



MINDORO  
RESOURCES LTD

*Consolidated Interim Financial Statements  
(Unaudited)*

*June 30, 2004*

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*Mindoro trades on the TSX Venture Exchange under the symbol MIO*



## Management's Discussion and Analysis

(Unaudited)

Six months ended June 30, 2004

*This Management Discussion and Analysis for the Second Quarterly Report of 2004 should be read in conjunction with the unaudited interim consolidated financial and the audited annual financial statement.*

### NATURE OF THE BUSINESS

Mindoro Resources Ltd. is a Canadian-based mineral exploration and development company holding interests in the Philippines. The primary corporate objective is the acquisition, exploration and, when successful, development and production of gold and gold-copper properties in the Asia-Pacific region. There is no commercial production from any mineral property in which Mindoro has an interest. There is no established source of revenue and the Company presently operates at a loss. All operations have been funded by equity subscriptions. Revenue for the current period was derived from interest income. All project expenditures are capitalized in deferred exploration where, upon development of an operating mine, these expenses can be recovered against income from operations. If the Company chooses to discontinue exploration activities on a particular property then the to-date expenses are written off against income.

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain economically recoverable reserves. The recovery of expenditures on mineral properties and the related deferred exploration expenditures are dependent upon the existence of economically recoverable mineralization, the ability of the Company to obtain financing necessary to complete the exploration and the development of the mineral properties, and upon future profitable production or alternatively, on the sufficiency of proceeds from disposition.

Abbreviations:	
g/t	grams per tonne
ha	hectares
km	kilometers
m	meters
oz	ounces

### OVERALL PERFORMANCE

#### *Lobo*

During the second quarter of 2004, the Company continued to advance its projects in the Philippines with the completion of a successful drill program on the Lobo Project's SW Breccia prospect. Significant gold values were obtained in 24 of 28 drill holes, including 9.4 g/t gold over 20 m, 6.5 g/t gold over 14.6 m, and 5.3 g/t gold over 15 m. Intersections are all true widths and from very shallow depths. Although Management is highly encouraged with the results of drilling on SW Breccia, it is emphasized that the area comprises only approximately 200 m of Lobo's five to seven km of vein/breccia trends.

A ground magnetic survey identified a large magnetic low anomaly located on the Sampson Trend, approximately one km to the north of SW Breccia. It appears the Sampson Trend has especially strong alteration and the area is particularly favourable for the discovery of more ore shoots. The magnetic survey also identified several magnetic highs, which are often associated with porphyry copper-gold systems in the Philippines.

#### *Archangel*

Work on the Archangel Project has continued to expand the epithermal gold-silver mineralization at higher elevations and the porphyry copper-gold related mineralization at lower elevations. The gold-silver mineralization occurs semi-continuously along a trend of at least five km and up to 600 m wide. Work has focused on the Kay Tanda area, with an inferred resource of 17,000,000 tonnes at 0.68 g/t gold, or 370,000 ozs gold and 2.48 g/t silver, or 1,300,000 ozs silver. Preliminary metallurgical testing was encouraging and further testing is being undertaken.

Mineralization at Kay Tanda appears to be open in all directions. Recent trenching yielded highly encouraging results including 1.2 g/t gold and 25.5 g/t silver over 51 m from a trench 300 m east of the Kay Tanda resource in the Lambangan area; plus 1.86 g/t gold and 11 g/t silver over 23 m, 4.28 g/t gold and 4 g/t silver over 8 m, and 2.67 g/t gold and 49.2 g/t silver over 18 m from three trenches located 400 m west of the Kay Tanda resource in the Pulang Lupa area.

**A major drill program is planned on the Lobo and Archangel Projects, on both the epithermal and porphyry copper-gold targets, upon completion of a major financing, now underway.**

#### *Surigao Gold District*

The Company finalized a joint venture agreement with Panoro Minerals Ltd. in May 2004 whereby Panoro can earn a 40% interest in Mindoro's projects in the Surigao Gold District by spending \$2 million over four years. With the

two major Anglo-Philex porphyry copper-gold discoveries in recent years, the Surigao Gold District has become an important porphyry copper-gold exploration district. Australian junior Red5 also recently announced a porphyry copper-gold discovery close to the boarder of Mindoro's Tapan Extension property.

The Mindoro joint venture has one of the largest land positions in the Surigao District with 24,000 hectares covering at least three porphyry copper-gold targets and abundant epithermal gold prospects and gold and copper soil anomalies. An aggressive exploration program has commenced on the Tapan San Francisco Project that will include grid surveying and geological and geochemical surveys, to be followed by drilling.

## RESULTS OF OPERATIONS

Interest income for the second quarter of 2004 was \$706, compared to \$670 in 2003. Net loss for the period of \$503,614 was considerably higher than the loss of \$143,826 for the same period of 2003. This is primarily related to the expensing of stock options issued during the period in the amount of \$281,600. This increased expense is seen in the salaries for the period, being \$350,607 for the first six months of 2004, compared to only \$44,525 for the same period in 2003. Salaries for just the second quarter, at \$31,299; were very similar to the \$44,525 for the second quarter of 2003. Other notable general and administrative expenses during the period were the consulting and professional fees of \$88,577 compared to \$10,349 in 2003. Professional fees consisted primarily of legal fees related to the preparation of agreements for the Company's joint venture with Panoro Minerals Ltd.

## LIQUIDITY

The Company continues to rely on raising capital in order to fund its ongoing operations. As of June 30, 2004, the Company's cash position was \$115,719 down from \$296,772 at the end of December, 2003. Accounts receivable rose to \$84,548 from \$61,698 at the end of December, 2003. Included is \$64,392 related to employee advances which are expected to be charged to deferred exploration upon reconciliation of expenses. Prepaid expenses increased to \$28,031 from \$13,627. Accounts payable increased during the period to \$320,196 from \$146,023 at the end of 2003. Included is a \$134,666 compensation liability, of which \$91,667 remained outstanding from 2003. The Company intends to seek regulatory approval to issue common shares in satisfaction of the salary debt. Also included in Accounts Payable is \$108,494 in cash call funds received from the Company's joint venture partner. When joint venture expenses are incurred, the cash call payable account is reduced by an amount equal to the expense paid.

During the period, \$245,551 was spent on exploration activities in the Philippines. Total amount of deferred exploration on existing properties as at June 30, 2004, is \$3,293,962.

\$135,308, net of issue costs, was raised from one private placement and warrants exercised during the first three months of the period. On January 16, 2004, the Company issued 500,000 units; each unit consisting of one common share and one half common purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$0.60 until January 16, 2005. The Company also issued 50,000 agent's options; each option exercisable into units consisting of one common share and one half common share purchase warrant at a price of \$0.30 per unit. Each whole purchase warrant entitles the holder to acquire one common share at a price of \$0.60 per share. Pursuant to warrants exercised during the quarter, 50,000 common shares were issued, at a price of \$0.30 per share.

On August 4, 2004, the Company issued 831,112 common shares and 831,112 share purchase warrants pursuant to a non-brokered, private placement. Each warrant entitles the holder to acquire one common share at a price of \$0.30 for two years from the date of issue. The shares are subject to a hold period expiring on December 6, 2004. Pursuant to a Short Form Offering Document accepted for filing by the TSX-V on August 20, 2004, the Company plans on raising up to \$2,000,000 from the issue of units, consisting of one common share and one purchase warrant, at \$0.225 per unit. Purchase warrants are exercisable into common shares at a price of \$0.30 per share for two years.

## SUMMARY OF QUARTERLY RESULTS

Quarter Ending	Net Earnings Gain (Loss)	Earnings Gain (Loss) Per Share	Total Assets
June 30, 2004	\$ (85,386)	\$ (0.003)	\$ 3,564,252
March 31, 2004	(418,227)	(0.013)	3,503,666
December 31, 2003	(109,195)	(0.004)	3,457,733
September 30, 2003	(57,208)	(0.002)	3,271,363
June 30, 2003	(99,089)	(0.004)	2,867,034
March 31, 2003	(123,136)	(0.005)	2,783,098
December 31, 2002	(189,027)	(0.008)	2,666,415
September 30, 2002	(40,804)	(0.002)	2,621,264

## CAPITAL RESOURCES

Pursuant to a Memorandum of Agreement (“MOA”) effective March 7, 1997 with Minimax Mineral Exploration Corporation, the Company was granted the option to earn up to a 75% working interest in five mineral properties located in the Philippines. Under the terms of the MOA, the Company may earn working interests of 10%, 30% and 35% in each of the properties by completing phases one, two and three, respectively, as follows: (a)

- (i) Phase one - incurring an aggregate of 20,000,000 Philippine Pesos (“PP”) in eligible mining expenditures allocated to the properties as defined in the MOA.
- (ii) Phase two - incurring an aggregate of 75,000,000 PP in eligible mining expenditures allocated to the properties as defined in the MOA.
- (iii) Phase three - incurring an aggregate of 75,000,000 PP in eligible mining expenditures allocated to the properties as defined in the MOA.

Once a phase expenditure requirement has been met on a property, the Company has the option to enter the next phase of the project by issuing 50,000 and 100,000 Common shares to Minimax for each phase two and phase three entered into, respectively. As at March 31, 2004, the Company has met phase one expenditure requirements on all properties under this agreement, with the exception of Lahuy, and phase two expenditure requirements on the Agata and Pan de Azucar properties by incurring the required minimum eligible expenditures.

Pursuant to a Letter Agreement (the “Letter Agreement”) dated October 23, 2000 with Egerton Gold Phils., Inc. (“Egerton”), the Company was granted the option to earn up to 75% working interest in two mineral properties located in the Philippines. The Company may earn working interests of 51% and 24% in each mineral property by completing phases one and two, respectively, as follows:

- (i) Phase one - incurring an aggregate of \$1,500,000 US in eligible mining expenditures on the mineral properties by December 1, 2005.
- (ii) Phase two - completing a feasibility study and obtaining the necessary financing to commence commercial drilling and production on the mineral properties.

Pursuant to the terms of the Letter Agreement, the Company issued 500,000 Common shares to Egerton upon receipt of the related exploration permits. Once the phase one expenditure requirement has been met on the properties, the Company has the option to enter into phase two by issuing an additional 500,000 Common shares to Egerton. Upon completion of phase two, the Company must issue an additional 500,000 Common shares to Egerton. At this point, Egerton will have the option to convert its 25% working interest into a 2% gross smelter royalty. Pursuant to the terms of each MPSA, the Company is required to spend certain minimum amounts on eligible expenditures; these minimum requirements have been met as at June 30, 2004.

Pursuant to a Memorandum of Agreement dated August 23, 2004, Egerton further granted the Company the right to earn up to a 75% interest in approximately 12,200 hectares, referred to as the Batangas Acquisitions, contiguous to the Lobo and Archangel Projects and to make the Batangas Acquisitions subject to the same earn in terms as described in the Letter Agreement. As consideration for making the Batangas Acquisitions subject to the terms and conditions of the Egerton Agreement, the Company has agreed, subject to regulatory approval to issue 500,000 common shares to Egerton for each mineral deposit located within the Batangas Acquisitions for which a positive feasibility study is achieved, to a maximum of 1,500,000 shares.

The Company has entered into an Option Agreement with Panoro Minerals Ltd. (“Panoro”), on the Agata, Tapan and Mat-I properties whereby Panoro may earn a 40% working interest in these properties by spending \$2,000,000 on the properties over a four-year period (\$350,000 in year one; \$450,000 in year two; and \$600,000 in each of years three and four). Mindoro will be the operator for at least the first two years. Both Mindoro and Panoro may increase their interest to 42.5% at feasibility stage through an interest purchase agreement with Minimax based on future established mining reserves. Mindoro could ultimately hold 42.5%, Panoro 42.5% and Minimax 15%.

Pursuant to an agreement dated October 28, 2002 with East West Drilling Limited (“EWDL”), the Company agreed to issue 600,000 Common shares as consideration for EWDL providing \$90,000 worth of drilling services. The drilling services were completed during 2003 and the related Common shares were issued in the first quarter of 2004. EWDL exercised its option to provide additional drilling services for the Company under similar terms. EWDL fulfilled its drilling requirements in the second quarter of 2004 and it is expected the related 600,000 Common shares will be issued in the third quarter of 2004.

## TRANSACTIONS WITH RELATED PARTIES

The Company had a \$134,166 compensation liability at the end of the second quarter, of which \$91,667 remained outstanding from 2003. Accrued vacation pay of \$24,199 also remained outstanding. A \$43,637 receivable at the end of the second quarter was related to employee advances which are expected to be charged to deferred exploration upon reconciliation of expenses. The Company paid \$16,957 to Ascenta Capital Partners, for marketing and investor relations services during the period; Mindoro Director Marshall Farris is also a Principle of Ascenta. The Company issued 600,000 common shares to East West Drilling (L) Limited; Mindoro Director Peter Draper is also a Principle of East West.

## CAPITAL STRUCTURE

Authorized:

- Unlimited number of Common shares
- Unlimited number of Preferred shares

<b>Issued - Common shares</b>	<b>Number</b>
Balance, December 31, 2003	30,356,757
For mineral properties	400,000
For services rendered	600,000
Pursuant to a private placement	500,000
On exercise of purchase warrants	50,000
<b>Balance, March 31, 2004</b>	<b>31,906,757</b>

<b>Common share purchase warrants</b>	
Balance, December 31, 2003	1,631,083
Issued with private placement	250,000
Agents' warrants	75,000
Warrants exercised	(50,000)
<b>Balance, March 31, 2004</b>	<b>1,906,083</b>

### Stock options

Balance, December 31, 2003	2,046,000
Issued to directors, officers and employees	880,000
Issued to consultants	200,000
<b>Balance, March 31, 2004</b>	<b>3,126,000</b>

Included in the common shares issued as of December 31, 2003, were obligations to issue 1,000,000 common shares with a stated value of \$198,000. These shares were subsequently issued in the second quarter of 2004, but no additional entry in 2004 was necessary. To follow is a summary of the share obligations recorded as at December 31, 2003, and issued in 2004:

- (i) 600,000 shares issued to East West Drilling (L) Limited on March 1, 2004, as consideration for drilling services during 2003.
- (ii) 100,000 shares issued to Minimax Mineral Exploration Corporation ("Minimax") on March 5, 2004, as consideration for granting an extension to the earn-in periods on the Agata, Tapan and Mat-I Projects.
- (iii) 100,000 shares issued to Minimax on April 27, 2004, pursuant to the Company's election to enter the next phase of exploration on the Pan de Azucar Project.
- (iv) 200,000 shares issued to Minimax as consideration for granting an option to earn additional interest in the Agata, Tapan, and Mat-I Projects.

Additional information relevant to the Company's activities, including the Company's Annual Information Form, can be found on SEDAR at [www.sedar.com](http://www.sedar.com)



## Consolidated Balance Sheets (Unaudited)

	<b>June 30</b>		December 31
	<b>2004</b>		<b>2003</b>
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and short-term investments	\$ 115,719	\$	296,772
Accounts receivable	84,548		61,698
Prepaid expenses	28,031		13,627
	<b>228,298</b>		<b>372,097</b>
ROYALTY DEPOSITS	28,143		25,110
MINERAL PROPERTIES AND DEFERRED COSTS (Note 2)	3,293,962		3,048,411
PROPERTY AND EQUIPMENT (Note 3)	13,849		12,115
	<b>\$ 3,564,252</b>	\$	<b>3,457,734</b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued charges (Notes 4& 5)	\$ 320,196	\$	146,023
	<b>320,196</b>		<b>146,023</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital (Note 6)	9,427,529		9,292,564
Contributed Surplus	632,706		331,712
Deficit	(6,816,179)		(6,312,565)
	<b>3,244,056</b>		<b>3,311,711</b>
	<b>\$ 3,564,252</b>	\$	<b>3,457,734</b>



## Consolidated Statements of Loss and Deficit (Unaudited)

	Quarter Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
<b>REVENUE</b>				
Interest	\$ (0)	\$ (1,184)	\$ 2	\$ 67
<b>EXPENSES</b>				
Administration	(0)	-	706	670
Advertising and promotion	4,725	11,437	15,723	16,057
Communications	1,507	1,567	2,989	2,605
Conferences and trade shows	727	4,995	4,722	7,397
Consulting and professional fees	35,348	8,661	88,577	10,349
Listing fees and shareholder communications	6,151	11,832	11,396	15,699
Office, postage and sundry	8,251	6,165	18,571	11,129
Printing	3,613	7,052	4,156	7,911
Rent	2,593	2,646	5,167	5,120
Salaries and benefits	31,299	32,297	350,607	44,525
Travel	2,445	1,982	4,531	4,134
Depreciation and amortization	956	133	1,828	2,249
	<b>97,615</b>	<b>88,768</b>	<b>508,973</b>	<b>127,846</b>
<b>INCOME (LOSS) BEFORE OTHER CHARGES</b>	<b>97,615</b>	<b>89,952</b>	<b>508,971</b>	<b>127,779</b>
<b>OTHER CHARGES (INCOME)</b>				
Loss on Disposition of Subsidiaries	-	-	-	0
Foreign exchange loss (gain)	(12,229)	9,138	(5,357)	16,048
	<b>(12,229)</b>	<b>9,138</b>	<b>(5,357)</b>	<b>16,048</b>
<b>NET LOSS</b>	<b>85,386</b>	<b>99,089</b>	<b>503,614</b>	<b>143,826</b>
<b>DEFICIT, BEGINNING OF PERIOD PREVIOUSLY STATED</b>		<b>5,862,873</b>	<b>6,128,365</b>	<b>5,818,135</b>
<b>RESTATEMENT ON CHANGE IN ACCOUNTING POLICY</b>		<b>105,800</b>	<b>184,200</b>	<b>105,800</b>
<b>DEFICIT BEGINNING OF PERIOD RESTATED</b>	<b>\$ 6,730,793</b>	<b>\$ 5,968,673</b>	<b>6,312,565</b>	<b>\$ 5,923,935</b>
<b>DEFICIT, END OF PERIOD</b>	<b>\$ 6,816,179</b>	<b>\$ 6,067,762</b>	<b>\$ 6,816,179</b>	<b>\$ 6,067,761</b>
<b>BASIC AND DILUTED (GAIN) LOSS PER SHARE</b>	<b>\$ 0.003</b>	<b>\$ 0.004</b>	<b>\$ 0.016</b>	<b>\$ 0.006</b>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>	<b>31,906,757</b>	<b>26,201,202</b>	<b>31,841,564</b>	<b>25,342,067</b>



## Consolidated Statements of Cash Flow (Unaudited)

	Quarter Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>				
<b>OPERATING</b>				
Net loss	\$ (85,387)	\$ (99,089)	\$ (503,614)	\$ (143,826)
Items not affecting cash				
Depreciation and amortization	956	132	1,828	2,249
	<b>(84,430)</b>	<b>(98,957)</b>	<b>(501,785)</b>	<b>(141,577)</b>
Increase in royalty deposits	(1,825)	783	(3,033)	2,027
Changes in non-cash working capital	96,407	53,289	136,920	37,648
	<b>10,151</b>	<b>(44,885)</b>	<b>(367,899)</b>	<b>(101,902)</b>
<b>INVESTING</b>				
Expenditures on mineral properties and deferred costs	(129,856)	(167,746)	(245,551)	(216,555)
Acquisition of property and equipment	(1,123)	(808)	(3,562)	(3,406)
	<b>(130,979)</b>	<b>(168,554)</b>	<b>(249,113)</b>	<b>(219,961)</b>
<b>FINANCING</b>				
Deposits held for private placement	-	-	-	-
Issue of share capital, net of issuance costs	(267)	114,336	435,959	284,668
	<b>(267)</b>	<b>114,336</b>	<b>435,959</b>	<b>284,668</b>
<b>INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS</b>	<b>(121,095)</b>	<b>(99,103)</b>	<b>(181,053)</b>	<b>(37,195)</b>
<b>CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF PERIOD</b>	<b>236,814</b>	<b>220,209</b>	<b>296,772</b>	<b>158,301</b>
<b>CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD</b>	<b>\$ 115,719</b>	<b>\$ 121,106</b>	<b>\$ 115,719</b>	<b>\$ 121,106</b>

**MINDORO RESOURCES LTD.****Notes to the Consolidated Interim Financial Statements (Unaudited)**

For the Six Months Ended June 30, 2004

**MINDORO**  
RESOURCES LTD**1. SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, following the same accounting policies and methods of computation as the most recent annual audited financial statements as at December 31, 2003. These interim financial statements should be read together with the Company's most recent annual audited financial statements.

*Stock-Based Compensation*

Effective January 1, 2004, the Corporation elected to retroactively adopt recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for all stock options issued at fair value.

Under the transitional provisions of the standard, the Corporation has elected to apply the amended standard retroactively, with restatement, to all stock options issued after the effective date of implementation, being January 1, 2004.

The effects of the change in policy for stock-based compensation for the year ended December 31, 2003 and the period ended June 30, 2003 are as follows:

	<b>December 31,</b>	<b>June 30,</b>
	<b>2003</b>	<b>2003</b>
Increase in contributed surplus	\$184,200	
Increase in deficit	\$184,200	\$105,800
Increase in stock based compensation		\$ 78,400

**2. DEFERRED EXPLORATION COSTS**

Project	Opening	Expenditures	Write-Down	Closing
Agata	\$ 1,133,833	\$ 9,486	\$ -	\$ 1,143,319
Tapian	562,899	27,412	-	590,311
Lahuy	103,361	-	-	103,361
Mat-I	27,000	-	-	27,000
Pan de Azucar	665,454	8,728	-	674,182
Batangas	-	4,139	-	4,139
Lobo	464,526	131,109	-	595,635
Archangel	91,338	64,677	-	156,015
	\$ 3,048,411	\$ 245,551	\$ -	\$ 3,293,962

**3. CAPITAL ASSETS**

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Office furnishings	\$ 19,574	\$ 15,883	\$ 3,691
Office equipment	10,150	9,231	919
Computer software	42,547	38,713	3,833
Computer hardware	49,267	43,861	5,406
Leasehold improvements	16,517	16,517	-
	\$ 138,055	\$ 124,206	\$ 13,849

**MINDORO RESOURCES LTD.****Notes to the Consolidated Interim Financial Statements (Unaudited)**

For the Six Months Ended June 30, 2004

**MINDORO**  
RESOURCES LTD**4. ACCOUNTS PAYABLE**

Included in Accounts Payable is \$108,494 in cash call funds received from the Company's joint venture partner. When joint venture expenses are incurred, the cash call payable account is reduced by an amount equal to the expense paid.

**5. RELATED PARTY TRANSACTIONS**

The Company had a \$134,166 compensation liability at the end of the second quarter, of which \$91,667 remained outstanding from 2003. Accrued vacation pay of \$24,198.38 also remained outstanding. A \$43,637 receivable at the end of the second quarter was related to employee advances which are expected to be charged to deferred exploration upon reconciliation of expenses. The Company paid \$16,957 to Ascenta Capital Partners, for marketing and investor relations services during the period; Mindoro Director Marshall Farris is also a Principle of Ascenta. The Company issued 600,000 common shares to East West Drilling (L) Limited; Mindoro Director Peter Draper is also a Principle of East West (see note 6 (a) (i)).

**6. SHARE CAPITAL**

Authorized  
Unlimited number of common shares  
Unlimited number of preferred shares

	<u>Number</u>	<u>Amount</u>
Issued		
Common shares (a)		
Balance, beginning of period	31,356,757	\$ 9,292,564
Issued (b)	500,000	120,293
Issued upon exercise of warrants (d)	50,000	14,672
<b>Balance, end of period</b>	<b>31,906,757</b>	<b>\$ 9,427,529</b>
Common share purchase warrants		
Balance, beginning of period	1,631,083	-
Issued (b)	250,000	-
Issued agent's warrants (c)	75,000	-
Exercised (d)	(50,000)	-
Expired	-	-
<b>Balance, end of period</b>	<b>1,906,083</b>	<b>-</b>

(a) Included in the common shares issued as at December 31, 2004, is an obligation to issue 1,000,000 shares with a recorded stated value of \$198,000. These shares were issued in 2004 as follows:

- (i) 600,000 shares issued to East West Drilling (L) Limited on March 1, 2004, as consideration for drilling services during 2003.
- (ii) 100,000 shares issued to Minimax Mineral Exploration Corporation ("Minimax") on March 5, 2004, as consideration for granting an extension to the earn-in periods on the Agata, Tapan and Mat-I Projects.
- (iii) 100,000 shares issued to Minimax on April 27, 2004, pursuant to the Company's election to enter the next phase of exploration on the Pan de Azucar Project.
- (iv) 200,000 shares issued to Minimax as consideration for granting an option to earn additional interest in the Agata, Tapan, and Mat-I Projects.

**MINDORO RESOURCES LTD.****Notes to the Consolidated Interim Financial Statements (Unaudited)**

For the Six Months Ended June 30, 2004


**MINDORO**  
 RESOURCES LTD

- (b) On January 16, 2004, pursuant to a private placement, the Company issued 500,000 units for gross proceeds of \$150,000. Units consisted of one Common share and one half Common share purchase warrants. Each whole warrant entitles the holder to purchase one additional Common share at a price of \$0.60 until January 16, 2005, after which time any unexercised purchase warrants will expire.
- (c) On January 16, 2004, the company issued 50,000 Agent's Options exercisable into units, at a price of \$0.30 per unit, consisting of one Comshare and one-half Common share purchase warrant. Each whole purchase warrant entitles the holder to acquire one Common share at a price of \$0.60 per share.
- (d) On March 27, 2004, 50,000 Common shares were issued upon exercise of purchase warrants at a price of \$0.30 per share.

*Incentive Share Options*

	Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	2,046,000	\$0.14
Issued to directors, officers and employees	880,000	\$0.36
Issued to consultants	200,000	\$0.32
Outstanding at end of period	3,126,000	\$0.21
Options exercisable at end of period	3,126,000	\$0.21

The following table summarizes share options outstanding at June 30, 2004:

Range of Exercise Prices	Number Outstanding	Remaining Contractual Life (Years)	Average Exercise Price
\$0.10 to \$0.14	1,235,000	2.04	\$0.12
\$0.15 to \$0.23	811,000	2.07	\$0.17
\$0.24 to \$0.36	1,080,000	6.41	\$0.35
<b>Total</b>	3,126,000	3.56	\$0.21

During the period, the following share options were issued:

Optionee	Date Issued	Date Expires	Options Issued
J.A. Climie	Feb. 11, 2004	Feb. 11, 2014	250,000
P. Gould	Feb. 11, 2004	Feb. 11, 2014	150,000
G. Kirchner	Feb. 11, 2004	Feb. 11, 2014	100,000
R. Morton	Feb. 11, 2004	Sept. 7, 2004	100,000
O. Reyes	Feb. 11, 2004	Sept. 7, 2004	100,000
N.R. Toreson	Feb. 11, 2004	Feb. 11, 2014	100,000
Officer of subsidiary	Feb. 11, 2004	Feb. 11, 2014	50,000
Employees of subsidiary	Feb. 11, 2004	Feb. 11, 2014	30,000
Consultant	Mar. 4, 2004	Mar. 4, 2006	200,000
			<b>1,080,000</b>

**MINDORO RESOURCES LTD.**  
**Notes to the Consolidated Interim Financial Statements (Unaudited)**  
For the Six Months Ended June 30, 2004



**MINDORO**  
RESOURCES LTD

**7. CONTRIBUTED SURPLUS**

Balance, December 31, 2003 previously reported	\$	147,512
<u>Adjustment for change in accounting policy (see note 1)</u>	<u>\$</u>	<u>184,200</u>
Balance, December 31, 2003 restated	\$	331,712
Stock based compensation contributed	\$	291,600
<u>Agent's options contributed</u>	<u>\$</u>	<u>9,394</u>
<u>Balance, June 30, 2004</u>	<u>\$</u>	<u>632,706</u>

**8. DIRECTORS AND OFFICERS**

Gerhard F. Kirchner, Ph.D., P.Eng.	<i>Chairman, Director</i>
James A. Climie, B.Sc.(Hons.), P.Geol.	<i>President, CEO, Director</i>
Peter R. Draper	<i>Director</i>
Marshall L. Farris	<i>Director</i>
Oscar S. Reyes, B.A., MBA	<i>Director</i>
Penny M. Gould, B.Ed.	<i>Executive Vice President, Corporate Secretary</i>