



# MUNDORO

## **MANAGEMENT DISCUSSION AND ANALYSIS**

For The Three Months Ended March 31, 2014

(Unaudited)

Expressed in Canadian Dollars

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## 1. INTRODUCTION

Mundoro Capital Inc. (“Company”, “MCI”, “Mundoro”) is a Canadian based mineral acquisition, exploration, development and investment company (see discussion under “Summary of Activities”). 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 consolidated financial statements and supporting notes for the three months ended March 31, 2014, 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 Canadian dollars unless otherwise indicated.

Additional information relating to Mundoro is available on our 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 May 16, 2014.
- Readers are cautioned not to place undue reliance on these forward-looking 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”.



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### 3. SUMMARY OF ACTIVITIES

#### Overview and Outlook

The Company is in a financially strong position with \$10,426,958 in cash, cash equivalents and short-term investments and has no debt as at March 31, 2014.

Our primary focus is advancing our properties on the Tethyan Metallogenic Belt in Serbia and Bulgaria in Southeastern Europe. Mundoro has methodically acquired a district-scale land position on this prolific mineral belt which hosts significant Gold-Copper (Au-Cu) porphyry and related epithermal deposits. Our experienced team and strong project pipeline, which also includes investments in gold projects in China and Bulgaria, is positioned to drive long-term, sustainable growth in order to attain production related cash flow and shareholder return.

The Company continues to evaluate advanced and development stage mineral resource properties for acquisition, joint venture, or investment while at the same time advancing the current exploration properties in Serbia and Bulgaria. All properties staked or acquired are evaluated on a quarterly basis as to whether to continue exploration, progress into development, joint venture out, or drop the property.

#### Serbia Exploration Program

The Company's mineral exploration license areas in the Republic of Serbia ("Serbia") total 637 square kilometers (sq.km) and are located in Northeastern Serbia, approximately 100km east of Belgrade, the capital of the country. The mineral exploration licenses are within the well-known Timok Magmatic Complex ("TMC"); a segment of the Tethyan Metallogenic Belt which runs from Eastern Europe to Western Turkey. The TMC hosts significant Au-Cu porphyry deposits (Bor, Majdanpek, Veliki Kreveli, etc.) and related Cu-Au epithermal deposits. The mineral exploration licenses held through the Company's 100%-owned subsidiary Stara Planina Resources EAD are: (i) Zeleznik, (ii) Topla, (iii) Borsko Jezero, (iv) Savinac, (v) Bacevica, (vi) Osnic, (vii) Sumrakovac, and (viii) Dubrava-Ostrelj (Dubrava).

The Serbian Exploration properties are all located near the town of Bor; a historically significant mining community with an operating open-pit and underground mine, as well as a smelting and processing facility. The Bor region is ideal for mineral exploration because of the existing infrastructure, known mineral deposits and readily available, highly-skilled and low-cost labor force.

#### **Summary of activity for Q1 2014:**

Exploration activities during Q1 2014 at the Serbian properties included the completion of geophysical ground magnetic surveys over Savinac, Sumrakovac and Zeleznik followed by data analysis, interpretation and incorporation to exploration models. Generated geophysical anomalies were followed up with mapping and reconnaissance traverses. Several trenching applications were submitted and are pending approval.

- **Sumrakovac** license is a 103 sq.km area located 5km southwest of the Bor Mine Complex and is adjacent on the west side to the Freeport/Reservoir Timok JV license. Ground magnetic geophysical results highlighted additional anomalous centers east of the Skorusa Cu-Au porphyry, which have been interpreted as possible stockwork related mineralisation. The main conclusions from the interpretation and analysis of the data are as follows:
  - A major north-south to northwest linear magnetic low susceptibility anomaly is defined at the contact between tuffs and argillic altered rocks. The anomaly has a depth extension to about 400-500m and clearly dips to the west. In general, the northwest low magnetic zones are a characteristic feature of the ore controlling structure in the Timok magmatic complex.
  - The stockwork zone at Tilva Skorusa is characterized as a localised east-northeast trending magnetic high that extends to a depth of 250-300m from the surface. Immediately to the south of the stockwork zone is a second north-northwest trending, localised magnetic susceptibility high that is interpreted as a possible unknown stockwork zone.



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- Additional similar anomalies were identified at the eastern end of the diorite intrusion-related anomalies and required follow up work to determine their significance.
  - Follow up work included detailed mapping over the anomalies and channel sampling within select outcrops. Trenching is expected to commence once approval had been granted for the submitted applications.
  - **Zeleznik** license is a 60 sq.km area located 5km north of Majdanpek and 45km northwest of the Bor Mine Complex. The southern end of the property has anomalous Cu-Mo-Au geochemical results related to andesite porphyry intrusions; the western anomaly is 600m x 450m and is open to the north and south, and the eastern anomaly is 300m x 300m dipping under a limestone cap to the north.

A ground magnetic survey was completed over the western and eastern geochemical anomalies at the Zeleznik license. It covered an area of 2.31 km<sup>2</sup> along 9 profile lines oriented west-east. The purpose of the survey was to define major trends and faults, which may control, or are directly related to mineralisation. The survey was also designed to define the size and location of skarn mineralisation under the limestone cap, and to identify future drillhole locations.

Data interpretation and analysis of the ground magnetic results highlighted the following important features:

- The calculated 3D UBC magnetic susceptibility model defines different types of anomaly distribution related to zones of hydrothermal alteration and to unaltered igneous rocks. The anomaly classification is supported by geological information.
- The zone of hydrothermal alteration is characterized by 600-700 long by 600m wide magnetic susceptibility low, that contrasts a magnetic susceptibility high on the background of the very low magnetic susceptibility metamorphic rocks. Several local, more intensive magnetic susceptibility highs define a ring at the margins of the zone of alteration.
- A dome-like structure was defined and is characterized by a central magnetic susceptibility low and surrounding local magnetic susceptibility highs above and at its margins. The geological significance of this feature is to be determined. The dome structure may represent different types of hydrothermal alteration with magnetite enrichment at the margins and silica alteration in the core of the zone of alteration.

Detailed geological mapping of outcrops, recently cleared road cuts, and trenching is planned for Q2 2014. This is expected to clarify the nature and relation of geophysical anomalies with areas exhibiting high potential for mineralisation. Additional rock sampling is planned to help identify future drillhole locations.

- **Savinac** license is a 90 sq.km area that is located 15km southwest of the Bor Mine Complex. The property contains a significant area of strong alteration in a ~14 sq.km elongated belt which hosts several epithermal Cu-Au prospects marked by Cu-Mo-Ag-Pb-Zn geochemical anomalies.

Trenching at Savinac continued over Q1 2014 within a defined high grade gold zone. Detailed mapping, reconnaissance of gold in soil anomalies, and geophysical data interpretation and integration also took place.

Along with geological mapping, 23 rock samples were collected and submitted for assay analysis. Simultaneously, trenches #15 and #17 were excavated and sampled; 56 rock channel samples were submitted to the lab for assay analysis. A geological map was updated with details highlighting preserved lithocaps at the northern part of the license, which require more detailed exploration and sampling. Mapping of the southern area (Markov Kamen) indicated strong structural controls of the soil anomalies at that area. A trenching program at Savinac is planned for Q2 2014.

Interpretation of geophysical results from the ground magnetic survey conducted in Q4 2013 established the following:



- A prominent linear magnetic low trending north-south to north-west coinciding with the mineralised structure and hydrothermal alteration. Analysis of the ground magnetic data defined five anomalous areas of interest interpreted as demagnetization zones associated with hydrothermal alteration of the volcanic rocks – propylitic, argillic, advanced argillic and silicification. The north-northwest trending low magnetic zones are similar to that of the ore controlling structures within the Timok magmatic complex.
- Further analysis based on special correlation of the anomalies and its vertical distribution defined three demagnetized zones as favorable structures for further exploration. This interpretation is supported by geological mapping of the property.
- Anomalous Zone 1 is characterized by north-south to north-northeast, and north-northwest trending zones of very low magnetic susceptibility values that correlate at more than 2km across the survey lines and extend to a depth of about 400-500m from the surface. The anomalies are interpreted as large demagnetization zones (fault zones) at the eastern and western margins of the mapped argillic altered rocks. Local magnetic susceptibility highs between the two zones coincide partly with advanced argillic or argillic alteration. Additional work and data is necessary to explain the association of relative magnetic highs with advanced argillic altered rocks.
- Anomalous Zone 2 is characterized by north-northwest striking demagnetization zones observed at its Eastern and Western margins. Local relative magnetic susceptibility highs between the two demagnetization zones coincide with argillic and advanced argillic alteration. The vertical magnetic susceptibility models suggest that the advanced argillic and silica alteration mapped at the surface has depth extension to at least 150-200m from the surface.
- Anomalous Zone 3 is situated between two demagnetization zones which coincide with a surface zone of advanced argillic and silica alteration. At the horizontal model of 300m from the surface, the two demagnetization zones form a single anomalous zone with a width of 400m and length of 1km (approximately). At levels of 50, 100 and 200m from the surface the zones are separated by local magnetic susceptibility highs that coincide with argillic altered volcanic rocks. The vertical magnetic susceptibility models suggest that the two demagnetization zones merge at depth where they define a single 400-500m (approximately) wide and 400-500m deep zone.

### **Bulgaria Exploration Program**

The Company's mineral exploration licenses in the Republic of Bulgaria ("Bulgaria") are held through its 100%-owned subsidiary Bulgaria Alpha EAD and are: (i) Zvezda and (ii) Byalo. The licenses are located in the Southeastern Rhodopes region which is a well-known mineral district that has been underexplored for epithermal low sulphidation Au-Ag veins, as well as disseminated, sediment hosted gold and porphyry Cu-Au deposits. Key deposits in this area are Chala, Kumovgrad, and Rozino. The two exploration contract areas are located over the Borovitsa Volcanic Complex which is host to a currently producing gold mine owned by a local Bulgarian company which Mundoro, through a 100%-owned subsidiary, owns less than 5% equity interest ([see news release dated June 10, 2013](#)).

- **Zvezda** license totals 161 sq.km in area and is located in the Southeastern Rhodopean Region. The Zvezda exploration contract was signed with the Ministry of Mining, Economy and Tourism in March 2013 ([see news release dated March 14, 2013](#)).

During Q1 2014 the Company continued with the review of the historical data compilation available in Bulgarian Geo-Fond and historic drill information was collected, analyzed and compiled into a digital access data base. The database was used to identify drill projects over specific areas of interest within the license. A total of 562 drill holes were compiled and divided into 6 specific projects. This process will allow the Company to assess the data, as well as evaluate and rank the projects according to priority. Furthermore, this data will be integrated with Mundoro's exploration results to date in order to create a base for follow-up work. Compilation of historic drill data established that geochemical core sampling was conducted over selected mineralized intervals of significance. It should be noted that the compiled government historical drill data is not compliant with current international quality standards and therefore is only be used for orientation.



- **Byalo** license is a 161 sq.km in area and is directly adjacent to the north of the Zvezda license area. The Byalo license exploration contract was signed in October 2013. Work completed during Q1 2014 included:
  - Compilation of available historical drill data simultaneously with the Zvezda project and integrating the data into a drill projects database. A total of 97 drill holes were compiled and divided into 3 specific projects. Similar to the Zvezda license, this data will be integrated with Mundoro's exploration results to date in order to create a base for follow-up work. The Company plans to follow-up on the existing geochemical anomalies, as well as the historical drill results on the property, starting in Q2 2014.
  - Stream sediment screening started during the 2013 field season continued at the property during Q1 2014 with a total of 81 samples collected. A sampling program is currently underway and is expected to be completed in early Q2 2014 with the collection of the remaining 50 samples. Pending assay results, work will continue with follow-up of generated anomalies throughout 2014.

On May 12, 2014, the Company entered an agreement to purchase the Chuprene Exploration Permit (the "Chuprene") located in north-western Bulgaria close to the border with Serbia, from the current permit holder who is an arm's length private third party. The Permit comprises 19,920 hectares in an area with known copper and copper-gold occurrences. In consideration of the transfer of the Permit, the Company will make an upfront payment to the Holder of 350,000 common shares of Mundoro at a deemed price of C\$0.30 per share upon closing of the transaction. In the event that the Company files a NI 43-101 compliant resource with respect to Chuprene, identifying at least 1,000,000 ounces gold-equivalent in the Measured and Indicated resource categories, the Company will have the option to either (i) issue an additional 3,500,000 common shares of Mundoro or (ii) pay one million in cash to the Holder. The Holder will retain a 10% Net Profit Interest royalty in Chuprene which can be repurchased by the Company for C\$1,000,000 at any time. The transaction is subject to regulatory and TSX Venture Exchange approvals as well as customary closing conditions. The transaction is expected to close in mid-2014.

### **Mexico Exploration Program**

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. 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.

The Company's mineral concessions, totaling 1728 sq.km, are located on the Mesa Central Belt, Northwestern Mexico in the States of Durango and Chihuahua. The mineral exploration concessions are held through the Company's 100%-owned subsidiary Mundoro de Mexico S.A. de C.V., and are: (i-iv) Cuencame (collectively 4 concession areas), (v) Camargo, (vi) Jimenez, (vii) Hidalgo (collectively 3 concession areas), (x) Mapimi Fraccion 1, (xi) Rodeo and (xii) Mapimi. The Company holds an option agreement to acquire 100% of the Centauro Property which comprises 8 easily accessed, adjacent exploration licenses covering a total of 29 sq.km.

### ***Summary of activity for Q1 2014***

Work in Mexico is focused on maintaining the concessions in good standing, reducing non-strategic land holdings and preparing Centauro, Camargo and the rest of the package for joint ventures or strategic alliances.

- **Centauro (Centauro, Tauro, Tauro 1, 3, 4, 5, 6, 7) concessions** are located on the eastern flanks of the Sierra Madre Occidental in the southern portion of the State of Chihuahua, about 280km southeast of Chihuahua City. The concessions cover a total of 29 sq.km.



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- Centauro is an extensive, intense and pervasive high level epithermal system. There exists excellent potential for higher grade mineralization at depth. The main area of interest at Centauro is a series of gently rolling hills which cover an area of 2.5km by 1.5km and rise in altitude about 100m to 200m above the surrounding plain. The hills are comprised mainly of Cretaceous conglomerates, with few occurrences of andesites and associated volcanic plugs and dykes of dioritic and monzonitic composition.
  - It is interpreted 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) had not tested deep enough.
  - The Company conducted a detailed mapping and sampling program in order to better define clay alteration, structures, epithermal features, stratigraphy and gold mineralization. The Company has also re-logged and sampled the significant drill holes to ensure concordance between drill sections and surface geology.
  - The Company has compiled a database of the geological information which is being used for joint venture discussions to further explore Centauro.
  
  - **Camargo concession** is located 480km north of Durango City, and covers 221 sq.km and lies within the Sierra and Llanuras del Norte physiographic province. This province is made up of Tertiary volcanic and intrusive rocks and Cretaceous, Tertiary and Quaternary sedimentary rocks.
    - The Property has a prominent airborne 'bulls-eye' magnetic anomaly over 7km in diameter which has the potential to host shallow buried bulk tonnage Au-Ag rich, high-grade polymetallic (Au, Ag, Pb, Zn) epithermal/porphyry-type deposits.
    - In 2012 the Company drilled 6 diamond drill holes for a combined total of 2870m and confirmed the presence of a large scale strongly mineralized and highly altered hydrothermal system.
    - In 2013 the Company compiled a database of the geological information which is being used for joint venture discussions to further explore Camargo.
  
  - **Cuencame (Cuencame and Cuencame 1, 2, 4) concessions** are located 165km northeast of Durango City and cover 465 sq.km. In 2011 a National Instrument 43-101 report was completed and filed on SEDAR.
    - These properties lie within the Sierra Madre Occidental 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 periods deformed the Mesozoic sedimentary rock into a series of roughly parallel northwest trending folds and faults.
    - In 2013, the Company undertook a work program within each of these concessions to target key land holdings and reduce non-strategic holdings. Work completed on the Cuencame concessions included geochemical surveys (37 rock samples), and further assessment of existing rock and stream sediment samples.
    - Based on analysis of the results of work performed, the Company submitted applications to the Mexican General Bureau of Mines ("GBM") to reduce non-strategic areas of Cuencame, and Cuencame 4 and to drop Cuencame 1. The impact of these applications, if accepted by the GBM, will be to reduce the landholdings by 209 sq.km.
  
  - **Jimenez concession** is located 300km north of Durango City, Mexico and covers 727 sq.km. The property lies within the Sierra and Llanuras del Norte physiographic province.
    - This province is made up of Tertiary volcanic and intrusive rocks and Cretaceous, Tertiary and Quaternary sedimentary rocks. Part of the concession covers old mine workings in which rock chips anomalous in Pb and Zn have been observed.
    - During 2013, the Company undertook a work program to target key land holdings and reduce non-strategic holdings. Work completed on the Jimenez concession included geochemical surveys, and further assessment of existing rock and stream sediment samples.
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## 4. RESULTS OF OPERATIONS

For the three months ended March 31, 2014, the Company recorded a loss of \$797,427 (\$0.02 per share) compared to a net loss of \$1,209,630 for the three months ended March 31, 2013.

The Company ended the three month period with \$10,426,958 in cash, cash equivalents and short term investments, and has no debt.

### Summary of Quarterly Results

CAD\$000's,	Q1/14	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12
<b>From operations:</b>								
Interest income	\$ 38	\$ 43	\$ 47	\$ 52	\$ 54	\$ 55	\$ 57	\$ 55
Exploration and project evaluation	(607)	(655)	(1,038)	(659)	(874)	(1,039)	(627)	(542)
Corporate expenses <sup>(1)</sup>	(184)	(365)	(362)	(246)	(312)	(305)	(228)	(219)
Loss before other (expenses) income	(753)	(977)	(1,353)	(853)	(1,132)	(1,290)	(798)	(706)
Dissident related costs	-	-	-	-	-	(24)	(849)	(314)
Other income (expense) <sup>(2)</sup>	(44)	(48)	(76)	(51)	(78)	(42)	(134)	2
Income (loss) for the period	(797)	(1,025)	(1,429)	(904)	(1,210)	(1,356)	(1,781)	(1,018)
Income (loss) per share:								
Basic	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.04)	\$ (0.03)
Diluted	(0.02)	(0.03)	(0.03)	(0.02)	(0.03)	(0.03)	(0.04)	(0.03)

- (1) Corporate Expenses include accounting and audit, corporate governance, corporate communication, and general and administrative expenses.
- (2) Other income (expense) includes share-based compensation, and foreign exchange loss (gain).



## **Result of Operations**

	<b>For the three months ended</b>	
	<b>March 31,</b>	<b>March 31,</b>
	<b>2014</b>	<b>2013</b>
<b>From operations:</b>		
Interest income	38,072	54,469
Exploration and project evaluation	607,151	874,519
Corporate expenses <sup>(1)</sup>	184,336	311,717
Loss before other expenses (income)	753,415	1,131,767
Dissident related costs	-	-
Other (income) expense <sup>(2)</sup>	44,012	77,863
Loss for the period	(797,427)	(1,209,630)
Basic and diluted loss per share	\$ (0.02)	\$ (0.03)

	<b>As at</b>	<b>As at</b>
	<b>March 31,</b>	<b>December 31,</b>
	<b>2014</b>	<b>2013</b>
Total Assets	11,839,385	12,671,634
Total Long Term Liabilities	Nil	Nil
Cash Dividends per Share	Nil	Nil

- (1) Corporate Expenses include accounting and audit, corporate governance, corporate communication, and general and administrative expenses.
- (2) Other income (expense) includes share-based compensation, and foreign exchange loss (gain).

## **Review of Operations**

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; and (ii) foreign exchange gains or losses that principally result from translating the foreign currency transactions to the functional currency of each entity.

### ***Review of Operations for the Quarter Ended March 31, 2014 Compared to the Quarter Ended March 31, 2013***

For the quarter ended March 31, 2014, the Company recorded a loss of \$797,427 (\$0.02 per share), compared to a net loss of \$1,209,630 (\$0.03 per share) for the quarter ended March 31, 2013. The decrease in net loss in the quarter was principally attributable to the following:

#### **Exploration and Project Evaluation Costs**

During the three months ended March 31, 2014, exploration and project evaluation costs were \$607,151 (March 31, 2013 - \$874,519). The decrease in exploration expenditures was primarily attributable to reduced exploration costs in Mexico as the Company has moved to a care and maintenance program for the Mexican properties.



### Corporate Expenses

During the three months ended March 31, 2014, corporate expenses were \$184,336 (March 31, 2013 – \$311,717). The decrease in 2014 from 2013 was primarily due to a reduction in costs related to corporate governance and corporate communications for reduced attendance at industry and investment conferences.

### Liquidity and Capital Resources

The Company's principal source of liquidity as at March 31, 2014 was cash and cash equivalents totaling \$699,234 (December 31, 2013 – \$244,899) and short-term investments of \$9,727,724 (December 31, 2013 - \$10,874,695).

For the 2014 fiscal year the Company has budgeted \$3 - \$4 million in exploration and corporate expenditures. The Company expects its current capital resources will be sufficient to carry its activities 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, the Company does not have revenue and relies upon current cash resources to fund its ongoing business and exploration activities.

## 5. SHARE CAPITAL

As of March 31, 2014, the Company had one class of common shares issued and 43,436,776 shares outstanding. At the date of this MD&A, the Company had 43,436,776 common shares outstanding and 3,295,000 stock options granted at prices ranging from \$0.28 to \$0.82.

## 6. RELATED PARTY TRANSACTIONS

Under IAS 24 "Related Party Disclosures", related parties include members of the key management personnel of the reporting entity and related party transactions encompasses compensation including short-term employee benefits such as wages, salaries, social security contributions and share-based payments.

Key management personnel include members of the Board of Directors and executive officers of the Company. The Company's directors receive compensation for meeting attendance and services provided to the committees on which they sit. Executive officers and directors of the Company also participate in the Company's share option program. During the three months ended March 31, 2014 the Company incurred the following expenses related to key management personnel:

<b>Expenses by nature:</b>	<b>For the three months ended</b>	
	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Directors' fees	\$ 29,988	\$ 42,500
Short-term management salaries and benefits	97,377	103,553
Share based payments - Directors	5,022	10,304
Share based payments - Management	6,613	12,600
	<b>\$ 139,000</b>	<b>\$ 168,957</b>

## 7. OFF BALANCE SHEET ARRANGEMENTS

There are no off balance sheet arrangements for the Company.



## 8. 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, cash equivalents and accounts receivable given the extremely low market interest rates. 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 R1M or higher. Other accounts receivable represent amounts owing from government agencies. The Company does not hold any asset-backed commercial paper.

## 9. CHANGES IN ACCOUNTING POLICIES

### Change in Reporting Currency

Effective January 1, 2013, the Company changed its presentation currency from United States dollars (US\$) to Canadian dollars (CAD\$) to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the mineral exploration industry.

In making the change in presentation currency, the Company followed the recommendations set out in IAS 21, "The Effects of Change in Foreign Exchange Rates". The cumulative translation reserves were set to nil at Jan 1, 2010, the date of transition to IFRS. The reserves and all comparative financial information have been restated to reflect the Company's results as if they had been historically reported in CAD\$ since that date.

On the change in the Company's presentation currency, comparative figures previously reported in US\$ were translated to CAD\$ as follows:

- Income and expenses were translated for each entity from their functional currency to CAD\$ at the average exchange rate for the relevant period;
- Assets and liabilities were translated at the closing exchange rate on the relevant balance sheet date; and
- Equity items were translated at historical exchange rates.

The resultant exchange rates that applied were as follows:

<b>US\$ - CAD\$</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Average Rate	1.0112	0.9885	1.0305
Closing Rate	0.9968	1.0210	1.0001

As a result of the change in the Company's reporting currency, a movement in the currency translation difference of \$839,127 was recognised in equity at December 31, 2012.

	<b>December 31, 2012</b>	
Share capital	\$	<b>8,344,779</b>
Share premium		<b>5,079</b>
Additional paid-in-capital		<b>1,141,467</b>
Stock options reserve		<b>70,837</b>
Deficit		<b>(8,723,035)</b>
	\$	<b>839,127</b>



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## **Adoption of New Accounting Standards**

The following material standards and amendments to existing standards have been adopted by the Company commencing January 1, 2014

IAS 32 “Financial Instruments: presentation” – The amendments to IAS 32, Financial Instruments: presentation, clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial instruments. At January 1, 2014, the Company adopted this standard and there is no impact on the consolidated financial statements.

## **Future Accounting Pronouncements**

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2014 reporting period. As at March 31, 2014, the following standards are assessed not to have any impact on the Company’s financial statements:

		<u>Effective Date</u>
IFRS 2 (Amendment)	Share based payments	July 1, 2014
IFRS 3 (Amendment)	Business combinations	July 1, 2014
IFRS 8 (Amendment)	Operating segments	July 1, 2014
IFRS 9	Financial instruments	To be confirmed
IFRS 13 (Amendment)	Fair value measurement	July 1, 2014
IAS 16 (Amendment)	Property, plant and equipment	July 1, 2014
IAS 24 (Amendment)	Related party disclosure	July 1, 2014
IAS 40 (Amendment)	Investment property	July 1, 2014

In July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9. The IASB agreed that the mandatory effective date should no longer be annual periods beginning on or after January 1, 2015 but rather left open pending the finalization of the impairment and classification and measurement requirements.



## **10. DISCLOSURE CONTROLS AND PROCEDURES UPDATE**

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by Mundoro is accumulated and communicated to management, as appropriate, to allow for timely decisions regarding required disclosure. The Company has concluded, based on its evaluation as of the end of the year, that the disclosure controls and procedures are effective to provide reasonable assurance that material information related to Mundoro, including the consolidated 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.

## **11. 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.

Although these weaknesses exist in the Company's internal controls, due to the lack of segregation of incompatible duties, 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 cannot occur.

## **12. 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**

The Company's operations are subject to extensive environmental, health and safety regulations in the various jurisdictions in which it operates. 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 a 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.



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Any failure to comply with applicable laws and regulations or to obtain or maintain permits, even if inadvertent, could result in the interruption of mining, exploration and developmental operations or in material fines, penalties or other liabilities.

## **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.

Future development and operations in foreign countries may be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to the restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, environmental legislation, land use, water use, land claims of local people, mine safety and receipt of necessary permits. The effect of these factors cannot be accurately predicted.

## **Competition**

The mining industry is competitive with many companies competing for the limited number of mineral resource 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 businesses 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.

## **Hiring of Key Personnel**



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. The Company's operations are based in Mexico, Serbia and Bulgaria and finding or hiring qualified people or obtaining all necessary services for the Company's operations may be difficult.

## **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 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 Canadian dollars while the majority of operating and capital expenditures are denominated in the Mexican peso, Canadian dollar, U.S. dollar, Serbian dinar and the Bulgarian lev, which is pegged to the Euro. Fluctuations in exchange rates between the U.S. dollar and the Euro, the Canadian dollar and the Serbian dinar and Bulgarian lev, the Canadian dollar and the U.S. dollar, and the Canadian 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



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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 of Mundoro also serve as directors or officers, or have significant shareholdings in, other companies involved in mineral property investments and, to the extent that such other companies may participate in ventures which Mundoro may participate in, a conflict may arise. The Company expects that any decision made by any of such directors and officers will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in applicable laws.

### **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. Although the Company has curtailed exploration activity in Mexico, we still maintain the existing concessions. 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.

### **Maoling Gold Project**

Mundoro owns 5% of the issued and outstanding shares of Mundoro Mining which has rights to a 79% interest in Tianli for the Maoling Gold Project located in Liaoning Province, China. Due to its 5% holdings, the Company's ability to effect change is limited.

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 the 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 Chinese Yuan ("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 People's Republic of China ("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 the PRC 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.

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

On September 30, 2011, Mundoro announced the completion of the National Instrument 43-101 ("NI 43-101") compliant technical report on the Company's 100%-owned Cuencame Property (the "Cuencame Technical Report"), which covers approximately 45,215 hectares (452 sq.km) in three mineral licenses. The Cuencame Technical Report was independently compiled and submitted by Geologica Groupe-Conseil Inc. ("Geologica") of Val-d'Or, Quebec, Canada. The report was prepared under the direction and oversight of Messrs. Alain-Jean Beauregard, P. Geol., and Daniel Gaudreault, ing., Geol., each of them a Qualified Person as defined by NI 43-101. The Cuencame licenses are located in the Cuencame District in the States of Durango and Coahuila, Mexico.

On April 15, 2013, Mundoro announced the completion of the NI 43-101 compliant technical report on the Company's 100%-owned Borsko Jezero Property in Bor, Serbia (the "Borsko Jezero Technical Report"). The Borsko Jezero Property is located in Northeastern Serbia and covers (46 sq.km). The Borsko Jezero Technical Report was prepared by D. Power-Fardy, P. Geo., EurGeol and Senior Geologist with Watts, Griffis and McQuat Limited, Consulting Geologists and Engineers of Toronto, Canada, and G. Magaranov, P. Geo., EurGeol and Senior Exploration Manager, SE Europe for Mundoro, both of whom are a Qualified Person as defined by NI 43-101



This management discussion and analysis of financial results uses 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 NI 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 Assessments as defined under NI 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 Financial Statements**

**(Unaudited)**

**For the Three Months Ended March 31, 2014 and 2013**

**Expressed in Canadian Dollars**

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

<i>As at</i>		March 31, 2014		December 31, 2013
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents (note 4)	\$	699,234	\$	244,899
Short-term investments (note 5)		9,727,724		10,874,695
Amounts receivable (note 6)		180,124		322,512
Deposits		34,575		33,841
Prepaid expenses		80,385		79,636
		<b>10,722,042</b>		<b>11,555,583</b>
<b>Non-current assets</b>				
Mineral interests (note 9)		619,033		612,893
Equipment and vehicles (note 8)		153,946		158,794
Investments (note 7)		344,364		344,364
		<b>1,117,343</b>		<b>1,116,051</b>
<b>TOTAL ASSETS</b>	\$	<b>11,839,385</b>	\$	<b>12,671,634</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities (notes 11 & 13)	\$	229,034	\$	314,690
<b>TOTAL LIABILITIES</b>	\$	<b>229,034</b>	\$	<b>314,690</b>
<b>EQUITY</b>				
Share capital (note 12)	\$	45,338,065	\$	45,338,065
Share premium (note 12(d))		390,144		390,144
Additional paid-in-capital (note 12(d))		8,708,996		8,549,487
Stock options reserve (note 12(d))		702,887		846,773
Foreign currency translation reserve (note 12(d))		133,470		98,259
Deficit		(43,663,211)		(42,865,784)
<b>TOTAL EQUITY</b>		<b>11,610,351</b>		<b>12,356,944</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	\$	<b>11,839,385</b>	\$	<b>12,671,634</b>

*Nature and continuance of operations (note 1)**Commitments (note 14)**Segmented information (note 15)**Subsequent events (note 18)*

*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 May 16, 2014.

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 Loss and Comprehensive Loss****(Expressed in Canadian Dollars - unaudited)**

	For the three months ended	
	March 31, 2014	March 31, 2013
<b>Interest income</b>	\$ 38,072	\$ 54,469
<b>EXPENSES</b>		
Exploration and project evaluation (note 10)	607,151	874,519
Corporate governance	64,180	92,595
General and administrative	38,255	52,452
Accounting and audit	21,655	18,293
Corporate communication	60,246	148,377
	791,487	1,186,236
<b>LOSS BEFORE OTHER EXPENSES</b>	<b>753,415</b>	<b>1,131,767</b>
<b>OTHER (INCOME) EXPENSES</b>		
Share-based payments (note 12(c))	15,623	25,428
Depreciation (note 8)	12,187	12,251
Foreign exchange (gain) loss	2,456	(3,360)
Disposal of fixed asset (note 8)	1,804	-
Write-down of mineral properties (note 9)	11,942	43,544
	44,012	77,863
<b>NET LOSS FOR THE PERIOD</b>	<b>797,427</b>	<b>1,209,630</b>
<b>OTHER COMPREHENSIVE (INCOME) TO BE RE-CLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>		
Foreign currency translation differences for foreign operations	(35,211)	(8,021)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ 762,216</b>	<b>\$ 1,201,609</b>
<b>Loss per share (note 12(e))</b>		
<b>Basic and diluted loss per share:</b>		
Operations	\$ (0.02)	\$ (0.03)
Comprehensive loss	\$ (0.02)	\$ (0.03)

*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 Canadian 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, 2012 (restated - Note 2c)</b>	<b>41,861,776</b>	<b>\$ 44,961,172</b>	<b>\$ 390,144</b>	<b>\$ 8,547,037</b>	<b>\$ 738,842</b>	<b>\$ 67,133</b>	<b>\$ (38,297,397)</b>	<b>\$ 16,406,931</b>	
Shares issued for cash - private placement (Note 12(b))	1,550,000	434,000	-	-	-	-	-	434,000	
Share issue costs	-	(69,143)	-	-	-	-	-	(69,143)	
Shares issued for cash - stock option exercise	25,000	7,750	-	-	-	-	-	7,750	
Reclassification of grant-date fair value on exercise of stock options	-	4,286	-	-	(4,286)	-	-	-	
Reclassification of grant-date fair value on expired options	-	-	-	2,450	(2,450)	-	-	-	
Share-based payments (Note 12(c))	-	-	-	-	114,667	-	-	114,667	
Net comprehensive income (loss) for the year	-	-	-	-	-	31,126	(4,568,387)	(4,537,261)	
<b>Balance at December 31, 2013</b>	<b>43,436,776</b>	<b>\$ 45,338,065</b>	<b>\$ 390,144</b>	<b>\$ 8,549,487</b>	<b>\$ 846,773</b>	<b>\$ 98,259</b>	<b>\$ (42,865,784)</b>	<b>\$ 12,356,944</b>	
<b>Balance at December 31, 2013</b>	<b>43,436,776</b>	<b>\$ 45,338,065</b>	<b>\$ 390,144</b>	<b>\$ 8,549,487</b>	<b>\$ 846,773</b>	<b>\$ 98,259</b>	<b>\$ (42,865,784)</b>	<b>\$ 12,356,944</b>	
Shares issued for cash - private placement	-	-	-	-	-	-	-	-	
Share issue costs	-	-	-	-	-	-	-	-	
Shares issued for cash - stock option exercise	-	-	-	-	-	-	-	-	
Reclassification of grant-date fair value on exercise of stock options	-	-	-	-	-	-	-	-	
Reclassification of grant-date fair value on expired options	-	-	-	159,509	(159,509)	-	-	-	
Share-based payments (Note 12(c))	-	-	-	-	15,623	-	-	15,623	
Net comprehensive income (loss) for the year	-	-	-	-	-	35,211	(797,427)	(762,216)	
<b>Balance at March 31, 2014</b>	<b>43,436,776</b>	<b>\$ 45,338,065</b>	<b>\$ 390,144</b>	<b>\$ 8,708,996</b>	<b>\$ 702,887</b>	<b>\$ 133,470</b>	<b>\$ (43,663,211)</b>	<b>\$ 11,610,351</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 Canadian Dollars - unaudited)**

	For the three months ended	
	March 31, 2014	March 31, 2013
<b>Cash flows provided from (used by):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (797,427)	\$ (1,209,630)
<b>Adjustments for items not affecting cash:</b>		
Depreciation	12,187	12,251
Share-based payments	15,623	25,428
Loss on disposal of equipment	1,804	-
Write-down of mineral properties	11,942	43,544
Unrealized interest income	(7,429)	(7,118)
	<b>(763,300)</b>	<b>(1,135,525)</b>
<b>Net changes in non-cash working capital items:</b>		
Amounts receivable	149,671	263,454
Prepaid expenses	(332)	(2,099)
Deposits	-	(1,322)
Accounts payable and accrued liabilities	(88,454)	(112,187)
<b>Net cash flows (used in) operating activities</b>	<b>(702,414)</b>	<b>(987,679)</b>
<b>FINANCING ACTIVITIES</b>		
<b>Net cash flows from (used in) financing activities</b>	-	-
<b>INVESTING ACTIVITIES</b>		
Expenditures on resource properties	-	(4,547)
Proceeds on redemption of short-term investments, net of interest earned	10,874,695	11,213,945
Purchase of short-term investments	(9,720,295)	(10,189,910)
Purchase of equipment	(6,223)	(17,869)
Proceeds on disposition of asset	1,221	-
<b>Net cash flows from investing activities</b>	<b>1,149,398</b>	<b>1,001,619</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>7,352</b>	<b>(755)</b>
<b>Net increase in cash and cash equivalents</b>	<b>454,335</b>	<b>13,185</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>244,899</b>	<b>695,634</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 699,234</b>	<b>\$ 708,819</b>
<b>Cash and cash equivalents consist of :</b>		
<b>From operations:</b>		
Cash	699,234	708,819
Cash equivalents	-	-
	<b>699,234</b>	<b>708,819</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 three months ended March 31, 2014 and 2013

(Expressed in Canadian Dollars - unaudited)

#### 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 Serbia and Bulgaria in Southeastern Europe, and in Mexico (see Notes 9, 10 and 15). 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 discovery or future profitable operations.

The Company was incorporated on March 6, 2008 under the Business Corporations 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 under the Business Corporations Act 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% equity 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 consolidated 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 March 31, 2014, the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. Barring any unforeseen developments, the Company has the ability to finance its operating costs and meet future obligations over the next twelve months with funds currently on hand. The Company’s continuation as a going concern over the long-term 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 future obligations.

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

These financial statements were authorized for issue on May 16, 2014 by the directors of the Company.

**a) *Statement of compliance to International Financial Reporting Standards***

These unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”).

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, 2013.

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 three months ended March 31, 2014 and 2013

(Expressed in Canadian Dollars - unaudited)

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

### c) Change in reporting currency

Effective January 1, 2013, the Company changed its presentation currency from United States dollars (US\$) to Canadian dollars (CAD\$) to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the mineral exploration industry.

In making the change in presentation currency, the Company followed the recommendations set out in IAS 21, *The Effects of Change in Foreign Exchange Rates*. The cumulative translation reserves were set to nil at January 1, 2010, the date of transition to IFRS. The reserves and all comparative financial information have been restated to reflect the Company's results as if they had been historically reported in CAD\$ since that date.

On the change in the Company's presentation currency, comparative figures previously reported in US\$ were translated to CAD\$ as follows:

- Income and expenses were translated for each entity from their functional currency to CAD\$ at the average exchange rate for the relevant period;
- Assets and liabilities were translated at the closing exchange rate on the relevant reporting date; and
- Equity items were translated at historical exchange rates.

The resultant exchange rates that applied were as follows:

US\$ - CAD\$	2012	2011	2010
Average Rate	1.0112	0.9885	1.0305
Closing Rate	0.9968	1.0210	1.0001

As a result of the change in the Company's reporting currency, a movement in the currency translation difference of \$839,127 was recognised in equity at December 31, 2012.

	December 31, 2012
Share capital	\$ 8,344,779
Share premium	5,079
Additional paid-in-capital	1,141,467
Stock options reserve	70,837
Deficit	(8,723,035)
	\$ 839,127

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Expressed in Canadian Dollars - unaudited)

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### d) *Adoption of new accounting standards*

The following material standards and amendments to existing standards have been adopted by the Company commencing January 1, 2014:

IAS 32 "*Financial Instruments: presentation*" – The amendments to IAS 32, Financial Instruments: presentation, clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial instruments. At January 1, 2014, the Company adopted this standard and there is no impact on the consolidated financial statements.

The impact of adopting other new standards, amendments and improvements effective January 1, 2014, had no impact on comprehensive income or significant disclosures.

### e) *Basis of consolidation*

These consolidated financial statements include the accounts of the Company and its controlled entities. Intercompany balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

### f) *Foreign currency translation*

These consolidated financial statements are presented in CAD\$. The functional currency of the Company and its controlled entities are measured using the currency of the primary economic environment in which that entity operates.

#### *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

#### Entity level:

The financial results and position of the entities whose functional currency is different from the presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the entity's foreign currency translation reserve in the statement of comprehensive income. These differences are recognized in the profit or loss in the period in which the operation is disposed.

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Expressed in Canadian 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 March 31, 2014, the Company does not expect the impact of such changes on the financial statements to be material.

		<u>Effective Date</u>
IFRS 2 (Amendment)	Share based payments	July 1, 2014
IFRS 3 (Amendment)	Business combinations	July 1, 2014
IFRS 8 (Amendment)	Operating segments	July 1, 2014
IFRS 13 (Amendment)	Fair value measurement	July 1, 2014
IFRS 9	Financial instruments	To be confirmed
IAS 16 (Amendment)	Property, plant and equipment	July 1, 2014
IAS 24 (Amendment)	Related party disclosure	July 1, 2014
IAS 40 (Amendment)	Investment property	July 1, 2014

In July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9. The IASB agreed that the mandatory effective date should no longer be annual periods beginning on or after January 1, 2015 but rather left open pending the finalization of the impairment and classification and measurement requirements.

#### 4. CASH AND CASH EQUIVALENTS

		<b>March 31, 2014</b>	<b>December 31, 2013</b>
<b>Cash at bank *</b>	<b>\$</b>	<b>699,234</b>	<b>\$ 244,899</b>

\*Cash at bank at March 31, 2014 includes CAD\$427,981 of restricted cash (December 31, 2013 - \$67,252) held as guarantees on Bulgarian mineral licenses.

#### 5. SHORT-TERM INVESTMENTS

		<b>March 31, 2014</b>	<b>December 31, 2013</b>
<b>Guaranteed Investment Certificates</b>	<b>\$</b>	<b>9,727,724</b>	<b>\$ 10,874,695</b>

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Expressed in Canadian Dollars - unaudited)

#### 6. AMOUNTS RECEIVABLE

	March 31, 2014	December 31, 2013
<b>Amounts Receivable</b>		
<b>Canada</b>	\$ 6,562	\$ 57,312
<b>Mexico</b>	145,380	168,638
<b>Europe</b>	28,182	126,562
	<b>\$ 180,124</b>	<b>\$ 352,512</b>

#### 7. INVESTMENTS

On October 11, 2011, the Company completed a 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 \$13,800,000, 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) of any change in status of the licenses for the Maoling Gold Project or of any guarantees provided. The investment represents the retained 5% ownership interest in MMI. As at March 31, 2014, the balance of the investment was \$63,511 (December 31, 2012 - \$63,511), which includes a reserve for potential costs associated with the transaction.

On June 10, 2013, it was announced the Company through a 100%-owned subsidiary acquired at a cost of \$280,853 less than 5% equity interest in a privately held gold producing company in Bulgaria that operates adjacent to the Company's Zvezda license. As at March 31, 2014, the Company had not received any indication from the majority owner nor the Bulgarian government that would indicate any impact on the carrying value of the investment.

The Company does not have significant influence on either of its investments. IAS 28 "Investments in associates and joint ventures" defines significant influence as the power to participate in the financial and operating policy decisions of the investee. The Company does not have the power to participate in the financial and operating policy decisions of either the investment in China or the investment in Bulgaria.

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Expressed in Canadian Dollars - unaudited)

#### 7. INVESTMENTS (continued)

Available for Sale Investments	March 31, 2014		December 31, 2013	
Investment in China	\$	63,511	\$	63,511
Investment in Bulgaria		280,853		280,853
	\$	344,364	\$	344,364

#### 8. EQUIPMENT AND VEHICLES

	Office Equipment		Field equipment		Total
<b>As at December 31, 2013</b>	\$	54,502	\$	185,415	\$ 239,917
Additions		6,223		-	6,223
Disposals		-		(4,665)	(4,665)
Effect of movements in exchange rates		543		5,837	6,380
<b>As at March 31, 2014</b>	\$	61,268	\$	186,586	\$ 247,854
<b>Accumulated depreciation</b>					
<b>As at December 31, 2013</b>	\$	(21,983)	\$	(59,140)	\$ (81,123)
Depreciation for the year		(2,740)		(9,447)	(12,187)
Disposals		-		1,640	1,640
Effect of movements in exchange rates		(229)		(2,009)	(2,238)
<b>As at March 31, 2014</b>	\$	(24,952)	\$	(68,956)	\$ (93,908)
<b>Net book amount</b>					
As at December 31, 2013		32,519		126,275	158,794
<b>As at March 31, 2014</b>	\$	36,316	\$	117,630	153,946

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Expressed in Canadian Dollars - unaudited)

## 9. MINERAL INTERESTS

	European Projects	Mexico Projects	Total
<b>Balance as at December 31, 2013</b>	\$ 444,417	\$ 168,476	\$ 612,893
<b>Add:</b>			
Acquisition costs	-	-	-
<b>Less:</b>			
Write-down	(11,942)	-	(11,942)
<b>Add:</b>			
Effect of movements in exchange rates	13,247	4,835	18,082
<b>Balance as at March 31, 2014</b>	\$ 445,722	\$ 173,311	\$ 619,033

### Serbian Properties

The Company holds eight (2013 – eight) 100%-owned exploration licenses which include: (i) Zeleznik, (ii) Topla, (iii) Borsko Jezero, (iv) Savinac, (v) Bacevica, (vi) Osnic, (vii) Sumrakovac and, (viii) Dubrava-Ostrelj. These properties are located in Northeastern Serbia approximately 100 km east of Belgrade and are held in the name of Stara Planina d.o.o., Mundoro's 100%-owned Serbian Company. The eight licenses cover an aggregate area of 637 sq.km. within the Timok Mining District.

To maintain title to the exploration licenses in Serbia, the Company has an ongoing annual exploration expenditure commitment. In addition, should the Company choose to maintain title to the properties, the Company will be obligated to make future annual government renewal payments.

### Bulgarian Properties

The Company holds two (2012 – nil) 100%-owned exploration licenses which include: (i) Zvezda and (ii) Byalo. The licenses are located in the Southeastern Rhodopes region and cover an aggregate area of 322 sq.km..

To maintain title to the exploration licenses in Bulgaria, the Company has an ongoing annual exploration expenditure commitment. In addition, should the Company choose to maintain title to the properties, the Company will be obligated to make future annual government renewal payments.

### Mexico Properties

The Company holds twelve (2012 – twelve) 100%-owned mineral concessions in a prospective mineral region in the Mesa Central belt of Durango and Chihuahua States in Mexico. The twelve concessions which include: (i) Cuencame, (ii) Cuencame 1, (iii) Cuencame 2, (iv) Cuencame 4, (v) Camargo, (vi) Jimenez, (vii) Hidalgo 3, (viii) Hidalgo 4, (ix) Hidalgo 5, (x) Mapimi Fraccion 1, (xi) Rodeo, and (xii) Mapimi, cover 1,728 sq.km., and are held through its wholly owned subsidiary Mundoro de Mexico, S.A. de C.V. During 2013, the Company's applications to drop the Hidalgo 1, Hidalgo 2, Tejamen, and Santiago mining concessions were accepted by the Mexican General Bureau of Mines ("GBM"). As of March 31, 2014, the Company has three applications from 2012 pending for mineral concessions covering 245,897 hectares. After completion of geochemical surveys and further assessment of existing rock and stream sediment samples on the Cuencame properties during 2013, the Company submitted applications with the GBM to reduce non-strategic areas of Cuencame, and Cuencame 4 and to drop Cuencame 1. The impact of these applications, if accepted by the GBM, will be to reduce the landholdings by 209 sq.km. The applications are pending as at March 31, 2014.

To maintain title to the mineral concessions in Mexico, the Company has an ongoing annual exploration expenditure commitment. In addition, should the Company choose to maintain title to the properties, the Company will be obligated to make future semi-annual government renewal payments.

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Expressed in Canadian Dollars - unaudited)

#### 9. MINERAL INTERESTS (continued)

On August 22, 2012 the Company announced that it 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 under the option agreement and can terminate the option agreement at any time.

#### 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 year:

	Europe		Mexico	Other Project Evaluation	Total
	Serbia	Bulgaria			
<b>For the three months ended March 31, 2014</b>					
Corporate <sup>(1)</sup>	\$ 33,990	\$ 29,354	\$ 27,906	\$ -	\$ 91,250
Land holding <sup>(2)</sup>	83,456	27,181	101,398	-	212,035
Government and community relations <sup>(3)</sup>	4,554	4,201	-	-	8,755
Field related <sup>(4)</sup>	10,577	5,113	58	-	15,748
Personnel <sup>(5)</sup>	92,318	69,570	4,594	-	166,482
Exploration <sup>(6)</sup>	16,998	1,566	-	-	18,564
Project evaluation <sup>(7)</sup>	32,401	18,390	12,069	31,457	94,317
	<b>\$ 274,294</b>	<b>\$ 155,375</b>	<b>\$ 146,025</b>	<b>\$ 31,457</b>	<b>\$ 607,151</b>
<b>For the three months ended March 31, 2013</b>					
Corporate <sup>(1)</sup>	\$ 54,625	\$ 48,740	\$ 66,284	\$ -	\$ 169,649
Land holding <sup>(2)</sup>	91,119	-	75,591	-	166,710
Government and community relations <sup>(3)</sup>	13,159	25,030	4,839	-	43,028
Field related <sup>(4)</sup>	9,627	1,876	34,002	-	45,505
Personnel <sup>(5)</sup>	73,259	27,841	168,439	-	269,539
Exploration <sup>(6)</sup>	16,767	1,350	37,040	-	55,157
Project evaluation <sup>(7)</sup>	22,510	15,989	54,508	31,924	124,931
	<b>\$ 281,066</b>	<b>\$ 120,826</b>	<b>\$ 440,703</b>	<b>\$ 31,924</b>	<b>\$ 874,519</b>

- 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 communicating 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 for conducting exploration work include consultants and employees (full-time and allocated costs).
- 6) Exploration expenditures include activities such as mapping, sampling, geophysical work, and drilling.
- 7) Project evaluation expenditures capture those costs incurred in evaluating new mineral project opportunities for the Company.

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Expressed in Canadian Dollars - unaudited)

#### 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2014		December 31, 2013	
Trade payables	\$	159,935	\$	172,152
Accrued liabilities		69,099		142,538
	\$	229,034	\$	314,690

#### 12. SHARE CAPITAL

**a) Authorized share capital**

Unlimited number of common shares without par value.

**b) Issued share capital**

At March 31, 2014 there were 43,436,776 issued and fully paid common shares (December 31, 2013 – 43,436,776).

On July 18, 2013, the Company announced that it had closed a non-brokered private placement (the "Offering") consisting of 1,550,000 common shares sold at a price of \$0.28 per common share to the Sheridan Platinum Group Ltd ("SPG"). The Offering represents the completion of the strategic investment in the Company by the SPG that was previously announced in July 2012. As a result of the Offering, SPG now holds, directly and indirectly, a total of 5,697,000 common shares representing approximately 13.1% of the Company's issued and outstanding shares and, therefore, has become a new insider of the Company, as that term is defined in applicable securities laws.

**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 approved by shareholders on May 27, 2011, and amended by the Board on March 26, 2012.

The changes in options during the three months ended March 31, 2014 were as follows:

	March 31, 2014		
	Weighted average exercise price		
	Number outstanding	in CAD	
Opening Balance, January 1, 2014	3,790,000	\$	0.46
Granted	-		-
Exercised	-		-
Expired	(1,666)		0.28
Cancelled	(490,000)		0.57
Forfeited	(3,334)		0.28
Closing Balance, March 31, 2014	3,295,000	\$	0.52

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Expressed in Canadian Dollars - unaudited)

## 12. SHARE CAPITAL (continued)

### c) Stock options (continued)

The following summarizes information about stock options outstanding and exercisable at March 31, 2014:

Expiry date	Options outstanding	Options exercisable	Exercise price (in CAD)	Weighted average remaining contractual life (in years)
June 22, 2014	472,500	472,500	0.57	0.23
August 11, 2015	210,000	210,000	0.82	1.36
February 25, 2016	50,000	33,000	0.59	1.91
August 3, 2016	700,000	700,000	0.50	2.35
November 28, 2016	150,000	75,000	0.31	2.67
February 7, 2017	52,500	39,375	0.41	2.86
April 3, 2017	225,000	150,000	0.37	3.01
May 21, 2017	300,000	183,325	0.38	3.14
November 14, 2017	105,000	69,999	0.34	3.63
April 3, 2018	177,500	59,166	0.28	4.01
December 2, 2018	852,500	284,170	0.30	4.68
	<b>3,295,000</b>	<b>2,276,535</b>		<b>2.85</b>

There were no options granted during the three months ended March 31, 2014 and 2013.

During the three months ended March 31, 2014, the Company recognized share-based payments expense of \$15,623 (2013 – \$25,428). For the three ended March 31, 2014 and 2013, share-based payments expense related to the stock options consists of the following:

	For the three months ended	
	March 31, 2014	March 31, 2013
<b>For services in respect of:</b>		
Exploration and project evaluation	\$ 6,769	\$ 7,832
Corporate governance	5,387	10,934
Accounting and audit	1,685	1,989
Corporate communication	1,782	4,673
	<b>\$ 15,623</b>	<b>\$ 25,428</b>

### d) 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.

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Expressed in Canadian Dollars - unaudited)

## 12. SHARE CAPITAL (continued)

### d) Reserves (continued)

#### 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 (CAD\$).

### e) Loss per share

	For the three months ended	
	March 31, 2014	March 31, 2013
<b>Basic loss per share:</b>		
<b>Operations:</b>		
Loss for the year from operations	\$ (797,427)	\$ (1,209,630)
Weighted average number of common shares outstanding	43,436,776	40,094,167
Basic loss per share: *	\$ (0.02)	\$ (0.03)
<b>Comprehensive loss:</b>		
Comprehensive loss for the year	\$ (762,216)	\$ (1,201,609)
Weighted average number of common shares outstanding	43,436,776	40,094,167
Basic loss per share: *	\$ (0.02)	\$ (0.03)
<b>Diluted loss per share:</b>		
<b>Operations:</b>		
Loss for the year from operations	\$ (797,427)	\$ (1,209,630)
Weighted average number of common shares outstanding	43,436,776	40,094,167
Diluted loss per share: *	\$ (0.02)	\$ (0.03)
<b>Comprehensive loss:</b>		
Comprehensive loss for the year	\$ (762,216)	\$ (1,201,609)
Weighted average number of common shares outstanding	43,436,776	40,094,167
Diluted loss per share: *	\$ (0.02)	\$ (0.03)

\* The effect of the loss is anti-dilutive and, as a result, the basic and dilutive loss per share are the same.

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Expressed in Canadian Dollars - unaudited)

#### 13. RELATED PARTY TRANSACTIONS AND BALANCES

**a) Related party balances**

The balances due to related parties included in accounts payables and accrued liabilities were \$49,753 as at March 31, 2014 (December 31, 2013– \$34,953). These amounts are for reimbursement of expenses and service fees.

**b) Related party transactions**

Expenses by nature:	For the three months ended	
	March 31, 2014	March 31, 2013
Directors' fees	\$ 29,988	\$ 42,500
Short-term management salaries and benefits	97,377	103,553
Share based payments - Directors	5,022	10,304
Share based payments - Management	6,613	12,600
	\$ 139,000	\$ 168,957

#### 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. The Company also has leased offices in Mexico, Serbia and Bulgaria. The Mexican office and Bulgarian offices can be terminated with 30 days notice while the lease agreement for the office in Serbia is cancellable with 60 days notice. As of March 31, 2014, the minimum obligations under these leases are as follows:

	Canada	Mexico	Europe	Total
2014	52,301	-	-	52,301
2015	17,434	-	-	17,434
	\$ 69,735	\$ -	\$ -	\$ 69,735

During the three months ended March 31, 2014, \$26,233 of lease payments had been recognized as an expense (2013 - \$24,321).

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Expressed in Canadian Dollars - unaudited)

#### 15. SEGMENTED INFORMATION

The Company has the following operating segments: the Mexico exploration program ("Mexico"), the Serbian and Bulgarian exploration programs ("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>Assets</b>				
As at March 31, 2014				
Non-current	\$ 152,115	\$ 172,458	\$ 792,770	\$ 1,117,343
Current	9,964,924	161,823	595,295	10,722,042
<b>Total Assets</b>	\$ 10,117,039	\$ 334,281	\$ 1,388,065	\$ 11,839,385
As at December 31, 2013				
Non-current	\$ 151,990	\$ 171,765	\$ 792,296	\$ 1,116,051
Current	11,112,959	171,284	271,340	11,555,583
<b>Total Assets</b>	\$ 11,264,949	\$ 343,049	\$ 1,063,636	\$ 12,671,634
<b>Loss from operations:</b>				
For the three months ended March 31, 2014	\$ 426,497	\$ 127,428	\$ 243,502	\$ 797,427
For the three months ended March 31, 2013	\$ 715,620	\$ 262,595	\$ 231,415	\$ 1,209,630

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 continuously reviews the 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.

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 activities through the current operating period.

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Expressed in Canadian Dollars - unaudited)

## 17. FINANCIAL INSTRUMENTS

The Company has classified: cash, cash equivalents and short-term investments as held-for-trading; deposits as held-to-maturity; investments as available-for-sale; amounts receivable as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

### a) Fair Value

At March 31, 2014 and December 31, 2013, the carrying values of cash and cash equivalents, short-term investments, amounts receivable, 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 investments (Note 7) were determined based on the proceeds from the transaction adjusted for potential costs associated with the transaction.

The fair value of investments are re-assessed each reporting period based on the underlying performance and significant events of each investment.

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.

As at March 31, 2014, Mundoro has the following classes of financial instruments measured at fair value:

Financial assets measured at fair value	March 31, 2014	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 699,234	\$ 699,234	\$ -	\$ -
Short-term investments	9,727,724	-	9,727,724	-
Investments	344,364	-	-	344,364

### Level 3 – Available for sale Financial Assets

The fair value of available for sale financial assets (investments) has been based on the initial investment at cost, which reflects fair value on the date of acquisition and as at March 31, 2014. The Company continues to monitor its investments for internal and external sources of information for indications of a change in the fair value.

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Expressed in Canadian Dollars - unaudited)

#### 17. FINANCIAL INSTRUMENTS (continued)

##### 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, cash equivalents and short-term investments. Cash, cash equivalents and short-term investments have been placed on deposit with major Canadian financial institutions.

The risk arises from the non-performance of counter parties of contractual financial obligations. The Company manages credit risk, in respect of cash, cash equivalents and, short-term investments 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:

	March 31, 2014	December 31, 2013
Held at major Canadian financial institutions:		
Cash	\$ 150,810	\$ 103,089
Short-term money market instruments	-	
Guranteed Investment Certificate	9,727,724	10,874,695
	<u>9,878,534</u>	<u>10,977,784</u>
Held at major Mexican financial institution:		
Cash	\$ 4,687	\$ 21,280
Held at major European financial institutions:		
Cash	\$ 543,737	\$ 120,530
<b>Total cash and short-term investments</b>	<b>\$ 10,426,958</b>	<b>\$ 11,119,594</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.

The Company is exposed to certain risks associated with receivables held in foreign jurisdictions. Management believes these risks are not significant.

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Expressed in Canadian Dollars - unaudited)

## 17. FINANCIAL INSTRUMENTS (continued)

### b) Financial Risk Management (continued)

#### 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, cash equivalents and short-term investments 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 its 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 March 31, 2014 in the amount of \$699,234 and \$9,727,724 respectively, in order to meet short-term business requirements. At March 31, 2014 the Company had accounts payable and accrued liabilities of \$229,034, which will be paid within three months.

#### Market Risk

The significant market risks to which the Company is exposed are interest rate risk and currency 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, cash equivalents and, short-term investments 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 March 31, 2014. As at March 31, 2014, the Company holds \$9,727,724 in short-term investments. Based on this net exposure as at March 31, 2014, 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 \$8,840 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\$, US\$, MXN, EUR, BGN and RSD, whereas the functional currency of the Canadian entity, Mexican entity, Bulgarian entity and Serbian entity are the CAD\$, MXN, BGN and RSD, 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 CAD\$ which differs from the functional currency of many of the subsidiaries. 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

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Expressed in Canadian Dollars - unaudited)

## 17. FINANCIAL INSTRUMENTS (continued)

### b) Financial Risk Management (continued)

#### Market Risk (continued)

##### Currency risk (continued)

of financial position. Non-monetary items are 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 year. The financial statements are subsequently translated into the CAD\$ 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) loss.

The Company had the following balances in the currencies held as at March 31, 2014:

	in CAD\$	in US\$	in MXN	in EURO	in BGN	in RSD
Cash and cash equivalents	126,046	27,233	13,655	354	570,526	7,348,012
Short-term investments	9,727,724	-	-	-	-	-
Deposits	11,599	-	53,885	-	23,487	11,538
Investments	344,364	-	-	-	-	-
Accounts payable and accrued liabilities	(168,709)	(3,081)	(162,822)	-	(12,682)	(2,500,408)
Rate to convert to \$1.00 CAD\$	1.0000	1.1061	0.0846	1.5212	0.7776	0.0133

CAD\$: Canadian Dollar

US\$: United States Dollar

MXN: Mexican Pesos

EURO: Euro

BGN: Bulgarian Lev

RSD: Serbian Dinar

Based on the above net exposure as at March 31, 2014, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD\$ against the US\$ would result in a change of approximately \$2,671 in the Company's net loss.

Based on the above net exposure as at March 31, 2014, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD\$ against the MXN would result a change of \$806 in the Company's net loss.

Based on the above net exposure as at March 31, 2014, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD\$ against the EURO would result a change of \$54 in the Company's net loss.

Based on the above net exposure as at March 31, 2014, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD\$ against all other currencies would result a change of \$51,667 in the Company's net loss.

The Company maintains its funds in Canadian dollars and purchases foreign currencies to meet current operating needs.

## Mundoro Capital Inc.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Expressed in Canadian Dollars - unaudited)

## 17. FINANCIAL INSTRUMENTS (continued)

### b) Financial Risk Management (continued)

#### Market Risk (continued)

##### 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. SUBSEQUENT EVENTS

On May 12, 2014, the Company entered an agreement to purchase the Chuprene Exploration Permit (the "Chuprene") located in north-western Bulgaria close to the border with Serbia, from the current permit holder who is an arm's length private third party. The Permit comprises 19,920 hectares in an area with known copper and copper-gold occurrences. In consideration of the transfer of the Permit, the Company will make an upfront payment to the Holder of 350,000 common shares of Mundoro at a deemed price of C\$0.30 per share upon closing of the transaction. In the event that the Company files a NI 43-101 compliant resource with respect to Chuprene, identifying at least 1,000,000 ounces gold-equivalent in the Measured and Indicated resource categories, the Company will have the option to either (i) issue an additional 3,500,000 common shares of Mundoro or (ii) pay one million in cash to the Holder. The Holder will retain a 10% Net Profit Interest royalty in Chuprene which can be repurchased by the Company for C\$1,000,000 at any time. The transaction is subject to regulatory and TSX Venture Exchange approvals as well as customary closing conditions. The transaction is expected to close in mid-2014.