MUNDORO

Consolidated Financial Statements

For the Years Ended December 31, 2012 and 2011

Expressed in United States Dollars

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Mundoro Capital Inc.

We have audited the accompanying consolidated financial statements of **Mundoro Capital Inc.,** which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of comprehensive (income) loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Mundoro Capital Inc.** as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Vancouver, Canada,
March 6, 2013.

Chartered Accountants

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

As at		December 31, 2012		December 31, 2011
ASSETS				
Current assets				
Cash and cash equivalents (note 4)		**5,781,069**		9,650,881
Short-term investments (note 5)		**10,193,271**		9,819,335
Amounts receivable (note 6)		**444,613**		127,148
Deposits		**16,235**		12,089
Prepaid expenses		**85,948**		73,518
		16,521,136		**19,682,971**
Non-current assets				
Mineral interests (note 9)	**$**	**285,655**	$	130,720
Equipment and vehicles (note 8)		**150,256**		24,910
Investment (note 7)		**63,721**		62,284
		499,632		217,914
TOTAL ASSETS	**$**	**17,020,768**	**$**	**19,900,885**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (notes 11 & 13)		**560,063**		199,133
TOTAL LIABILITIES		**560,063**		**199,133**
EQUITY				
Share capital (note 12)	**$**	**36,733,942**	$	35,691,807
Share premium (note 12(b))		**386,301**		168,738
Additional paid-in-capital (note 12(e))		**7,429,344**		7,319,886
Stock options reserve (note 12(e))		**670,149**		610,184
Foreign currency translation reserve (note 12(e))		**910,273**		529,719
Deficit		**(29,669,304)**		(24,618,582)
TOTAL EQUITY		**16,460,705**		**19,701,752**
TOTAL EQUITY AND LIABILITIES	**$**	**17,020,768**	**$**	**19,900,885**

Commitments (note 14)
Segmented information (note 15)

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

These consolidated financial statements are authorized for issue by the Board of Directors on March 6, 2013.

They are signed on the Company's behalf by:

/s/ Michael Calyniuk Director   */s/ Teo Dechev Director*

Mundoro Capital Inc.
(An exploration stage company)
Consolidated statements of Comprehensive (Income) Loss
(Expressed in United States Dollars)

	For the year ended December 31, 2012	For the year ended December 31, 2011
Interest income	**$ 221,676**	**$ 93,043**
EXPENSES		
Exploration and project evaluation (note 10)	**2,413,308**	**546,319**
Corporate governance	**426,127**	**380,078**
General and administrative	**369,696**	**188,253**
Accounting and audit	**297,619**	**221,032**
Corporate communication	**243,550**	**141,503**
Corporate Development	**165,369**	**381,018**
	3,915,669	**1,858,203**
LOSS BEFORE OTHER (INCOME) EXPENSES	**3,693,993**	**1,765,160**
OTHER (INCOME) EXPENSES		
Dissident related costs (note 18)	**1,187,335**	**-**
Share-based payments (notes 12(c)&(d))	**169,423**	**139,691**
Depreciation (note 8)	**23,813**	**1,443**
Foreign exchange (gain) loss	**(23,842)**	**(337,593)**
	1,356,729	**(196,459)**
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**5,050,722**	**1,568,701**
DISCONTINUED OPERATIONS		
Income for the year from discontinued operations	**-**	**(11,922,533)**
NET (INCOME) LOSS FOR THE YEAR	**5,050,722**	**(10,353,832)**
OTHER COMPREHENSIVE (INCOME) LOSS		
Foreign currency translation differences for foreign operations	**(380,554)**	**24,995**
TOTAL COMPREHENSIVE (INCOME) LOSS FOR THE YEAR	**$ 4,670,168**	**$ (10,328,837)**
Earnings (loss) per share (note 12(f))		
Basic earnings (loss) per share:		
Continuing operations	**$ (0.13)**	**$ (0.04)**
Discontinued operations	**-**	**0.31**
Comprehensive income (loss)	**(0.12)**	**0.27**
Diluted earnings (loss) per share:		
Continuing operations	**$ (0.13)**	**$ (0.04)**
Discontinued operations	**-**	**0.31**
Comprehensive income (loss)	**(0.12)**	**0.27**

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

Mundoro Capital Inc.
(An exploration stage company)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in United States Dollars)

	Share capital		Reserves					
	Number of shares	**Amount**	**Share Premium**	**Additional paid-in capital**	**Stock options reserve**	**Foreign currency translation reserve**	**Deficit**	**Total**
Balance at December 31, 2010	**38,340,301**	**$ 35,873,603**	**$ -**	**$ 6,890,036**	**$ 889,053**	**$ 554,714**	**$ (34,972,414)**	**$ 9,234,992**
Repurchase of common shares	(206,500)	(231,351)	168,738					(62,613)
Shares issued for cash - stock option exercise	58,975	33,831	-	-	-	-	-	33,831
Reclassification of grant-date fair value on exercise of stock options	-	15,724	-	-	(15,724)	-	-	-
Reclassification of grant-date fair value on expired options	-	-	-	429,850	(429,850)	-	-	-
Share-based payments	-	-	-	-	166,705	-	-	166,705
Net comprehensive (income) loss for the year	-	-	-	-	-	(24,995)	10,353,832	10,328,837
Balance at December 31, 2011	**38,192,776**	**$ 35,691,807**	**$ 168,738**	**$ 7,319,886**	**$ 610,184**	**$ 529,719**	**$ (24,618,582)**	**$ 19,701,752**
Balance at December 31, 2011	**38,192,776**	**$ 35,691,807**	**$ 168,738**	**$ 7,319,886**	**$ 610,184**	**$ 529,719**	**$ (24,618,582)**	**$ 19,701,752**
Shares issued for cash - private placement	3,950,000	1,560,250	-	-	-	-	-	1,560,250
Share issue costs	-	(192,620)	-	-	-	-	-	(192,620)
Repurchase of common shares	(281,000)	(325,495)	217,563	-	-	-	-	(107,932)
Reclassification of grant-date fair value on expired options	-	-	-	109,458	(109,458)	-	-	-
Share-based payments	-	-	-	-	169,423	-	-	169,423
Net comprehensive (income) loss for the year	-	-	-	-	-	380,554	(5,050,722)	(4,670,168)
Balance at December 31, 2012	**41,861,776**	**$ 36,733,942**	**$ 386,301**	**$ 7,429,344**	**$ 670,149**	**$ 910,273**	**$ (29,669,304)**	**$ 16,460,705**

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

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

	For the year ended December 31, 2012	December 31, 2011
Cash flows provided from (used by):		
OPERATING ACTIVITIES		
Net loss for the year from continuing operations	**$ (5,050,722)**	**$ (1,568,701)**
Adjustments for items not affecting cash:		
Depreciation	23,813	1,443
Share-based payments	169,423	139,691
Unrealized interest income	(104,179)	(12,929)
	(4,961,665)	**(1,440,496)**
Net changes in non-cash working capital items:		
Amounts receivable	(311,609)	(97,678)
Prepaid expenses	(10,278)	(35,815)
Deposits	(3,794)	(1,826)
Accounts payable and accrued liabilities	386,153	94,053
Net cash flows (used in) operating activities	**(4,901,193)**	**(1,481,762)**
FINANCING ACTIVITIES		
Issuance of common shares for cash, net of share issue costs	1,367,630	33,831
Restricted units exercised for cash	-	(44,774)
Repurchase of common shares	(107,932)	(62,613)
Net cash flows from (used in) financing activities	**1,259,698**	**(73,556)**
INVESTING ACTIVITIES		
Expenditures on resource properties	(148,930)	(136,135)
Purchase of short-term investments	(20,057,255)	(9,590,000)
Proceeds on redemption of short-term investments, net of interest earned	20,002,420	-
Purchase of equipment	(145,065)	(28,617)
Net cash flows (used in) investing activities	**(348,830)**	**(9,754,752)**
Net cash flows from discontinued operations	**-**	**12,003,703**
Effects of exchange rate changes on cash and cash equivalents	**120,513**	**(380,874)**
Net (decrease) increase in cash and cash equivalents	**(3,869,812)**	**312,759**
Cash and cash equivalents, beginning of year	**9,650,881**	**9,338,122**
Cash and cash equivalents, end of year	**$ 5,781,069**	**$ 9,650,881**
Cash and cash equivalents consist of :		
From continuing operations:		
Cash	**695,126**	**4,683,382**
Cash equivalents	**5,085,943**	**4,967,499**
	$ 5,781,069	**$ 9,650,881**
Cash paid during the year for interest	**$ -**	**$ -**
Cash paid during the year for income taxes	**$ -**	**$ -**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

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

These audited 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 December 31, 2012, 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 March 6, 2013 by the directors of the Company.

a) Statement of compliance to International Financial Reporting Standards

These consolidated financial statements of the Company 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").

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.

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

c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

	Country of incorporation	Percentage owned* December 31, 2012	Percentage owned* December 31, 2011
Europe Alpha Resources Inc.	B.V.I.	100%	100%
Europe Beta Resources Inc.	B.V.I.	100%	100%
Stara Planina Resources d.o.o.	Serbia	100%	100%
Mundoro Mining Corporation	B.V.I.	100%	100%
Bulgaria Alpha EAD	Bulgaria	100%	100%
Mundoro South America Incorporated	B.V.I.	100%	100%
Mundoro Mexico Incorporated	B.V.I.	100%	100%
Mundoro de Mexico S.A. de C.V.	Mexico	100%	100%

** Percentage of voting power is in proportion to ownership.*

Intercompany balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

d) Foreign currency translation

These consolidated financial statements are presented in United States dollars (USD). The functional currency of the Company and its controlled entities is measured using the currency of the primary economic environment in which that entity operates. The functional currency of the Company and its controlled entities is summarized as follows:

	Functional currency
Mundoro Capital Inc.	Canadian dollar (CAD)
Europe Alpha Resources Inc.	Canadian dollar (CAD)
Europe Beta Resources Inc.	Canadian dollar (CAD)
Stara Planina Resources d.o.o.	Serbian Dinar (RSD)
Mundoro Mining Corporation	Canadian dollar (CAD)
Bulgaria Alpha EAD	Bulgarian Lev (BGN)
Mundoro South America Incorporated	Canadian dollar (CAD)
Mundoro Mexico Incorporated	Canadian dollar (CAD)
Mundoro de Mexico S.A. de C.V.	Mexican Peso (MXN)

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.

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

d) Foreign currency translation (continued)

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.

e) Equipment and vehicles

Equipment and vehicles are initially recognized at cost. All items of equipment and vehicles are subsequently carried at depreciated cost less impairment losses, if any.

Depreciation is provided on all items of equipment and vehicles to write off the carrying value of items over their expected useful economic lives. Depreciation is provided at the following annual rates:

Computers	30% declining balance
Furniture and fixtures	20% declining balance
Office equipment	20% declining balance
Field equipment	30% declining balance
Vehicles	30% declining balance

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

f) Mineral interests

Exploration and Evaluation Assets

Exploration and evaluation assets include acquired mineral use rights for mineral properties held by the Company. The amount of consideration paid (in cash or share value) for mineral use rights is capitalized. The amounts shown for exploration and evaluation assets represent costs of acquisition incurred to date, less recoveries, and do not necessarily reflect present or future values. These costs will be amortized against revenue from future production or written off if the exploration and evaluation assets are abandoned or sold. The Company has classified exploration and evaluation assets as intangible in nature.

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

f) Mineral interests (continued)

Ownership in exploration and evaluation assets involves certain inherent risks, including political, geological, metal prices, operating costs, and permitting risks. Many of these risks are outside the Company's control. The ultimate recoverability of the amounts capitalized for the exploration and evaluation assets is dependent upon the delineation of economically recoverable ore reserves, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate a mine, and realizing profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in its exploration and evaluation assets have been based on current and expected conditions. However, it is possible that changes could occur which could adversely affect management's estimates and may result in future write downs of exploration and evaluation assets carrying values.

Exploration and Evaluation Costs

Exploration and evaluation costs, other than those described above, are expensed as incurred until such time as either mineral reserves are proven or probable, or permits to operate the mineral resource property are received and financing to complete development has been obtained. Following confirmation of mineral reserves or receipt of permits to commence mining operations and obtaining necessary financing, exploration and evaluation expenditures are capitalized as deferred development expenditures included within exploration and evaluation assets.

g) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

When applicable, the Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in comprehensive loss in those expense categories consistent with the function of the impaired asset.

h) Share-based payments

The share option plan allows the Company's directors, officers, employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

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

i) Financial instruments

Financial Assets

Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets at FVTPL include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in profit or loss. Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company has classified its cash and cash equivalents and, short-term investments as FVTPL.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Financial assets classified as loans and receivables are measured at amortized cost less impairment. The Company has classified its amounts receivable as loans and receivables.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process. Financial assets classified as held-to-maturity are measured at amortized cost. The Company has classified deposits as held-to-maturity.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in profit or loss. The Company has classified its investment as available-for-sale as the underlying asset is not publicly traded nor does the Company have any intention to sell this investment in the near future.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial Liabilities

Financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or classified as other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities and compensation liabilities as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income or loss. The Company has no financial liabilities classified as FVTPL.

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

j) Derecognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive loss.

k) Taxation

Tax expense recognized in comprehensive loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization or settlement, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a legally enforceable right to set off current tax assets and liabilities and the deferred income taxes related to the same taxable entity and the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in comprehensive loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand. Cash and cash equivalents have a term to maturity of three months or less from the date of acquisition.

(Expressed in United States Dollars)

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

m) Management judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts that require significant estimates as the basis for determining the stated amounts include investment, exploration mineral interests, and share-based payments. The investment was fair valued at the date of the transaction (see Note 7). Depreciation and depletion of exploration and evaluation assets are dependent upon resource estimates which are determined with the exercise of judgment. The assessment of any impairment of exploration and evaluation assets is dependent upon estimates of fair value that take into account factors such as resources, economic and market conditions. Share-based payments expense is calculated using the Black-Scholes valuation model which requires significant judgment as to considerations such as stock option lives and stock volatility.

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 December 31, 2012, the Company does not expect the impact of such changes on the financial statements to be material.

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

4. CASH AND CASH EQUIVALENTS

	December 31, 2012	December 31, 2011
Cash at bank	$ 695,126	$ 4,683,382
Short-term money market instruments	5,085,943	4,967,499
	$ 5,781,069	**$ 9,650,881**

(Expressed in United States Dollars)

5. SHORT-TERM INVESTMENTS

	December 31, 2012	December 31, 2011
Guaranteed Investment Certificate 1.5%	$ 10,193,271	$ -
Guaranteed Investment Certificate 1.25%	-	9,819,335
	$ 10,193,271	**$ 9,819,335**

6. AMOUNTS RECEIVABLE

	December 31, 2012	December 31, 2011
Sales tax receivables		
Canada	$ 236,214	$ 117,458
Mexico	191,442	9,690
Europe	16,957	-
	$ 444,613	**$ 127,148**

7. INVESTMENT

On October 11, 2011, the Company completed the Strategic Transaction with China National Gold Group Hong Kong Limited ("CNGHK"), which the Company understands to be a wholly-owned subsidiary of China National Gold Group Corporation ("CNG"). Pursuant to the share purchase agreement, CNGHK acquired 95% of the issued and outstanding shares of MMI, the Company's previously wholly owned subsidiary, for a cash purchase price of $13,414,980 (CDN$13,800,000), with the Company retaining 5% of the issued and outstanding shares of MMI.

All additional funds required for the purposes of MMI's operations shall be obtained, to the greatest extent possible, through loans made to MMI by a third party bank or other third party lender. The decision as to whether such funds are required, from whom such funds will be borrowed and the terms and conditions of such borrowing shall be determined by the Board of MMI. If required by a third party lender, China Gold Hong Kong Holding Corp. Limited ("CNGHK Designee") shall guarantee all of the indebtedness and obligations of MMI to the third party lender and shall sign any such guarantee and other agreement that such third party lender may require in respect of the same. In the event that CNGHK Designee becomes obligated to execute and deliver such a guarantee, the Company shall execute and deliver (on terms and conditions mutually acceptable to the Company and CNGHK Designee) a guarantee in favour of CNGHK Designee whereby the Company guarantees an amount equal to MCI's then pro rata interest in the issued and outstanding shares of MMI multiplied by the amount guaranteed by CNGHK Designee to such third party lender. In the event that CNGHK Designee becomes obligated to make payment pursuant to its guarantee to such third party lender, the Company shall, pursuant to its guarantee to CNGHK Designee, pay to CNGHK Designee an amount equal to the Company's then pro rata interest in the issued and outstanding shares of MMI multiplied by the amount paid by CNGHK Designee in respect of such guarantee.

The Company has not been informed by MMI (a private Canadian Company controlled by CNGHK) to date of any change in status of the licenses for the Maoling Gold Project. The investment represents the retained 5% ownership interest in MMI. As at December 31, 2012, the balance of the investment was $63,721 (CAD$ 63,511) (December 31, 2011 - $62,284 (CAD $63,511)), which includes a reserve for potential costs associated with the transaction.

(Expressed in United States Dollars)

8. EQUIPMENT AND VEHICLES

	Computers	Furniture and fixtures	Office equipment	Field equipment	Vehicles	Total
Cost	$	$	$	$	$	$
As at December 31, 2011	$ 1,416	$ 5,066	$ -	$ -	$ 19,750	$ 26,232
Additions	13,833	27,064	1,007	62,586	40,575	145,065
Effect of movements in exchange rates	203	464	3	1,714	2,079	4,463
As at December 31, 2012	$ 15,452	$ 32,594	$ 1,010	$ 64,300	$ 62,404	$ 175,760
Accumulated depreciation						
As at December 31, 2011	$ (92)	$ (243)	$ -	$ -	$ (987)	$ (1,322)
Depreciation for the year	(3,698)	(6,204)	(238)	(3,129)	(10,544)	(23,813)
Effect of movements in exchange rates	(33)	(44)	(2)	(86)	(204)	(369)
As at December 31, 2012	$ (3,823)	$ (6,491)	$ (240)	$ (3,215)	$ (11,735)	$ (25,504)
Net book amount						
As at December 31, 2011	1,324	4,823	-	-	18,763	24,910
As at December 31, 2012	11,629	26,103	770	61,085	50,669	150,256

9. MINERAL INTERESTS

	Mexico Projects	European Projects	Total
Balance as at December 31, 2011	**$ 112,186**	**$ 18,534**	**$ 130,720**
Add:			
Acquisition costs	67,888	81,042	148,930
Effect of movements in exchange rates	4,717	1,288	6,005
Balance as at December 31, 2012	**$ 184,791**	**$ 100,864**	**$ 285,655**

Mexico Properties

The Company, through its wholly owned subsidiary Mundoro de Mexico, S.A. de C.V., holds twelve mineral concessions (2011 – three) in a prospective mineral region in the Mesa Central belt of Durango and Chihuahua States in Mexico. The twelve concessions cover 119,836 hectares. The Company has applications for 6 additional mineral concessions covering 97,361 hectares.

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

9. MINERAL INTERESTS (continued)

Serbian Properties

The Company holds eleven (2011 – nil) 100% owned exploration licenses which include: Osanica Bukovska, Rakova Bara, Zeleznik, Glozana, Manastirica, Topla, Borsko Jezero, Savinac, Bacevica, Osnic and, Sumrakovac. These properties are located in N.E. Serbia approximately 100 km – 200 km East of Belgrade and are held in the name of Stara Planina d.o.o., Mundoro's Serbian Branch Company. The eleven licenses cover an aggregate area of 917 km^2 within the proven Timok Gold-Copper Mining District.

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

(Expressed in United States Dollars)

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:

	For the year ended December 31, 2012	For the year ended December 31, 2011	Accumulated total
For Mexican projects:			
Corporate expenses (1)	$ 136,557	$ 89,700	$ 226,257
Land holding costs (2)	94,589	-	94,589
Government and community relations (3)	-	6,618	6,618
Field related expenses (4)	138,491	83,523	222,014
Personnel (5)	553,730	86,679	640,409
Exploration expenditures (6)	774,762	71,307	846,069
Project evaluation (7)	4,242	-	4,242
	$ 1,702,371	$ 337,827	$ 2,040,198
For European projects:			
Corporate expenses (1)	$ 177,259	$ 22,115	$ 199,374
Land holding costs (2)	-	-	-
Government and community relations (3)	107,669	1,593	109,262
Field related expenses (4)	23,690	47,356	71,046
Personnel (5)	171,060	136,046	307,106
Exploration expenditures (6)	111,516	1,382	112,898
Project evaluation (7)	119,743	-	119,743
	$ 710,937	$ 208,492	$ 919,429
	$ 2,413,308	$ 546,319	$ 2,959,627

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 exploration opportunities for the Company.

(Expressed in United States Dollars)

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2012	December 31, 2011
Trade payables	$ 459,703	$ 84,840
Accrued liabilities	100,360	114,293
	$ 560,063	$ 199,133

12. SHARE CAPITAL

a) Authorized share capital
Unlimited number of common shares without par value.

b) Issued share capital
At December 31, 2012 there were 41,861,776 issued and fully paid common shares (December 31, 2011 – 38,192,776).

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

During the quarter ended December 31, 2011, the Company announced that it submitted to the TSX Venture Exchange ("TSXV") its Notice of Intention to Make a Normal Course Issuer Bid (the "NCIB Program"). In the opinion of the Company, its common shares have been trading at prices that do not reflect the underlying value of the Company, including its (i) strong financial position, (ii) minority interest in the Maoling Gold Project (iii) exploration program in a prospective mineral region in the Mesa Central belt of Durango-Chihuahua, and (iv) continued project generation program to bring further projects to the Company. The NCIB Program commenced on November 14, 2011 and terminated on November 13, 2012.

During the year ended December 31, 2012 the Company purchased and cancelled 281,000 common shares (2011: 206,500) and recognized a gain of $217,563 which was recorded as share premium (2011: $168,738).

12. SHARE CAPITAL (continued)

c) *Stock options*

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

The changes in options during the years ended December 31, 2012 and 2011 were as follows:

	December 31, 2012						December 31, 2011			
		Weighted average exercise					Weighted average exercise			
	Number outstanding		in CAD (1)		in USD (1)	Number outstanding		in CAD (1)		in USD (1)
Opening Balance, January 1, 2012	**2,685,000**	**$**	**0.55**	**$**	**0.54**	1,721,476	$	0.60	$	0.59
Granted	892,500		0.37		0.37	1,250,000		0.48		0.47
Excercised	-		-		-	(58,975)		0.57		0.56
Expired	(341,250)		0.57		0.57	(227,501)		0.57		0.56
Forfeited	(241,875)		0.49		0.49					
Closing Balance, December 31, 2012	**2,994,375**	**$**	**0.50**	**$**	**0.50**	2,685,000	$	0.55	$	0.54

(1) The option prices are contractually denominated in Canadian dollars. Exercise prices for stock options granted are reflected in U.S. dollars at exchange rates in effect at the year-end.

The following summarizes information about stock options outstanding and exercisable at December 31, 2012:

Expiry date	Options outstanding	Options exercisable	Exercise price (in CAD) (1)	Exercise price (in USD) (1)	Weighted average remaining contractual life (in years)
June 22, 2014	962,500	962,500	0.57	0.57	1.47
August 11, 2015	210,000	210,000	0.82	0.82	2.61
February 25, 2016	50,000	33,000	0.59	0.59	3.15
August 3, 2016	700,000	466,666	0.50	0.50	3.59
November 28, 2016	200,000	62,500	0.31	0.31	3.91
February 7, 2017	91,875	24,375	0.41	0.41	4.11
April 3, 2017	225,000	75,000	0.37	0.37	4.26
May 21, 2017	300,000	83,330	0.38	0.38	4.39
November 14, 2017	255,000	34,998	0.34	0.34	4.87
	2,994,375	**1,952,369**			**3.11**

(1) The option prices are contractually denominated in Canadian dollars. Exercise prices for stock options granted are reflected in U.S. dollars at exchange rates in effect at the year-end.

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

(Expressed in United States Dollars)

12. SHARE CAPITAL (continued)

c) Stock options (continued)

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

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

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

On November 14, 2012, the Company granted 105,000 options to the independent Directors of the Company, with an exercise price of USD $0.34 (CAD $0.34) per share. The options are exercisable for a period of five years. These options vest one-third on the date of grant and one-third each of the first and second anniversary of the date of grant.

On November 14, 2012, the Company also granted 150,000 options to an employee with an exercise price of USD $0.34 (CAD $0.34) per share. The options are exercisable for a period of five years. 37,500 of these options vest on the first anniversary and another 37,500 vest on the second anniversary. The remaining 75,000 options are subject to specific milestone criteria being met.

The estimated fair value of the options granted during the years ended December 31, 2012 and 2011 was calculated using the Black-Scholes Option Pricing Model with the following assumptions:

	For the year ended	
	December 31, 2012	**December 31, 2011**
Risk-free interest rate	1.23% - 1.50%	0.88% - 1.81%
Expected annual volatility	74% - 83%	78% - 88%
Expected life (in years)	3 - 5	3 - 5
Expected dividend yield	0%	0%
Grant date fair value per option	$0.17 - $0.27	$0.12 - $0.39

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

(Expressed in United States Dollars)

12. SHARE CAPITAL (continued)

c) *Stock options (continued)*

During the year ended December 31, 2012, the Company recognized share-based payments expense of $169,423 (2011 – $166,705). For the years ended December 31, 2012 and 2011, share-based payments expense related to the stock options consists of the following:

		For the year ended		
		December 31, 2012		**December 31, 2011**
For services in respect of:				
Corporate communication	**$**	**38,501**	$	26,187
Corporate governance		**69,820**		34,117
General and administrative		**15,729**		-
Exploration and project evaluation		**45,373**		106,401
	$	**169,423**	$	166,705

d) *Restricted Share Unit Plan*

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

The Company put in place a Restricted Share Unit Plan ("RSU Plan") in October 2008 for its directors, officers, employees and consultants. Share-based payments for RSUs were accrued over the RSU vesting period. At the end of each reporting period, the RSU liability is marked-to-market. Share-based payments (recovery) attributable to RSUs for the years ended December 31, 2012 and 2011 consists of the following:

		For the year ended		
		December 31, 2012		**December 31, 2011**
For services in respect of:				
Accounting and audit	**$**	**-**	$	(4,981)
Corporate communication		**-**		(2,957)
Corporate development		**-**		(7,432)
Government and community relations		**-**		(7,432)
Project management costs		**-**		(4,212)
	$	**-**	$	(27,014)

e) *Reserves*

Share premium
Share premium records the gain incurred from the equity transactions.

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

12. SHARE CAPITAL (continued)

e) 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 (USD).

(Expressed in United States Dollars)

12. SHARE CAPITAL (continued)

f) Earnings (Loss) per share

	For the year ended December 31, 2012	December 31, 2011
Basic earnings (loss) per share:		
Continuing operations:		
Loss for the year from continuing operations	$ (5,050,722)	$ (1,568,701)
Weighted average number of common shares outstanding	39,659,510	38,390,986
Basic loss per share	$ (0.13)	$ (0.04)
Discontinued operations:		
Income for the year from discontinued operations	$ -	$ 11,922,533
Weighted average number of common shares outstanding	39,659,510	38,390,986
Basic earnings per share	$ -	$ 0.31
Comprehensive loss:		
Comprehensive income (loss) for the year	$ (4,670,168)	$ 10,328,837
Weighted average number of common shares outstanding	39,659,510	38,390,986
Basic earnings (loss) per share	$ (0.12)	$ 0.27
Diluted earnings (loss) per share:		
Continuing operations:		
Loss for the year from continuing operations	$ (5,050,722)	$ (1,568,701)
Weighted average number of common shares outstanding	39,659,510	38,466,738
Diluted loss per share:	$ (0.13)	$ (0.04)
Discontinued operations:		
Income for the year from discontinued operations	$ -	$ 11,922,533
Weighted average number of common shares outstanding	39,659,510	38,466,738
Diluted earnings per share:	$ -	$ 0.31
Comprehensive income (loss):		
Net income (loss) for the year	$ (4,670,168)	$ 10,328,837
Weighted average number of common shares outstanding	39,659,510	38,466,738
Diluted earnings (loss) per share:	$ (0.12)	$ 0.27

(Expressed in United States Dollars)

13. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party balances

The balances due to related parties included in accounts payables and accrued liabilities were $31,551 as at December 31, 2012 (December 31, 2011– $50,559). These amounts are for reimbursement of expenses and service fees.

b) Related party transactions

	For the year ended December 31, 2012	For the year ended December 31, 2011
Directors' fees	**$ 116,551**	$ 125,148
Directors' fees (dissident related)	**57,185**	-
	173,736	125,148

c) Key management personnel compensation

	For the year ended December 31, 2012	For the year ended December 31, 2011
Short-term employee compensation and benefits	**$ 426,715**	$ 403,335
Share-based payments	**149,636**	135,956
	$ 576,351	$ 539,291

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 and Serbia which are up for renewal in 2013. As of December 31, 2012, the minimum obligations under these leases are as follows:

	Canada	Mexico	Serbia	Total
2013	**$ 39,105**	**$ 2,221**	**$ 925**	**$ 42,251**
2014	**39,105**	**-**	**-**	**39,105**
2015	**9,776**	**-**	**-**	**9,776**
	$ 87,986	**$ 2,221**	**$ 925**	**$ 91,132**

During the year ended December 31, 2012, $77,842 of lease payments had been recognized as an expense (2011 - $78,990 of which $13,379 related to the discontinued operations).

(Expressed in United States Dollars)

15. SEGMENTED INFORMATION

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

	Canada	Mexico	Europe	Total
Assets				
As at December 31, 2012				
Non-Current	$ 184,899	$ 171,773	$ 142,960	**$ 499,632**
Current	16,091,826	273,855	155,455	**16,521,136**
Total Assets	$ 16,276,725	$ 445,628	$ 298,415	**$ 17,020,768**
As at December 31, 2011				
Non-Current	$ 133,442	$ 84,472	$ -	**$ 217,914**
Current	19,567,222	82,025	33,724	**19,682,971**
Total Assets	$ 19,700,664	$ 166,497	$ 33,724	**$ 19,900,885**
Loss from continuing operations:				
For the year ended December 31, 2012	$ 3,295,155	$ 1,511,770	$ 243,797	**$ 5,050,722**
For the year ended December 31, 2011	1,476,053	92,648	-	**1,568,701**

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 exploration, development and investment plans and operations through the next twelve months.

17. FINANCIAL INSTRUMENTS

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

a) Fair Value

At December 31, 2012 and December 31, 2011, 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 investment (Note 7) was determined based on the proceeds from the transaction adjusted for potential costs associated with the transaction.

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

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

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

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

The following table summarizes the fair value hierarchy level used by Mundoro :

Cash:	Level 1
Cash equivalents	Level 2
Short-term investments	Level 2
Amounts receivable	Level 2
Deposits	Level 2
Accounts payable	Level 2
Investment	Level 3

(Expressed in United States Dollars)

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

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:

		December 31, 2012
Held at major Canadian financial institutions:		
Cash	$	491,714
Short-term money market instruments		5,085,943
Guranteed Investment Certificate		10,193,271
		15,770,928
Held at major Mexican financial institution:		
Cash	$	68,072
Held at major European financial institutions:		
Cash	$	135,340
Total cash and short-term investments	**$**	**15,974,340**

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 to be insignificant.

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 and cash equivalents to meet its short-term business requirements. In the long term, the Company may have to raise funds through the issuance of equity, assumption of debt, or other financing alternatives to complete development of it's current projects and any projects acquired by the Company in the future. There are no assurances that the Company would be successful in its efforts to secure any required future financing.

The Company maintained sufficient cash and cash equivalents and short-term investments at December 31, 2012 in the amount of $5,781,069 and $10,193,271, respectively, in order to meet short-term business requirements. At December 31, 2012 the Company had accounts payable and accrued liabilities of $560,063, 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 December 31, 2012. As at December 31, 2012, the Company holds $15,279,214 in cash equivalents and short-term investments. Based on this net exposure as at December 31, 2012, and assuming that all other variables remain constant, a 10% change in the interest rate the Company is currently receiving would result in an increase or decrease of approximately $16,000 in the Company's net loss.

Currency risk

The Company primarily operates in Canada, Mexico, Serbia and Bulgaria, and its expenses are incurred in CAD, USD, MXN, EUR, BGN and RSD, whereas the functional currency of the Canadian entity, Mexican entity, Bulgarian entity and Serbian entity are the CAD, MXN, 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 USD which differs from the functional currency. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on dates of transactions. At each financial reporting date, monetary assets and liabilities that are denominated in foreign currency are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items 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 US dollar reporting currency by translating the assets and liabilities at the closing rate at the reporting date and translating income and expenses for the period at the year-to-date average exchange rates, with the resulting translation adjustment recorded in other comprehensive (income) loss.

(Expressed in United States Dollars)

17. FINANCIAL INSTRUMENTS (continued)

b) *Financial Risk Management (continued)*

Market Risk (continued)

Currency risk (continued)

The Company had the following balances in the currencies held as at December 31, 2012:

	in CAD	in USD	in MXN	in EURO	in BGN	in RSD
Cash and cash equivalents	5,304,511	259,597	863,221	52,130	87,898	439,337
Short-term investments	10,159,744	-	-	-	-	-
Deposits	11,672	-	52,885	-	-	39,801
Investment	63,511	-	-	-	-	-
Accounts payable and accrued liabilities	(141,482)	-	(4,871,444)	-	(3,815)	(3,569,550)
Rate to convert to $1.00 CAD	1.0000	0.9967	0.0765	1.3120	0.6741	0.0116
Rate to convert CAD to $1.00 USD	1.0033	1.0033	1.0033	1.0033	1.0033	1.0033

CAD: Canadian Dollar
USD: United States Dollar
MXN: Mexican Pesos
EURO: Euro
BGN: Bulgarian Lev
RSD: Serbian Dinar

Based on the above net exposure as at December 31, 2012, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD would result in an increase or decrease of approximately $22,040 or $30,751, respectively, in the Company's net loss.

Based on the above net exposure as at December 31, 2012, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the MXN would result a change of $30,377 in the Company's net loss.

Based on the above net exposure as at December 31, 2012, 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 $8,964 in the Company's net loss.

The Company manages currency risk by balancing its US dollar and Canadian dollar funds. Management actively monitors movements in foreign currency and forecasts foreign currency payments.

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.

(Expressed in United States Dollars)

18. DISSIDENT RELATED COSTS

Upon the Company's adoption of an Advance Notice Policy (the "Policy") on June 11, 2012, prior to its originally scheduled annual general meeting, dissident shareholder Northern Minerals Investment Corp. (NMI) filed a petition in the Supreme Court of British Columbia seeking, among other relief, a declaration that the policy is unenforceable. The Board of Directors of Mundoro postponed the Annual General Meeting of shareholders to provide ample opportunity for any shareholder seeking to propose nominations to do so. In response, NMI amended its petition to also seek orders that the Company is not permitted to postpone the meeting or change the record date. On June 19, 2012 the Court dismissed the petition brought by NMI to prevent Mundoro from postponing its meeting of shareholders and from changing the record date for the meeting. At the Annual General Meeting on August 27, 2012, shareholders showed their support of the current board and voted to re-elect the board in its entirety. To December 31, 2012 the costs of addressing the dissident shareholders actions are $1,187,335 (2011: nil). The Company does not expect the costs will increase appreciably unless further dissident shareholder action is taken.

	For the year ended	
	December 31, 2012	**December 31, 2011**
Dissident Related Costs		
Legal	$ 925,074	$ -
Directors' fees	57,185	-
Solicitation	119,697	-
Printing and mailing	31,185	-
Other	54,194	-
	$ 1,187,335	$ -

19. INCOME TAXES

a) Income tax expense

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 25.0% (2011 – 26.5%) as follows:

	2012	2011
Expected tax expense (recovery)	$ (1,267,000)	$ (416,000)
Share based compensation and other differences	123,000	44,000
Foreign exchange rate and tax rate differences	(14,000)	-
Tax assets which have not been recognized	1,158,000	372,000
Income tax expense	$ -	$ -

(Expressed in United States Dollars)

19. INCOME TAXES (continued)

b) Deferred income tax assets

As at December 31, 2012 no deferred tax assets are recognized on the following temporary differences as it is not probable that sufficient future taxable profit will be available to realize such assets:

	December 31, 2012	December 31, 2011
Tax loss carry forwards and resource pools	2,155,000	1,052,000
Other	98,000	(29,000)
Unrecognized deferred tax assets	2,253,000	1,023,000

The Company has tax losses in Canada of approximately $6,689,000 (2011 – 4,108,000) expiring in various amounts from 2028 to 2032. The Company also has tax losses in Mexico of approximately $1,637,000 (2011 - $84,000) expiring from 2021 to 2022, tax losses in Serbia of approximately $202,000 (2011 – nil) expiring in 2017, and tax losses in Bulgaria of approximately $36,000 (2011 – nil) expiring in 2017.

MUNDORO

MANAGEMENT DISCUSSION AND ANALYSIS

For The Year Ended December 31, 2012
Expressed in United States Dollars

1. INTRODUCTION

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

This management discussion and analysis ("MD&A")should be read in conjunction with the Company's consolidated financial statements and supporting notes for the year ended December 31, 2012, 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"). A reconciliation of the previously disclosed comparative periods' financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS is set out in Note 23 to these financial statements.

This document has been reviewed by the Audit Committee of the Board of Directors of the Company and has been approved by the Board of Directors. All amounts are expressed in United States dollars unless otherwise indicated.

Additional information relating to Mundoro is available on our website at www.mundoro.com and on the Canadian Securities Administrator's website at 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 March 6, 2013.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.
- Subject to applicable laws, the Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

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

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

3. SUMMARY OF ACTIVITIES

The Company is in a financially strong position with $15,974,340 in cash, cash equivalents and short term investments, and no debt as at December 31, 2012.

Serbian Exploration Program

Pursuant to the project generation program initiated in 2011, the Company through its wholly-owned subsidiary, Stara Planina Resources EAD, has received approval in 2012 from the Serbian government for eleven mineral exploration licenses in the Republic of Serbia ("Serbia"): (i) Osanica-Bukovska (March, 2012), (ii) Rakova Bara (March, 2012), (iii) Zeleznik (March, 2012), (iv) Glozana (April, 2012), (v) Manastirica (April, 2012), (vi) Topla (June, 2012), (vii) Borsko Jezero (July, 2012), (viii) Savinac (November,2012), (ix) Bacevica (November, 2012), (x) Osnic (November, 2012) and (xi) Sumrakovac (November, 2012). The Company owns 100% of the eleven licenses and one additional application pending with the Ministry of Environment, Mining and Spatial Planning. The license areas total 917 square kilometers (sq. km) (91,917 hectares) and are located in Northeastern Serbia, approximately 100 km east of Belgrade.

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

The Company initiated a systematic exploration program on these license areas with a local team of geologists and consultants who have diverse experience primarily in the region.

Exploration has started with data compilation, planning and execution of stream sediment sampling programs over all the license areas. Significant data sets of historical information of known mineral occurrences, airborne magnetics, gravity, geology and topography has been re-evaluated and is being digitized where deemed necessary. Compilation is ongoing with a focus on known mineral occurrences where historical activities (sampling, trenching and drilling) report anomalous Au and Cu-Au results.

Regional Airborne Magnetic and Gravity data covering an area of 8,000 sq. km was processed, gridded, interpreted and used for targeting over the Timok Magmatic Complex in Eastern Serbia. The analysis focused on structural framework and controls in relation to geophysical signatures of known mineral deposits. The Geophysical interpretation and targeting was supported widely by geological, metallogenic and geochemical data. As a result, 22 prospective porphyry/epithermal targets were identified for follow up, eight of which fall within Mundoro's 100% owned exploration licenses. Defined regional targets will be followed up in 2013 with detailed ground electromagnetic and electrical geophysical surveys. Interpreted results will be further used to support and focus detailed exploration and drill target generation within the Company's TMC Properties.

Stream sediment sampling was completed over eight license areas (Rakova Bara, Glozana, Osanica Bukovska, Zeleznik, Manastirica, Borsko Jezero and Topla), and a total of 480 samples were analyzed. Results returned numerous anomalous in Au and multi-element streams which were evaluated, analyzed and followed-up with prospecting, mapping and rock sampling in the field. A total of 218 rock samples were collected from Zeleznik, Glozana, Osanica, Borsko Jezero, Topla, Bacevica, and Manastirica. Detailed 1:10,000 scale geological mapping was completed at the Borsko Jezero and Topla licenses. An AMT geophysical survey has been started over these areas and is expected to be completed in Q2 2013.

Borsko Jezero

- **Borsko Jezero** is located in Northeastern Serbia, totals 46 sq. km, 2 km west of the Bor smelter and refinery and has the potential to host a large epithermal Au and Cu-Au porphyry deposit. In 2012, data compilation and re-interpretation of historical geophysical airborne, magnetic and gravity data was conducted. The Company also conducted stream sediment sampling (highlighting an Au-Cu-Mo-Ag-As anomaly in the Southern part of the license), detailed geological mapping and rock sampling. A reconnaissance AMT geophysical survey was also completed along east-west profile lines spaced at 1000 m apart. Four anomalous areas of interest were delineated. All coincide with regional targets defined by Airborne magnetic and gravity data and are supported by stream sediment Cu-Au-Mo-Ag-As anomalism. All anomalies, large enough to be caused by a potentially mineralized body, appear to have continuity at depth and Southern anomaly points towards a regional magnetic target within Mundoro's newly granted license Sumrakovac. In 2013, the Company has scheduled a denser AMT grid to follow up all the defined targets in order to better delineate the anomalies. Following the infill AMT survey, an induced polarization (IP) chargeability survey will be carried out over the AMT anomalies and then upon confirming chargeability response, the anomalies will be further modeled in 3D and drill tested.

Topla

- **Topla** is located 8 km Northeast of the Bor mine smelter and refinery in Serbia, totals 64 sq. km, and could potentially host a large sediment hosted Au, epithermal Au and Cu Au porphyry deposit. In 2012, the Company conducted data compilation and re-interpretation of historical geophysical airborne, magnetic and gravity data. The Company also completed stream sediment sampling, detailed geological mapping and follow-up of stream sediment anomalies. For 2013, the Company has planned an AMT geophysical survey over the historical magnetic anomaly related to andesite breccia. The decision to continue with additional IP geophysics and/or drill testing will be based on interpretation of the results.

Savinac

- **Savinac** is a 90 sq. km property in Northeastern Serbia and has the potential to host a large epithermal Au and Cu Au porphyry deposit. The property is located within the southern TMC which is part of the prominent Tethyan Metallogenic Belt, host to world-class porphyry and epithermal Cu-Au deposits. The property contains a significant area of strong alteration in an elongated belt of 9.5 km x 1.5 km. There are several epithermal Cu-Au prospects marked by Cu-Mo-Ag-Pb-Zn with geochemical anomalies present. In 2012, the Company completed re-interpretation and targeting of regional airborne and gravity geophysical data. The Company is currently conducting data compilation re-analysis and interpretation along with assembling and digitizing of appropriate maps and historical drill data. In 2013, the Company will also conduct stream sediment sampling, geological and structural mapping, rock and soil geochemical sampling accompanied with Terra Spec analysis of hydrothermal alteration and leach capping. Based on first phase exploration results, the Company will follow up the generated targets with exploration drilling by the end of 2013.

Bacevica

- **Bacevica** is a 148 sq. km property located directly South of the Savinac license and is part of the four contiguous licenses which are 100% owned by the Company. The newly acquired property has the potential to host large Cu-Au porphyry and epithermal deposits. In 2012, the Company conducted reconnaissance field trips where rock samples were collected, which confirmed the historical anomalous results. Stream sediment sampling, geological and structural mapping, rock and soil geochemical sampling accompanied with Terra Spec analysis of hydrothermal alteration and leach capping which should be completed by the end of 2013. Based on first phase exploration results the Company will follow up the generated targets with exploration drilling in late 2013 or early 2014.

Osnic

- **Osnic** license area is a 74 sq. km area that is located directly east of the Savinac license and is part of the four contiguous licenses in the southern portion of the TMC. The newly acquired property has the potential to host deep Cu-Au porphyry and epithermal deposits. Assembly of topography, satellite imagery, historic airborne magnetics, and gravity geophysics and geology data is underway and in 2013 the Company has plans to compile all available data to re-analyze and re-interpret. In addition, the permit area will be screened by stream sediment sampling and anomalous areas will be followed up by rock chip sampling, mapping and soil sampling. Where required, the Company will also follow up with detailed mapping and geophysics (ground electro-magnetics and IP).

Sumrakovac

- The **Sumrakovac** license is a 103 sq. km area located directly South of, and adjacent to, the Borsko Jezero license and North of the Savinac license. It is part of the four contiguous licenses in the southern portion of the TMC. The newly acquired property, which contains a porphyry Cu-Au cluster of prospects and newly defined regional airborne geophysical targets, has the potential to host a large Cu-Au porphyry deposit. A large zoned hydrothermal alteration is present throughout. For 2013, the Company has planned a systematic, modern and results driven exploration approach, which started with careful data compilation. Re-interpretation and targeting of regional airborne and gravity geophysical data have been completed and two regional geophysical targets have been defined at the Northern part of the license. The Company will also conduct an AMT survey and stream sediment sampling followed up by rock chip sampling, mapping and soil sampling. After which, soil anomalies will be tested by trenching, detailed mapping and geophysics (ground electro-magnetics and IP) where required. Known mineral occurrences within the permit will be mapped, rock sampled and assessed using modern exploration models and under cover geochemistry. Special geophysics surveys (CSAMT) will be considered where necessary. Based on first phase exploration results, the Company will follow up the generated targets with exploration drilling.

Other Projects

- **Zeleznik** license is a 60 sq. km area located 5 km North of Majdanpek in Northeastern Serbia. The property has the potential to host a large sediment-hosted Au, epithermal Au and Cu-Au porphyry deposit. In 2012, the Company completed data compilation, re-interpretation of historical geophysical airborne, magnetic and gravity data and stream sediment sampling which generated numerous Au + multi-element anomalies. The Company also followed up with geological prospecting, testing stream sediment anomalies and rock geochemical sampling which returned elevated Cu-Mo-Au-Ag results. In 2013, the Company will continue with prospecting and follow-up of stream sediment anomalies, carry-out reconnaissance soil sampling surveys over anomalous stream and rock areas and perform sketch geological and hydrothermal alteration mapping of known mineral occurrences.

- **Glozana** license is a 49 sq. km located 16 km west of the Maidanpek porphyry Cu-Au deposit in Northeastern Serbia and has the potential to host a large sediment hosted Au, epithermal Au and Cu-Au porphyry deposit. In 2012, the Company completed data compilation, re-interpretation of historical geophysical airborne, magnetic and gravity data, geological prospecting, stream sediment sampling and follow-up of stream sediment anomalies. In addition, the Company completed rock geochemical sampling which highlighted Au anomalies in the Northern and Southern parts (1 rock sample returned high grade – 12.2 g/t Au). Follow-up rock sampling returned additional Au values 4.65 and 4.06 ppm Au and reconnaissance soil sampling highlighted several Au anomalies open to both the North and South, which requires additional follow-up. In 2013, the Company will continue with additional prospecting and follow-up of stream sediment anomalies, reconnaissance soil sampling to the North and South to cover all the areas highlighted by stream sediment anomalies and it will follow-up on the open soil anomalies and geological mapping over the Northern part of the license.

- **Osanica-Bukovska** license is a 100 sq. km area located in the Kucevo and Zagubica Municipalities in Northeastern Serbia. It has the potential to host a large sediment-hosted Au, epithermal Au and Cu-Au porphyry deposit. In 2012, the Company completed stream sediment sampling (few anomalies were returned), limited geological prospecting, and surface rock geochemical sampling (Au in Osanica vein system was confirmed). Currently, data compilation and re-interpretation of historical geochemistry, geophysics and drilling results is underway. A soil sampling survey has commenced with samples collected and dispatched for analysis. In 2013, the Company will continue working on data compilation and creation of Osanica historical data base; an exploration model build will be based on historical data and current results. The Company will also complete detailed geological mapping over Antina Cuka and Osanica prospects, soil sampling surveys and geophysical surveys. Mag-IP-Resistivity will be considered depending on results.

- **Rakova Bara** license is a 100 sq. km area located in the Kucevo and Zagubica municipalities in northeastern Serbia. It has the potential to host a large sediment-hosted Au, epithermal Au and Cu-Au porphyry deposit. In 2012, data compilation and re-interpretation of historical geophysical airborne, magnetic and gravity data, stream sediment sampling (few anomalies returned), rock geochemical sampling and limited geological prospecting have been completed.

- **Manastirica** license is a 77 sq. km area located in Northeastern Serbia in the Malo Crnice and Petrovac municipalities. In 2012, the Company completed stream sediment sampling (few anomalies returned) and rock geochemical sampling. It also undertook limited geological prospecting and commenced data compilation.

Mexico Exploration Program

The Mexican General Bureau of Mines ("GBM") has granted Mundoro's Mexican subsidiary (Mundoro de México, S.A. de C.V., ("MDMSA") twelve 100%-owned mineral concessions totaling 1,198 sq. km. The Company has six additional applications pending for mineral concessions totaling 974 sq. km. located in both Durango and Chihuahua States, Mexico. On August 20, 2012 the Company executed a definitive option agreement to acquire 100% of the Centauro project, which comprises 9 easily accessed, adjacent exploration licenses covering a total of 333 sq. km.

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.

MDMSA is fully operational with a team of well-equipped geologists and consultants. Mundoro completed an initial evaluation and ranking of the mineral concessions staked by the Company on the basis of: (i) airborne geophysics, (ii) favorable geology, (iii) known mineral occurrences and (iv) prospective structures. The Company conducted in 2012 exploration including: (i) ground magnetics, (ii) ground IP and Resistivity, (iii) stream sediment sampling, (iv) geologic mapping (v) ASTER imagery and (vi) drill hole testing.

Camargo

- The **Camargo concession,** located 480 km North of Durango City is an exploration property covering 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 Camargo property has a prominent airborne 'bulls-eye' magnetic anomaly over 7 km in diameter and the potential to host shallow buried bulk tonnage gold-silver rich, high-grade polymetallic (Au, Ag, Pb, Zn) epithermal / porphyry-type deposits.

- During 2012 the Company completed 'ASTER' alteration imagery, geochemical surveys, geophysical surveys (including an induced polarization and ground magnetic survey), geological mapping and a drilling program consisting of 6 diamond drill holes for a combined total of 2870 meters (m). The first phase of drilling has confirmed the presence of a mineralized and highly altered hydrothermal system and resulted in the discovery of strong hydrothermal alteration, multi-phase explosive-style hydrothermal brecciation, tourmaline breccias, skarns and multiple stockwork veining; all key components attributable to many mineral deposits. The presence of anomalous lead, zinc and elevated silver as well as broad intersections of low-level Au and Cu in the system are interpreted to represent a distal phase of mineralization around a Cu-Au porphyry deposit. For assay results, please refer to the News Release: *Camargo Drilling Confirms Mineralized Hydrothermal System, February 20, 2013*.

Centauro

- The **Centauro** property is located on the eastern flanks of the Sierra Madre Occidental in the Southern portion of the Chihuahua State, about 280km Southeast of Chihuahua City. The main area of interest at Centauro is a series of gently rolling hills which cover an area of 2.5 km by 1.5 km and rise in altitude about 100 m to 200 m 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. The geology of the Centauro project area is comprised of three distinct conglomerate units which have undergone multiple hydrothermal alteration and mineralization events. The upper unit has undergone very strong chalcedonic silicification over an area of over 2.5 km by 1.5 km. Strong clay alteration, carrying anomalous mercury, arsenic, antimony, silver and gold, was produced by hydrothermal fluids circulating within the middle conglomerate unit which was trapped by the silica sealed upper unit. The black quartz and chalcedony are believed to be related to a late stage fumerolic event which traverses all lithologies. 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 has completed a mapping and sampling program concentrated on identifying areas of clay alteration, structures and mineralization as well as re-logging and sampling of all existing drill core. Samples have been analyzed by Terra-Spec to ascertain the clay alteration minerals present. A drilling program to test these structures has been planned for mid-2013. Drill holes will test favorable structures which are conduits for epithermal clay alteration and mineralizing fluids. The inferred contact between the conglomerate and underlying andesite / diorite at depth is where an economic deposit is most likely to be developed. We expect that the current topographical surface is close to the paleosurface, with a likely target depth of 400 – 600m deep.

Cuencame

- **Cuencame (Cuencame and Cuencame 1, 2, 4) concessions** are located 165 km Northeast of Durango City and cover 465 sq. km. These properties lie within the Sierra Madre Oriental and Mesa Central physiographic provinces. These provinces are made up of Mesozoic marine strata that were deformed during the Laramide Orogeny. Northeast-Southwest oriented compression during the Cretaceous to Early Tertiary deformed the Mesozoic sedimentary rock into a series of roughly parallel Northwest trending folds and faults. Work completed on the Cuencame concessions in 2012 includes: geochemical surveys (rock–28 samples; stream sediment-139 samples), and limited prospecting. In 2011 a National Instrument 43-101 report was completed and filed on SEDAR.

Other Properties

- **Jimenez (Jimenez and Jimenez 2, and 3) concessions** are located 300 km North of Durango City, Mexico and covers 862 sq. km. This property lies within the Sierra and Llanuras del Norte physiographic province. This province is made up of Tertiary volcanic, intrusive and Cretaceous, Tertiary and Quaternary sedimentary rocks. Part of the concession covers old mine workings in which rock chips anomalous in lead and zinc have been observed. Work completed on the Jimenez concession in 2012 includes: 'Aster' alteration imagery (property wide), prospecting (property wide); mapping of continuous chip sampling trenches, geochemical (rock–112 samples; stream sediment–123 samples; soil–35 samples) and geophysical surveys (IP–20.0 line km; Ground magnetic–117.9 line km).

- **Tejamen concession** is located 120 km Northwest of Durango City and covers 62 sq. km. Work completed on the Tejamen concession includes: 'ASTER' alteration imagery (property wide), geochemical surveys (rock–3 samples; stream sediment–6 samples) and prospecting in the Southwest region of the property where rock outcrops.

- **Rodeo concession** is located 160 km North of Durango City, Mexico and covers 46 sq. km. Work completed on the Rodeo concession includes: 'ASTER' alteration imagery (property wide), prospecting (property wide), geochemical (rock–36 samples; stream sediment–163 samples) and geophysical surveys (IP–6 line km; Ground magnetic–30 line km).

- **Hidalgo (1, 2, 3, 4 and 5) concessions** are located approximately 250 km North of Durango City and cover 430 sq. km. Work completed to date on the Hidalgo concessions includes: 'ASTER' alteration imagery (property wide), geochemical (rock–19 samples; stream sediment–77 samples) and geophysical surveys (IP-11 line km; Ground magnetic-28.7 line km).

- **Santiago concession** is located 180 km Northwest of Durango City and covers 77 sq. km. Work completed on the Santiago concession includes: 'ASTER' alteration imagery (property wide), geochemical survey (rock–3 samples) and limited prospecting in the Northwest region of the property.

- **Mapimi concession** is located 250 km Northeast of Durango, Mexico and covers 34 sq. km. Work completed on the Mapimi concession includes: 'ASTER' alteration imagery (property wide), prospecting (property wide); geochemical (rock–20 samples; stream sediment–105 samples) and geophysical surveys (IP–5.4 line km; Ground magnetic–26.2 line km).

<u>*Future Project Acquisitions and Outlook*</u>

The Company continues to evaluate advanced and development stage mineral resource properties for acquisition or joint venture, while at the same time advancing its exploration properties in Serbia and Mexico. All properties staked or acquired are evaluated on a quarterly basis as to whether to continue exploration, progress into development, drop the property, or joint venture out to another company. The Company is pursuing further prospective projects (including development and/or producing) to add to the strong project pipeline and drive long-term, sustainable growth in order to attain production and shareholder return.

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

Maoling Property, China

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

Dissident Related Costs

Prior to its originally scheduled annual general meeting, the Company adopted an Advance Notice Policy (the "Policy") on June 11, 2012. Shortly thereafter, dissident shareholder, Northern Minerals Investment Corp. (NMI), filed a petition in the Supreme Court of British Columbia seeking, among other relief, a declaration that the policy is unenforceable. The Board of Directors of Mundoro postponed the Annual General Meeting of shareholders to provide ample opportunity for any shareholder seeking to propose nominations to do so. In response, NMI amended its petition to also seek orders that the Company is not permitted to postpone the meeting or change the record date. On June 19, 2012 the Court dismissed the petition brought by NMI to prevent Mundoro from postponing its meeting of shareholders and from changing the record date for the meeting. At the Annual General Meeting on August 27, 2012, shareholders showed their support of the current board and voted to re-elect the board in its entirety. To December 31, 2012 the costs of addressing the dissident shareholders actions are $1,187,335 (2011: nil).

	For the year ended	
	December 31, 2012	**December 31, 2011**
Dissident Costs		
Legal	$ 925,074	$ -
Directors' fees	57,185	-
Solicitation	119,697	-
Printing and mailing	31,185	-
Other	54,194	-
	$ 1,187,335	$ -

4. Financial Highlights

The Company's net loss for the year ended December 31, 2012 was $5,050,722 ($0.13 per share), compared to a net income of 10,353,832 ($0.27 per share) for 2011, which included income from discontinued operations of $11,922,533. The 2012 loss was principally attributable to the following:

- Dissident shareholder related costs of $1,187,335, compared to $NIL in 2011;
- Exploration and project evaluation costs of $2,413,308, compared to $546,319 in 2011; and
- Corporate costs of $1,502,361, compared to $1,311,884 in 2011.

The Company ended the year-end with $5,781,069 in cash and cash equivalents, $10,193,271 in short-term investments, and no debt.

5. Summary Of Quarterly Results

The following quarterly information is prepared in accordance with IFRS beginning on January 1, 2011. The Company's reporting currency is the U.S. dollar.

US$000's, except per share data	Q4/12	Q3/12	Q2/12	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11
From continuing operations:								
Interest Income	$ 55	$ 58	$ 55	$ 54	$ 37	$ 13	$ 26	$ 17
Exploration and project evaluation	(960)	(509)	(420)	(524)	(255)	(172)	(73)	(46)
Corporate expenses [(1)]	(379)	(364)	(334)	(425)	(404)	(391)	(238)	(279)
Loss before other (expenses) income	(1,284)	(816)	(699)	(895)	(622)	(550)	(285)	(307)
Dissident related costs	(30)	(845)	(312)	-	-	-	-	-
Other income (expense) [(2) & (3)]	(26)	(125)	55	(74)	986	(343)	(171)	(275)
Income (loss) for the period	(1,341)	(1,784)	(957)	(969)	364	(893)	(456)	(583)
Income (loss) per share:								
Basic	$ (0.03)	$ (0.04)	$ (0.03)	$ (0.03)	$ -	$ (0.02)	$ (0.01)	$ (0.02)
Diluted	(0.03)	(0.04)	(0.03)	(0.03)	-	(0.02)	(0.01)	(0.02)
Income (loss) on discontinued operations:	$ -	$ -	$ -	$ -	$ 12,417	$ (296)	$ (86)	$ (112)
Earnings (loss) per share on discontinued								
Basic	$ -	$ -	$ -	$ -	$ 0.31	$ -	$ -	$ -
Diluted			-	-	0.31	-	-	-

(1) Corporate Expenses include accounting and audit, corporate development, corporate governance, corporate communication, and general and administrative expenses.
(2) Other Expenses include share-based compensation, and foreign exchange loss (gain).
(3) As part of the 2011 year-end close process, management identified a reclassification between foreign exchange (gains) losses and the foreign currency translation reserve. The above quarterly table includes the revised reclassification.

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

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

6. Result Of Operations

The following quarterly information is prepared in accordance with IFRS beginning on January 1, 2011. The Company's reporting currency is the U.S. dollar.

	For the year ended December 31, 2012	December 31, 2011	December 31, 2010
From continuing operations:			
Interest income	221,676	93,043	46,809
Exploration and project evaluation	2,413,308	546,319	-
Corporate expenses (1)	1,502,361	1,311,884	1,064,117
Loss before other expenses (income)	3,693,993	1,765,160	1,017,308
Dissident related costs	1,187,335	-	-
Other (income) expense (2) & (3)	169,394	(196,459)	494,528
Loss for the period	(5,050,722)	(1,568,701)	(1,511,836)
Basic and diluted loss per share	$ (0.13)	$ (0.04)	$ (0.04)
Loss (income) on discontinued operations:	-	(11,922,533)	1,646,645
Basic and diluted (loss) income per share on discontinued operations:	$ -	$ 0.31	$ (0.04)

	As at December 31, 2012	As at December 31, 2011	As at December 31, 2010
Total Assets	17,020,768	19,900,885	9,508,738
Total Long Term Liabilities	Nil	Nil	Nil
Cash Dividends per Share	Nil	Nil	Nil

(1) Corporate Expenses include accounting and audit, corporate development, corporate governance, corporate communication, and general and administrative expenses.
(2) Other Expenses include share-based compensation, and foreign exchange loss (gain).
(3) As part of the 2011 year-end close process, management identified a reclassification between foreign exchange (gains) losses and the foreign currency translation reserve. The above quarterly table includes the revised reclassification.

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

Quarter Ended December 31, 2012 Compared to the Quarter Ended September 30, 2012

The Company's net loss for the quarter ended December 31, 2012 was $1,340,903 ($0.03 per share), compared to a loss for the quarter ended September 30, 2012 of $1,783,741 ($0.04 per share), The decrease in loss for the quarter ended December 31, 2012 compared to the quarter ended September 30, 2012 is primarily due to the reduction of dissident shareholder related costs.

Changes in the quarter ended December 31, 2012 compared to the quarter ended September 30, 2012 are primarily due to:

- Exploration and project related costs of $960,233 for the quarter ended December 31, 2012, from $509,132 for the quarter ended September 30, 2012. This increase was primarily the result of continued exploration in Mexico and Serbia, including the drill program undertaken in Mexico.
- Dissident shareholder related costs of $30,549 for the quarter ended December 31, 2012, from $844,734 for the quarter ended September 30, 2012.

Quarter Ended December 31, 2012 Compared to the Quarter Ended December 31, 2011

The Company's net loss for the quarter ended December 31, 2012 was $1,340,903 ($0.03 per share), compared to the Company's net income for the quarter ended December 31, 2011 of $12,780,328 ($0.31 per share), which included net income from discontinued operations of $12,416,934 and a foreign exchange gain of $943,818.

Changes in the quarter ended December 31, 2012 compared to the quarter ended December 31, 2011 are primarily due to:

- Income from discontinued operations of nil for the quarter ended December 31, 2012, compared to $12,416,934 for the quarter ended December 31, 2011.
- Exploration and project related costs of $960,233 for the quarter ended December 31, 2012, compared to $255,180 for the quarter ended December 31, 2011. This increase was primarily the result of increased exploration activity in Mexico and Serbia and the drill program undertaken in Mexico.
- Foreign exchange gain of $19,057 for the quarter ended December 31, 2012, compared to a gain of $943,818 for the quarter ended December 31, 2011.

Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011

The Company's net loss for the year ended December 31, 2012 was $5,050,722 ($0.13 per share) when compared to a net income of $10,353,832 ($0.27 per share) for the year ended December 31, 2011, which included net income from discontinued operations of $11,922,533. The net loss for the year ended December 31, 2012 compared to the income for the year ended December 31, 2011 is primarily due to the gain on disposal of shares of MMI of $13,011,370 for the year ended December 31, 2011.

The net loss for the year ended December 31, 2012 was principally attributable to the following:

- Dissident Shareholder Related costs for the year ended December 31, 2012 of $1,187,335, compared to $NIL for the year ended December 31, 2011.
- The Company incurred Exploration and Project Evaluation costs of $2,413,308 for the year ended December 31, 2012, compared to $546,319 for the year ended December 31, 2011. This increase was primarily the result of completing a full year of exploration activity in Mexico and the commencement of exploration and project evaluation activity in Serbia.

- Corporate expenses increased by $190,477, to $1,502,361 for the year ended December 31, 2012, from $1,311,884 for the year ended December 31, 2011. This increase was primarily the result of a rise in corporate governance, general and administrative expenses and accounting and audit were partially offset by a decrease in corporate development costs.

7. Financial Condition, Liquidity And Capital Resources

The Company's principal source of liquidity as at December 31, 2012 was cash and cash equivalents totaling $5,781,069 (December 31, 2011 – $9,650,881) and short-term investments of $10,193,271 (December 31, 2011 - $9,819,335).

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

With the exception of interest earned on investments, the Company does not have revenue and relies upon current cash resources to fund its ongoing business operations.

8. Share Capital

As of December 31, 2012, the Company had one class of common shares issued and 41,861,776 shares outstanding. At the date of this MD&A, the Company had 41,861,776 common shares outstanding and 2,994,375 stock options granted at prices ranging from $0.31 to $0.82.

Mundoro submitted to the TSXV its Notice of Intention to Make a Normal Course Issuer Bid (the "NCIB Program") in Q4-2011. Pursuant to the proposed NCIB Program, the Company could purchase for cancellation up to a maximum of 1,919,963 of its Common Shares, or approximately 5% of the Common Shares outstanding. In 2011, the Company purchased and cancelled 206,500 common shares with an average purchase price of CAD $0.314 per share. In Q1 2012, the Company purchased and cancelled 281,000 common shares with an average purchase price of CAD $0.380 per share. During the remaining nine months ended December 31, 2012, the Company made no further purchases under the NCIB program. The NCIB Program commenced on November 14, 2011 and terminated on November 13, 2012.

9. Off Balance Sheet Arrangements

There are no off balance sheet arrangements for the Company.

10. Use Of Financial Instruments

The Company is not in a situation where it needs to enter into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk. The principal financial instruments affecting the Company's financial condition and results of operations are currently its cash and cash equivalents. The Company is exposed to insignificant interest rate risk with respect to its cash, 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.

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

11. CHANGES IN ACCOUNTING POLICIES

Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that IFRS will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on or after January 1, 2011.

The Company's consolidated financial statements have been prepared in accordance with IAS 34 using accounting policies consistent with IFRS as issued by IASB and IFRIC.

The Company's consolidated financial statements are presented in accordance with IFRS for the year ending December 31, 2012. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian GAAP.

Future Accounting Pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2012 reporting period. As at December 31, 2012, the following standards are assessed not to have any impact on the Company's financial statements:

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

12. CONTRACTUAL OBLIGATIONS

The Company's only contractual obligation consists of operating lease commitments for office space in Canada, Mexico and Serbia is summarized as follows:

	Less than 1 year	1-3 years	4-5 years	After 5years	Total
Operating leases	$42,251	$48,881	--	--	$91,132

13. Disclosure controls and procedures update

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by Mundoro is accumulated and communicated to 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.

14. Internal controls over financial reporting

The Company is responsible for designing internal controls over financial reporting or causing them to be designed under the supervision of the CEO and CFO in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company has assessed the design of the internal control over financial reporting and during this process the Company identified certain weaknesses in internal controls over financial reporting which are as follows:

- Due to the limited number of staff at the Company, it is not feasible to achieve complete segregation of incompatible duties.
- Due to the size of the Company and the limited number of staff, the Company does not have the optimum complement of personnel with all the technical accounting knowledge to address all complex and non-routine accounting transactions that may arise. Hence the Company hires external accounting firms to assist in the completion of such transactions.

These weaknesses in the Company's internal controls over financial reporting may result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of a material misstatement in financial reporting; however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

15. Risks And Uncertainties

The Company is a mineral acquisition, exploration, development and investment company and is exposed to a number of risks and uncertainties that are common to other companies in the same business. An investment in the securities of the Company is speculative due to the nature of the Company's business and the present stage of exploration and development of its mineral properties. Risk factors relating to the Company could materially affect the Company's future results and could cause them to differ materially from estimates described in forward-looking statements made by the Company. Prospective investors should carefully consider these risk factors as it is not always possible to fully insure against some or any of the risk factors. Risks to be considered include but are not limited to:

Global Financial Condition

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

Environmental Laws and Regulations

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.

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

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

Financing

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

Price Volatility

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

Dilution to Common Shares

During the life of the Company's outstanding stock options granted under its share based compensation plans, the holders are given an opportunity to profit from an increase in the market price of the common shares with a resulting dilution in the interest of shareholders. The holders of stock options may exercise such securities at a time when the

Company may have been able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding rights. The increase in the number of common shares in the market, if all or part of these outstanding rights were exercised, and the possibility of sales of these additional shares may have a depressive effect on the price of the common shares.

Investments

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

Conflicts of Interest

Certain of the directors 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. 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 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 RMB may adversely affect Mundoro Mining's earnings, through higher foreign currency denominated operating costs.

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

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

16. Qualified Persons & Information concerning estimates of resources

Mundoro received a NI 43-101 compliant Technical Report on the Company's 100% owned Cuencame Property which covers approximately 45,215 hectares (452 sq km) in three mineral concessions. The 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 National Instrument 43-101. The Cuencame concessions are located in the Cuencame District in the States of Durango and Coahuila, Mexico.

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