-	(171,843)	(2,426,496)	(2,598,339)	
<b>Balance at September 30, 2011</b>	<b>38,399,276</b>	<b>\$ 35,923,158</b>	<b>\$ -</b>	<b>\$ 7,265,847</b>	<b>\$ 681,449</b>	<b>\$ (131,221)</b>	<b>\$ (36,859,297)</b>	<b>\$ 6,879,936</b>	

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**Mundoro Capital Inc.***(An exploration stage company)***Condensed Consolidated Interim Statements of Cash Flows****(Expressed in United States Dollars - unaudited)**

	For the nine months ended	
	September 30, 2012	September 30, 2011
<b>Cash flows provided from (used by):</b>		
<b>OPERATING ACTIVITIES</b>		
<b>Net loss for the period from continuing operations</b>	\$ (3,709,819)	\$ (1,932,095)
<b>Adjustments for items not affecting cash:</b>		
Depreciation	13,643	-
Share-based payments	134,151	183,409
Unrealized interest income	(66,785)	-
	<b>(3,628,810)</b>	<b>(1,748,686)</b>
<b>Net changes in non-cash working capital items:</b>		
Amounts receivable	(199,439)	(59,508)
Prepaid expenses	(96,602)	(23,554)
Deposits	(461)	(626)
Accounts payable and accrued liabilities	260,244	67,789
<b>Net cash flows (used in) operating activities</b>	<b>(3,665,068)</b>	<b>(1,764,585)</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares for cash, net of share issue costs	1,367,630	33,831
Restricted units exercised for cash	-	(44,211)
Repurchase of common shares	(107,932)	-
<b>Net cash flows from (used in) financing activities</b>	<b>1,259,698</b>	<b>(10,380)</b>
<b>INVESTING ACTIVITIES</b>		
Expenditures on resource properties	(61,409)	(105,597)
Purchase of short-term investments	(20,029,100)	-
Proceeds on redemption of short-term investments, net of interest earned	20,002,420	-
Purchase of equipment	(67,212)	-
<b>Net cash flows (used in) investing activities</b>	<b>(155,301)</b>	<b>(105,597)</b>
<b>Net cash flows (used in) discontinued operations</b>	<b>-</b>	<b>(398,808)</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>204,908</b>	<b>(173,273)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,355,763)</b>	<b>(2,452,643)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>9,650,881</b>	<b>9,338,122</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 7,295,118</b>	<b>\$ 6,885,479</b>
<b>Cash and cash equivalents consist of :</b>		
<b>From continuing operations:</b>		
Cash	2,157,449	6,657,916
Cash equivalents	5,137,669	58,177
	<b>7,295,118</b>	<b>6,716,093</b>
<b>From discontinued operations:</b>		
Cash	-	169,386
	<b>\$ 7,295,118</b>	<b>\$ 6,885,479</b>
<b>Cash paid during the period for interest</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash paid during the period for income taxes</b>	<b>\$ -</b>	<b>\$ -</b>

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

## **Mundoro Capital Inc.**

*(An exploration stage company)*

### **Notes to the Condensed Consolidated Interim Financial Statements**

**For the nine months ended September 30, 2012**

**(Expressed in United States Dollars - unaudited)**

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#### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Mundoro Capital Inc. (the “Company” or “MCI” or “Mundoro”) is an exploration, development and investment company in the mineral resource sector. The Company’s current exploration focus is in Mexico and Serbia in South Eastern Europe (see Notes 9 and 10). The business of exploration and development involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations.

The Company was incorporated on March 6, 2008 under the Company Act of The Province of British Columbia for the purpose of acquiring all of the shares of Mundoro Mining Inc. (“MMI”), through a Plan of Arrangement. MMI was incorporated on January 10, 1997 under the Business Corporations Act of Yukon, Canada and on November 30, 2000, MMI registered as an extra-provincial company under the Company Act of the Province of British Columbia and effective on June 14, 2005, MMI continued as a corporation in the Province of British Columbia. On October 10, 2011, substantially all of MMI was disposed of by the Company. The Company continues to hold a 5% interest in MMI. Effective September 30, 2011, the Company’s common stock is quoted on the TSX Venture Exchange (“TSXV”) under the symbol MUN.

The Company’s head office and principal address is 1401-1030 West Georgia Street, Vancouver, British Columbia, Canada V6E 2Y3.

These unaudited condensed consolidated interim financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at September 30, 2012, the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with funds currently on hand and/or through raising equity.

#### **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

These financial statements were authorized for issue on November 8, 2012 by the directors of the Company.

##### ***Statement of compliance to International Financial Reporting Standards***

These financial statements comply with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”).

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2011.

Certain amounts in prior periods have been reclassified to conform to the current period presentation.

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2012

(Expressed in United States Dollars - unaudited)

#### 3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. As at September 30 2012, the Company does not expect the impact of such changes on the financial statements to be material.

		<u>Effective Date</u>
IAS 1 (Amendment)	Presentation of Financial Statements	July 1, 2012
IFRS 7 (Amendment)	Financial Instruments: Disclosure	January 1, 2013
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013
IAS 27 (Amendment)	Separate Financial Statements	January 1, 2013
IAS 28 (Amendment)	Investments in Associates and Joint Ventures	January 1, 2013
IFRS 9	Financial Instruments	January 1, 2015

#### 4. CASH AND CASH EQUIVALENTS

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Cash at bank	\$ 2,157,449	\$ 4,683,382
Short-term money market instruments	5,137,669	4,967,499
	<b>\$ 7,295,118</b>	<b>\$ 9,650,881</b>

#### 5. SHORT-TERM INVESTMENTS

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Guaranteed Investment Certificate 1.5%	\$ 10,291,598	\$ -
Guaranteed Investment Certificate 1.25%	-	9,819,335
	<b>\$ 10,291,598</b>	<b>\$ 9,819,335</b>

#### 6. AMOUNTS RECEIVABLE

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Sales tax receivables	\$ 336,165	\$ 127,148

## Mundoro Capital Inc.

*(An exploration stage company)*

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2012

(Expressed in United States Dollars - unaudited)

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#### 7. INVESTMENT

On October 11, 2011, the Company completed the Strategic Transaction with China National Gold Group Hong Kong Limited ("CNGHK"), which the Company understands to be a wholly-owned subsidiary of China National Gold Group Corporation ("CNG"). Pursuant to the share purchase agreement, CNGHK acquired 95% of the issued and outstanding shares of MMI, the Company's previously wholly owned subsidiary, for a cash purchase price of \$13,414,980 (CDN\$13,800,000), with the Company retaining 5% of the issued and outstanding shares of MMI. All additional funds required for the purposes of MMI's operations shall be obtained, to the greatest extent possible, through loans made to MMI by a third party bank or other third party lender. The decision as to whether such funds are required, from whom such funds will be borrowed and the terms and conditions of such borrowing shall be determined by the Board of MMI. If required by a third party lender, China Gold Hong Kong Holding Corp. Limited ("CNGHK Designee") shall guarantee all of the indebtedness and obligations of MMI to the third party lender and shall sign any such guarantee and other agreement that such third party lender may require in respect of the same. In the event that CNGHK Designee becomes obligated to execute and deliver such a guarantee, the Company shall execute and deliver (on terms and conditions mutually acceptable to the Company and CNGHK Designee) a guarantee in favour of CNGHK Designee whereby the Company guarantees an amount equal to MCI's then pro rata interest in the issued and outstanding shares of MMI multiplied by the amount guaranteed by CNGHK Designee to such third party lender. In the event that CNGHK Designee becomes obligated to make payment pursuant to its guarantee to such third party lender, the Company shall, pursuant to its guarantee to CNGHK Designee, pay to CNGHK Designee an amount equal to the Company's then pro rata interest in the issued and outstanding shares of MMI multiplied by the amount paid by CNGHK Designee in respect of such guarantee.

The Company has not been informed by MMI (a private Canadian Company controlled by CNGHK) to date of any change in status of the licenses for the Maoling Gold Project. The investment represents the retained 5% ownership interest in MMI. As at September 30, 2012, the balance of the investment was \$64,572 (CAD \$63,511), which includes a reserve for potential costs associated with the transaction (December 31, 2011 - \$62,284 (CAD \$63,511)).

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2012

(Expressed in United States Dollars - unaudited)

#### 8. EQUIPMENT AND VEHICLES

Cost	Computers \$	Furniture and fixtures \$	Office equipment \$	Vehicles \$	Total \$
<b>As at December 31, 2011</b>	\$ 1,416	\$ 5,066	\$ -	\$ 19,750	\$ 26,232
Additions	12,080	28,697	1,004	25,431	67,212
Effect of movements in exchange rates	370	971	19	1,296	2,656
<b>As at September 30, 2012</b>	<b>\$ 13,866</b>	<b>\$ 34,734</b>	<b>\$ 1,023</b>	<b>\$ 46,477</b>	<b>\$ 96,100</b>
<b>Accumulated depreciation</b>					
<b>As at December 31, 2011</b>	\$ (92)	\$ (243)	\$ -	\$ (987)	\$ (1,322)
Depreciation for the period	(2,290)	(4,835)	(163)	(6,355)	(13,643)
Effect of movements in exchange rates	(55)	(117)	(3)	(173)	(348)
<b>As at September 30, 2012</b>	<b>\$ (2,437)</b>	<b>\$ (5,195)</b>	<b>\$ (166)</b>	<b>\$ (7,515)</b>	<b>\$ (15,313)</b>
<b>Net book amount</b>					
<b>As at December 31, 2011</b>	1,324	4,823	-	18,763	24,910
<b>As at September 30, 2012</b>	11,429	29,539	857	38,962	80,787

#### 9. MINERAL INTERESTS

	Mexico Projects	European Projects	Total
<b>Balance as at December 31, 2011</b>	<b>\$ 112,186</b>	<b>\$ 18,534</b>	<b>\$ 130,720</b>
<b>Add:</b>			
Concession fees	19,930	41,479	61,409
Effect of movements in exchange rates	6,066	107	6,173
<b>Balance as at September 30, 2012</b>	<b>\$ 138,182</b>	<b>\$ 60,120</b>	<b>\$ 198,302</b>

#### Mexico Properties

The Company, through its wholly owned subsidiary Mundoro de Mexico, S.A. de C.V., holds ten mineral concessions in a prospective mineral region in the Mesa Central belt of Durango and Chihuahua States in Mexico. The ten concessions cover 116,564 hectares. The Company has applications for 7 additional mineral concessions covering 106,671 hectares.

The Company has an ongoing annual commitment for maintaining title of mineral concessions in Mexico. Should the Company choose to maintain title to the properties the Company will be obligated to make future semi-annual renewal payments.

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2012

(Expressed in United States Dollars - unaudited)

#### 9. MINERAL INTERESTS (continued)

On August 22, 2012 the Company announced that it has executed a definitive option agreement for the Centauro Gold Property ("Centauro") located in Chihuahua State, Mexico. The option agreement provides Mundoro an option for a five year term to acquire 100% interest in Centauro for US\$4,000,000 subject to a 3% Net Smelter Return royalty ("NSR") with the right to buyback two-thirds (i.e. 2% NSR) of the 3% NSR for US\$2,000,000 and annual payments over five years as follows: (i) US\$20,000 on signing, (ii) US\$50,000 on the first anniversary, (iii) US\$75,000 on the second anniversary, (iv) US\$100,000 on the third anniversary, (v) US\$125,000 on the fourth anniversary. At any time up to the fifth anniversary, the Company has the option to exercise the assignment agreement to acquire 100% of the Centauro Property for US\$4,000,000. The Company has no minimum expenditure requirements and can terminate the option agreement at any time. The offer is subject to TSX-V and regulatory approvals.

#### Serbian Properties

The Company holds seven 100% owned exploration licenses which include: Osanica Bukovska, Rakova Bara, Zeleznik, Glozana, Manastirica, Topla and, Borsko Jezero. These properties are located in N.E. Serbia approximately 100 km – 200 km East of Belgrade and are held in the name of Stara Planina d.o.o., Mundoro's Serbian Branch Company. The seven licenses cover an aggregate area of 499 km<sup>2</sup> within the proven Timok Gold-Copper Mining District.

The Company has an ongoing annual commitment for maintaining title of mineral concessions in Serbia. Should the Company choose to maintain title to the properties the Company will be obligated to make future semi-annual renewal payments.

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2012

(Expressed in United States Dollars - unaudited)

#### 10. EXPLORATION AND PROJECT EVALUATION

The Company follows the practice of expensing all exploration, development and project management costs until there is a resource defined. The following is a summary of expenditures incurred on the Mexican and European projects during the three and nine months ended September 30, 2012 and 2011:

	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
<b>For Mexican project:</b>				
Corporate expenses <sup>(1)</sup>	\$ 19,063	\$ 44,779	\$ 114,227	\$ 74,390
Land holding costs <sup>(2)</sup>	52,194	-	81,202	-
Government and community relations <sup>(3)</sup>	-	-	-	5,025
Field related expenses <sup>(4)</sup>	27,779	-	62,992	-
Personnel <sup>(5)</sup>	136,520	-	403,177	-
Exploration expenditures <sup>(6)</sup>	36,641	127,445	317,546	211,724
Project evaluation <sup>(7)</sup>	2,084	116,778	4,901	285,413
	<u>\$ 274,281</u>	<u>\$ 289,002</u>	<u>\$ 984,045</u>	<u>\$ 576,552</u>
<b>For European projects:</b>				
Corporate expenses <sup>(1)</sup>	\$ 98,078	\$ -	\$ 254,865	\$ -
Land holding costs <sup>(2)</sup>	-	-	-	-
Government and community relations <sup>(3)</sup>	16,958	-	87,349	-
Field related expenses <sup>(4)</sup>	8,109	-	16,048	-
Personnel <sup>(5)</sup>	60,131	-	96,612	-
Exploration expenditures <sup>(6)</sup>	27,316	-	40,935	-
Project evaluation <sup>(7)</sup>	47,504	-	84,552	-
	<u>\$ 258,096</u>	<u>\$ -</u>	<u>\$ 580,361</u>	<u>\$ -</u>
	<u>\$ 532,377</u>	<u>\$ 289,002</u>	<u>\$ 1,564,406</u>	<u>\$ 576,552</u>

1) Corporate expenses include legal fees, and general and administrative costs related to the projects.

2) Land holding costs include property taxes and related costs associated with holding the properties.

3) Government and community relations relates to the costs of travelling and meeting with governing bodies in the local jurisdictions.

4) Field related expenses include items such as field equipment costs, and lodging for field personnel.

5) Personnel costs include consultants and employees (full-time and allocated costs) for conducting exploration work.

6) Exploration expenditures include activities such as mapping, sampling and geophysical work.

7) Project evaluation expenditures capture those costs incurred in evaluating new exploration opportunities for the Company.

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2012

(Expressed in United States Dollars - unaudited)

#### 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2012	December 31, 2011
Trade payables	\$ 406,131	\$ 84,840
Accrued liabilities	31,290	114,293
	\$ 437,421	\$ 199,133

#### 12. SHARE CAPITAL

**a) Authorized share capital**

Unlimited number of common shares without par value.

**b) Issued share capital**

At September 30, 2012 there were 41,861,776 issued and fully paid common shares (December 31, 2011 – 38,192,776).

On July 26, 2012 the Company closed an unsolicited brokered private placement consisting of 3,950,000 common shares sold at a price of US \$0.395 (CAD \$0.40) per share to Sheridan Platinum Group Ltd. (“Sheridan Group”). The Sheridan Group now holds approximately 9.9% of the Company’s issued and outstanding shares. As part of the strategic investment, the Sheridan Group has been granted the right to one board seat (subject to clearance of a PIF) and has agreed to certain voting and standstill covenants. The common shares issued under the private placement are subject to a four month hold period in accordance with Canadian securities laws. In connection with the transaction, the Company has paid a 5% cash commission to Sheridan Brothers L.P., a broker dealer member of IIROC and unrelated to the Sheridan Group..

During the quarter ended December 31, 2011, the Company announced that it submitted to the TSX Venture Exchange (“TSXV”) its Notice of Intention to Make a Normal Course Issuer Bid (the “NCIB Program”). In the opinion of the Company, its common shares have been trading at prices that do not reflect the underlying value of the Company, including its (i) strong financial position, (ii) minority interest in the Maoling Gold Project (iii) exploration program in a prospective mineral region in the Mesa Central belt of Durango-Chihuahua, and (iv) continued project generation program to bring further projects to the Company. The NCIB Program commenced on November 14, 2011 and will terminate on the earlier of: (i) November 13, 2012; (ii) the date Mundoro completes its purchases pursuant to the notice of intention filed with the TSX Venture; or (iii) the date of notice by Mundoro of termination of the NCIB Program. Pursuant to the NCIB Program, the Company may purchase for cancellation up to a maximum of 1,919,963 of its common shares, or approximately 5% of the common shares outstanding.

During the quarter ended September 30, 2012 the Company did not purchase any shares under the NCIB Program (2011: nil). During the nine months ended September 30, 2012, the Company purchased and cancelled 281,000 common shares (2011: nil) and recognized a gain of \$217,563 which was recorded as share premium (2011: nil).

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2012

(Expressed in United States Dollars - unaudited)

## 12. SHARE CAPITAL (continued)

### c) Stock options

At the Company's 2009 Annual General Meeting ("AGM"), the shareholders approved a stock option plan for the Company's directors, officers, employees and consultants. The stock option plan was amended in May 2011 upon shareholder approval at the 2011 AGM.

The changes in options during the nine months ended September 30, 2012 were as follows:

	Number outstanding	Weighted average exercise price	
		in CAD <sup>(1)</sup>	in USD <sup>(1)</sup>
<b>Balance, December 31, 2011</b>	<b>2,685,000</b>	<b>\$ 0.55</b>	<b>\$ 0.51</b>
Granted	637,500	0.38	0.38
Expired	(75,000)	0.59	0.60
Forfeited	(502,500)	0.53	0.50
<b>Balance, September 30, 2012</b>	<b>2,745,000</b>	<b>\$ 0.51</b>	<b>\$ 0.48</b>

(1) The option prices are contractually denominated in Canadian dollars. Exercise prices for stock options granted are reflected in U.S. dollars at exchange rates in effect on the date of grant.

The following summarizes information about stock options outstanding and exercisable at September 30, 2012:

Expiry date	Options outstanding	Options exercisable	Exercise price (in CAD) <sup>(1)</sup>	Exercise price (in USD) <sup>(1)</sup>	Weighted average remaining contractual life (in years)
June 22, 2014	962,500	962,500	0.57	0.49	1.73
August 11, 2015	210,000	210,000	0.82	0.79	2.86
February 25, 2016	50,000	33,000	0.59	0.61	3.41
August 3, 2016	700,000	466,666	0.50	0.52	3.84
November 28, 2016	200,000	12,500	0.31	0.30	4.16
February 7, 2017	97,500	24,375	0.41	0.41	4.36
April 3, 2017	225,000	75,000	0.37	0.37	4.51
May 21, 2017	300,000	83,330	0.38	0.37	4.64
	<b>2,745,000</b>	<b>1,867,371</b>			<b>3.20</b>

(1) The option prices are contractually denominated in Canadian dollars. Exercise prices for stock options granted are reflected in U.S. dollars at exchange rates in effect on the date of grant.

On February 8, 2012, the Company granted 112,500 options with an exercise price of USD \$0.41 (CAD \$0.41) to its employees. The options are exercisable for a period of five years. These options vest one-quarter on the date of grant and one-quarter each on the first, second and third anniversary of the date of grant.

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2012

(Expressed in United States Dollars - unaudited)

## 12. SHARE CAPITAL (continued)

### c) Stock options (continued)

On April 4, 2012, the Company granted 225,000 options to a Director, with an exercise price of USD \$0.37 (CAD \$0.37) per share. The options are exercisable for a period of five years. These options vest one-third on the date of grant and one-third each of the first and second anniversary of the date of grant.

On May 22, 2012, the Company granted 250,000 options to an Officer, with an exercise price of USD \$0.37 (CAD \$0.38) per share. The options are exercisable for a period of five years. These options vest one-third on the date of grant and one-third each of the first and second anniversary of the date of grant.

On May 22, 2012, the Company also granted 50,000 options to an employee with an exercise price of USD \$0.37 (CAD \$0.38) per share. The options are exercisable for a period of five years. These options vest one-third on each of the first, second and third anniversary date of the grant.

The estimated fair value of the options granted during the nine months ended September 30, 2012 was calculated using the Black-Scholes Option Pricing Model with the following assumptions:

	For the nine months ended	
	September 30, 2012	September 30, 2011
Risk-free interest rate	1.32% - 1.50%	1.06% - 1.67%
Expected annual volatility	76% - 83%	86% - 88%
Expected life (in years)	3 - 5	3 - 5
Expected dividend yield	0%	0%
Grant date fair value per option	\$0.19 - \$0.27	\$0.27 - \$0.33

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

During the nine months ended September 30, 2012, the Company recognized share-based payments expense of \$134,151 (September 30, 2011 – \$209,452). For the three and nine months ended September 30, 2012 and 2011, share-based payments expense related to the stock options consists of the following:

	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
<b>For services in respect of:</b>				
Corporate communication	\$ 17,622	\$ 46,948	\$ 33,679	\$ 49,988
Corporate governance	16,913	24,866	52,222	42,131
General and administrative	2,055	-	14,339	-
Exploration and project evaluation	29,507	106,211	33,911	117,333
	\$ 66,097	\$ 178,025	\$ 134,151	\$ 209,452

## Mundoro Capital Inc.

(An exploration stage company)

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For the nine months ended September 30, 2012

(Expressed in United States Dollars - unaudited)

## 12. SHARE CAPITAL (continued)

### d) Restricted Share Unit Plan

As at September 30, 2012 and December 31, 2011, there were no Restricted Share Units ("RSU") outstanding.

The Company put in place a Restricted Share Unit Plan ("RSU Plan") in October 2008 for its directors, officers, employees and consultants. Share-based payments for RSUs were accrued over the RSU vesting period. At the end of each reporting period, the RSU liability is marked-to-market. Share-based payments (recovery) attributable to RSUs for the three and nine months ended September 30, 2012 and 2011 consists of the following:

	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
<b>For services in respect of:</b>				
Accounting and audit	\$ -	\$ 221	\$ -	\$ (4,981)
Corporate communication	-	(686)	-	(1,986)
Corporate development	-	370	-	(7,432)
Government and community relations	-	370	-	(7,432)
Project management costs	-	209	-	(4,212)
	\$ -	\$ 484	\$ -	\$ (26,043)

### e) Reserves

#### Share premium

Share premium records the gain incurred from the equity transactions.

#### Additional paid-in capital

Additional paid-in capital records the fair value of the expired options and warrants initially recorded in stock options reserve and warrants reserve.

#### Stock options reserve

The stock options reserve records items recognized as share-based payments expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to additional paid-in capital.

#### Foreign currency translation reserve

The foreign currency translation reserve records foreign exchange differences arising on translation of the Company's financial statements to the presentation currency (USD).

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2012

(Expressed in United States Dollars - unaudited)

## 12. SHARE CAPITAL (continued)

### f) Loss per share <sup>(1)</sup>

	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
<b>Continuing operations:</b>				
Loss for the period from continuing operations	\$ (1,783,741)	\$ (892,750)	\$ (3,709,819)	\$ (1,932,095)
Weighted average number of common shares outstanding	40,745,472	38,399,276	38,920,062	38,395,658
Basic and diluted loss per share	\$ (0.04)	\$ (0.02)	\$ (0.10)	\$ (0.05)
<b>Discontinued operations:</b>				
Loss for the period from discontinued operations	\$ -	\$ (296,101)	\$ -	\$ (494,401)
Weighted average number of common shares outstanding	40,745,472	38,399,276	38,920,062	38,395,658
Basic and diluted loss per share	\$ -	\$ (0.01)	\$ -	\$ (0.01)
<b>Comprehensive loss:</b>				
Comprehensive loss for the period	\$ (1,042,232)	\$ (1,577,571)	\$ (3,078,560)	\$ (2,598,339)
Weighted average number of common shares outstanding	40,745,472	38,399,276	38,920,062	38,395,658
Basic and diluted loss per share	\$ (0.03)	\$ (0.04)	\$ (0.08)	\$ (0.07)

(1) In computing the diluted loss per share, options are not included as the impact would be anti-dilutive.

## 13. RELATED PARTY TRANSACTIONS AND BALANCES

### a) Related party balances

The balances due to related parties included in accounts payables and accrued liabilities were \$18,682 as at September 30, 2012 (December 31, 2011– \$50,559). These amounts are reimbursement of expenses and service fees.

### b) Related party transactions

	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Directors' fees	\$ 28,376	\$ 35,600	\$ 90,765	\$ 76,032
Directors' fees (dissident related)	28,186	-	54,033	-
	56,562	35,600	144,798	76,032

### c) Key management personnel compensation

	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Short-term employee compensation and benefits	\$ 99,181	\$ 103,739	\$ 334,960	\$ 268,371
Share-based payments	38,298	123,578	122,653	149,964
	\$ 137,479	\$ 227,317	\$ 457,613	\$ 418,335

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2012

(Expressed in United States Dollars - unaudited)

#### 14. COMMITMENTS

##### Office Lease

In February 2010, the Company signed a lease agreement for office space in Vancouver for a term of five years ending March 31, 2015. As of September 30, 2012, the minimum obligations under these leases are as follows:

	Canada	Mexico	Serbia	Total
2012	\$ 9,906	\$ 1,469	\$ 900	\$ 12,275
2013	39,626	-	-	39,626
2014	39,626	-	-	39,626
2015	9,906	-	-	9,906
	\$ 99,064	\$ 1,469	\$ 900	\$ 101,433

During the nine months ended September 30, 2012, \$62,742 of lease payments had been recognized as an expense (2011 - \$61,423 of which \$13,379 related to the discontinued operations).

#### 15. SEGMENTED INFORMATION

The Company has the following operating segments: the Mexico exploration program ("Mexico"), the Serbia exploration program and the project generation program ("Europe") and corporate administrative functions in Canada. The Company's total assets and losses by segment for continuing operations are as follows:

	Canada	Mexico	Europe	Total
<b>Total assets:</b>				
As at September 30, 2012	\$ 17,977,366	\$ 282,012	\$ 195,084	\$ 18,454,462
As at December 31, 2011	19,700,664	166,497	33,724	19,900,885
<b>Loss from continuing operations:</b>				
For the nine months ended September 30, 2012	\$ 2,738,324	\$ 821,369	\$ 150,126	\$ 3,709,819
For the nine months ended September 30, 2011	1,645,982	188,656	97,457	1,932,095

Based on budgetary needs of each operating segment, the Company's management determines the necessary resources to be allocated.

#### 16. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity and cash and cash equivalents. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, and acquire or dispose of assets to adjust the amount of cash and cash equivalents.

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2012

(Expressed in United States Dollars - unaudited)

#### 16. CAPITAL MANAGEMENT (continued)

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including but not limited to source and use of capital and general industry conditions.

The Company expects its current capital resources will be sufficient to carry its exploration, development and investment plans and operations through the current operating period.

#### 17. FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents and short-term investments as held-for-trading; deposits as held-to-maturity, investment as available-for-sale and accounts payable and accrued liabilities as other financial liabilities.

##### a) Fair Value

At September 30, 2012 and December 31, 2011, the carrying values of cash and cash equivalents, short-term investments, deposits, accounts payable and accrued liabilities approximated their fair values due to the short period to maturity of those financial instruments. The fair value of the investment was determined based on the proceeds from the transaction adjusted for potential costs associated with the transaction.

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial instruments.

IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- |          |   |
|----------|---|
| Level 1: | Unadjusted quoted prices in active markets for identical assets or liabilities;   |
| Level 2: | Inputs other than quoted prices that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and |
| Level 3: | Inputs that are not based on observable market data.  |

The Company's carrying value and fair value of cash and cash equivalents, short-term investments and deposits under the fair value hierarchy are measured using Level 1 and 2 inputs. The Company's fair value of investment under the fair value hierarchy is measured using Level 3 inputs. As at September 30, 2012 and December 31, 2011, the Company has no other financial instruments that require disclosure under the fair value hierarchy.

##### b) Financial Risk Management

The Company is exposed to a variety of financial instrument related risks. The types of risk exposure and the way in which such exposure is managed are as follows:

###### Credit risk

The Company is exposed to credit risk with respect to its cash and cash equivalents, and short-term investments. Cash and cash equivalents, and short-term investments have been placed on deposit with major Canadian financial institutions.

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2012

(Expressed in United States Dollars - unaudited)

## 17. FINANCIAL INSTRUMENTS (continued)

### b) Financial Risk Management (continued)

The risk arises from the non-performance of counter parties of contractual financial obligations. The Company manages credit risk, in respect of cash and cash equivalents, by purchasing highly liquid, short-term investment-grade securities held at a major Canadian financial institution.

Concentration of credit risk exists with respect to the Company's cash and short term investments as the majority of the amounts are held at a single Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	<b>September 30, 2012</b>
<b>Held at major Canadian financial institutions:</b>	
Cash	\$ 1,960,008
Short-term money market instruments	5,137,669
Guranteed Investment Certificate	10,291,598
	<b>17,389,275</b>
<b>Held at major Mexican financial institutions:</b>	
Cash	\$ 56,487
<b>Held at major European financial institutions:</b>	
Cash	\$ 140,954
<b>Total cash and short-term investments</b>	<b>\$ 17,586,716</b>

The credit risk associated with cash is minimized by ensuring the majority of these financial assets are in commercial paper, bankers acceptances and other money market instruments issued by Canadian Federal and Provincial governments and other entities with a Dominion Bond Rating Service credit rating of R1M or higher.

#### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk requirements for its exploration, development and other corporate activities, and ensuring that it has sufficient cash and cash equivalents on hand to meet its short-term business requirements. Management and the Board of Directors annually review, plan and approve annual budgets and significant expenditures and commitments. The Company believes that it has sufficient cash and cash equivalents to meet its short-term business requirements. In the long term, the Company may have to raise funds through the issuance of equity, assumption of debt, or other financing alternatives to complete development of it's current projects and any projects acquired by the Company in the future. There are no assurances that the Company would be successful in its efforts to secure any required future financing.

The Company maintained sufficient cash and cash equivalents and short-term investments at September 30, 2012 in the amount of \$7,295,118 and \$10,291,598, respectively, in order to meet short-term business requirements. At September 30, 2012 the Company had accounts payable and accrued liabilities of \$437,421, which will be paid within three months.

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2012

(Expressed in United States Dollars - unaudited)

## 17. FINANCIAL INSTRUMENTS (continued)

### b) Financial Risk Management (continued)

#### Market Risk

The significant market risks to which the Company is exposed are interest rate risk, currency risk and commodity price risk.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents primarily include highly liquid investments that earn interest at market rates that are fixed to maturity. The Company also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of September 30, 2012. As at September 30, 2012, the Company holds \$15,429,267 in cash equivalents and short-term investments. Based on this net exposure as at September 30, 2012, and assuming that all other variables remain constant, a 10% change in the interest rate the Company is currently receiving would result in an increase or decrease of approximately \$17,000 in the Company's net loss.

#### Currency risk

The Company primarily operates in Canada, Mexico, Serbia and Bulgaria, and its expenses are incurred in CAD, USD, MXN, EUR, BGN and RSD, whereas the functional currency of the Canadian entity, Mexican entity, Bulgarian entity and Serbian entity are the CAD, MXN, RSD and BGN, respectively. The Company is affected by currency transaction risk, which may affect the Company's operating results as exchange rates fluctuate. The Company has not hedged its exposure to currency risk.

The Company is also affected by currency translation risk as the Company's reporting currency is USD which differs from the functional currency. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on dates of transactions. At each financial reporting date, monetary assets and liabilities that are denominated in foreign currency are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items measured in terms of historical costs in a foreign currency are not retranslated. Gains and losses on translation are included in net profit or loss for the period. The financial statements are subsequently translated into the US dollar reporting currency by translating the assets and liabilities at the closing rate at the reporting date and translating income and expenses for the period at the year-to-date average exchange rates, with the resulting translation adjustment recorded in other comprehensive income.

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2012

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## 17. FINANCIAL INSTRUMENTS (continued)

### b) Financial Risk Management (continued)

#### Market Risk (continued)

##### Currency risk (continued)

The Company had the following balances in the currencies held as at September 30, 2012:

	in CAD	in USD	in MXN	in EURO	in BGN	in RSD
Cash and cash equivalents	5,915,474	1,090,869	692,377	74,370	56,987	275,810
Short-term investments	10,122,552	-	-	-	-	-
Deposits	11,672	-	9,000	-	-	40,478
Investment	63,511	-	-	-	-	-
Accounts payable and accrued liabilities	(311,321)	-	(1,411,056)	-	(4,478)	(742,701)
Rate to convert to \$1.00 CAD	1.0000	0.9836	0.0764	1.2647	0.6467	0.0110
Rate to convert CAD to \$1.00 USD	1.0167	1.0167	1.0167	1.0167	1.0167	1.0167

Based on the above net exposure as at September 30, 2012, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against each of the above currencies would result in an increase or decrease in the Company's net loss as outlined in the table below.

	USD	MXN	EURO	BGN	RSD
10% appreciation: gain/(loss)	(65,771)	(5,514)	9,563	3,452	(478)
10% depreciation: gain/(loss)	162,029	5,514	(9,563)	(3,452)	478

##### Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk, financial market risk, or currency risk. The Company is not exposed to significant other price risk.

## 18. DISSIDENT RELATED COSTS

Prior to its originally scheduled annual general meeting, the Company adopted an Advance Notice Policy (the "Policy") on June 11, 2012. Shortly thereafter dissident shareholder Northern Minerals Investment Corp. (NMI) filed a petition in the Supreme Court of British Columbia seeking, among other relief, a declaration that the policy is unenforceable. The Board of Directors of Mundoro postponed the Annual General Meeting of shareholders to provide ample opportunity for any shareholder seeking to propose nominations to do so. In response, NMI amended its petition to also seek orders that the Company is not permitted to postpone the meeting or change the record date. On June 19, 2012 the Court dismissed the petition brought by NMI to prevent Mundoro from postponing its meeting of shareholders and from changing the record date for the meeting. At the Annual General Meeting on August 27, 2012, shareholders showed their support of the current board and voted to re-elect John J. Hoey, Teo Dechev, Richard Moores and Michael Calyniuk to the board. To September 30, 2012 the costs of addressing the dissident shareholders actions are \$1,156,876 (2011: nil). The Company does not expect the costs will increase appreciably unless further dissident shareholder action is taken.

**Mundoro Capital Inc.***(An exploration stage company)***Notes to the Condensed Consolidated Interim Financial Statements****For the nine months ended September 30, 2012****(Expressed in United States Dollars - unaudited)****18. DISSIDENT RELATED COSTS (continued)**

	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
<b><i>Dissident Related Costs</i></b>				
Legal	\$ 694,122	\$ -	\$ 944,222	\$ -
Directors' fees	28,186	-	54,033	-
Solicitation	57,586	-	82,439	-
Printing and mailing	20,198	-	25,559	-
Other	44,642	-	50,533	-
	\$ 844,734	\$ -	\$ 1,156,786	\$ -