



MINDORO
RESOURCES LTD

*Consolidated Interim Financial Statements
(Unaudited)*

September 30, 2004

Mindoro Resources Ltd.
Suite 103, 10471 – 178 St.
Edmonton, AB Canada T5S 1R5

Tel: (1-780) 413-8187
Fax: (1-780) 426-2716
Email: mindoro@mindoro.com
Website: <http://www.mindoro.com>

*Mindoro trades on the TSX Venture Exchange under the symbol MIO
and on the Frankfurt Stock Exchange under the symbol OLM*



Management's Discussion and Analysis

(Unaudited)

Nine months ended September 30, 2004

This Management Discussion and Analysis for the Third 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.

OVERALL PERFORMANCE

Lobo

The Lobo project continued to respond favourably as drilling continued on the Sampson Trend in the West Drift area. The objective of the West Drift drill program is to evaluate high-grade gold mineralization that was reported, but not mined, in the West Drift area during a small copper mining operation in the 1960's (as previously described in a news release dated January 28, 2004)

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

Drilling of the epithermal gold target at West Drift extended progressively from the southwest to the northeast, towards the old Lobo Copper Mine. Most holes intersected low-grade gold mineralization consistent with being on the margins of an ore-shoot. Hole 38, a deeper hole near the old mine site, intersected high-grade gold mineralization of 7.42 g/t gold over 12m, including 29.46 g/t over 2.52m, at a vertical depth of 120m. Management believes this is the top of a new ore-shoot and likely the area of the historically reported high-grade gold mineralization. A list of drill results from West Drift is available with the November 8, 2004, news release on Mindoro's website.

In addition to Lobo's epithermal gold targets, recent results from geophysical surveys have defined a particularly promising porphyry copper-gold prospect at Lobo's Pica Prospect. An induced polarization survey has defined a large anomaly of 700m by 500m, located within a broader anomalous halo of one km by one km. A ground magnetic high anomaly is associated with the core of the induced polarization anomaly. These overlapping geophysical anomalies are consistent with the presence of a porphyry copper-gold system below.

Epithermal gold deposits in the Philippines are commonly underlain, at relatively shallow levels, by related porphyry copper-gold systems. These are large tonnage, relatively low-grade, copper-gold deposits containing very large copper and gold resources, which could be bulk mineable. There are numerous favorable examples of porphyry copper-gold deposits occurring in the Philippines, including the RTZ/Lepanto Far Southeast deposit, and the recent Anglo/Philex Boyongan and Bayugo discoveries. In neighboring Indonesia, the Grasberg porphyry copper-gold deposit, is one of the world's premier copper-gold mines.

Two man-portable drill rigs are currently testing the epithermal gold targets at Lobo and a large capacity drill rig will be mobilized in early 2005 to test both the Pica Prospect and the high-grade epithermal gold mineralization at West Drift. Other magnetic high anomalies have been defined at Lobo and these will be investigated by induced polarization surveying to locate other potential porphyry copper-gold targets

Archangel

At Archangel, epithermal gold silver mineralization occurs at higher elevations while porphyry copper-gold related mineralization occurs at lower elevations. The epithermal gold-silver mineralization occurs semi-continuously along a trend of at least 5 km and is up to 600 m wide. Work on this trend has focused on the Kay Tanda area, where an inferred resource of 370,000 ozs gold at 0.68 g/t gold and containing 1,300,000 ozs silver, was previously estimated by an independent consultant.

Trenching is in progress at Kay Tanda to determine the extent of mineralization along strike to the west and east. In the Pulang Lupa area, 400 m west of the Kay Tanda resource, three trenches, each 30 m apart, gave the following results: 23m at 1.86 g/t gold and 11 g/t silver; 8m at 4.28 g/t gold and 4 g/t silver; and 18m at 2.67 g/t gold and 49.2 g/t silver. One trench in the Lumbangan area, 300m east of the Kay Tanda resource, gave 51m at 1.24 g/t gold and 25.5 g/t silver. Approximately 200m further east, a vertical channel sample in a shallow, historical shaft gave 5m at 1.71 g/t gold and 56 g/t silver.

Geochemical and geological work indicates the gold-silver mineralization encompassing the Kay Tanda, Pulang Lupa and Lumbangan areas is continuous over at least 1,600 m in an east-west direction, with widths ranging from 100 m to 600 m. Future work will extend along the remainder of the 5 km epithermal gold-silver trend.

Mineralization at Kay Tanda appears to be open in three directions. It is near-surface and is being evaluated for its open-pit, heap-leach potential. Preliminary metallurgical test results from Kay Tanda were encouraging and further metallurgical test work is being undertaken. A bulk sample of 1.2 tonnes has been collected and will be processed in Australia.

Immediately below the epithermal gold-silver mineralization, recent geological results confirmed the presence of an extensive porphyry copper-gold system over 5km by 2km. The system is exposed at lower elevations and high copper values, from wide spaced trenching, are believed to reflect proximity to a porphyry center. The more significant copper results are: 15m at 0.5% copper, 33m at 0.52% copper, 11m at 3.5% copper, and 11m at 1.5% copper. Maps showing alteration and trenching results to date are available on our website at: www.mindoro.com/s/Batangas_Maps.asp

This mineralization is consistent with "leakage" and the zone around a porphyry copper-gold system. The mineralization, and classic zoned alteration, suggests the core of the porphyry is nearby. Porphyry copper-gold systems commonly occur as clusters of deposits and the large extent of alteration, mineralization and soil anomalies suggest this may be the case at Archangel.

A combined magnetic and induced polarization survey is planned to commence upon completion of the Lobo geophysical survey, with the objective of selecting optimal drill targets.

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. The Mindoro joint venture has one of the largest land positions in the Surigao District with 24,000 ha covering at least three porphyry copper-gold targets and abundant epithermal gold prospects and gold and copper soil anomalies.

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 Red 5 Limited also recently announced a porphyry copper-gold discovery close to the border of Mindoro's Tapan Extension property.

To date, a total of 90 line km of induced polarization and 30 line km of magnetic surveying, as well as detailed geological mapping and sampling have been completed. The exploration program is being carried out over porphyry copper-gold targets on the Tapan San Francisco, Tapan Main and Agata Projects

At Tapan San Francisco, an extremely intense phyllic alteration zone has been mapped for over one km along a northeasterly trend, averaging about 400m wide, and which is open in at least two directions. Phyllic alteration characteristically occurs just above and or adjacent to the best-mineralized zone of porphyry copper-gold systems.

Abundant related gold and base metal showings, peripheral to the phyllic alteration, suggest that this is a large and robust mineralization system. Anomalous induced polarization trends have been defined that are open to extension and warrant additional surveying. Preliminary induced polarization survey data are currently being modeled.

At Tapan Main, the geophysical surveys targeted extensive copper and gold soil anomalies at the site of a pre-World War II gold mine and milling facility. Strong chargeability anomalies were outlined over a strike length of one km and are open to the north and south. These appear to coalesce at depth to form a broad anomaly more than one km wide. Detailed results will be reported when modeling is complete.

Agata is an extensively mineralized project, with numerous epithermal/mesothermal gold showings, artisanal workings, and copper and gold soil anomalies over at least five km of strike. In 1999, reconnaissance drilling at Agata intersected copper-gold mineralization interpreted to be of porphyry copper-gold affinity. Geophysical surveying and mapping are currently in progress on the Agata Project.

Agata also has a nickel laterite prospect which has attracted interest from a major nickel mining group with whom discussions are ongoing.

Frankfurt Stock Exchange

Mindoro was pleased to announce on August 30, 2004, that its shares had been accepted for trading on the Frankfurt Stock Exchange, under the symbol "OLM". The Frankfurt Stock Exchange, which offers fully electronic trading facilities, is the largest of eight German stock exchanges. It ranks amongst NYSE, Nasdaq, and London as one of the world's largest stock exchanges.

Mindoro management is optimistic that the trading of Mindoro's shares on the Frankfurt Stock Exchange will greatly increase the profile of the Company with both private and institutional investors across Europe. European investors have a substantial appetite for investing in base and precious metals exploration, particularly gold exploration, and this new avenue of distribution represents a great opportunity to broaden our shareholder base and increase liquidity. In concert with its Frankfurt listing, Mindoro retained Accent Marketing Ltd. to provide marketing and investor relations services throughout Europe.

RESULTS OF OPERATIONS

The Company had only \$22 of income from interest during the first nine months of 2004, compared to \$79 in 2003. Net loss for the period of \$727,715, including \$224,101 for the quarter, was considerably higher than losses of \$193,200 and \$57,206 for the same period and quarter, respectively, in 2003. The majority (68%) of the increase in losses was related to the expensing of stock options in the amount of \$364,600 for the period and \$73,000 for the quarter.

The Company significantly increased its marketing and investor relations activities during 2004, which included retaining Ascenta Capital Partners Inc. to perform marketing and investor relations activities for the Company in Canada and Accent Marketing Ltd. to perform a similar function in Europe. This resulted in higher consulting fees for the quarter of \$30,700 compared to \$4,202 for the same quarter in 2003; however, the majority of the \$119,277 of consulting and professional fees for the first nine months of 2004 still consisted primarily of legal fees related to the preparation of agreements for the Company's joint venture with Panoro Minerals Ltd.

Other significant increases related to marketing activities were advertising and promotion expenses of \$35,354 for the period compared to \$20,903 for the same period in 2003; conferences and trade show expenses of \$19,479 for the period, compared to \$11,392 in 2003; and travel expenses of \$19,081 for the period, compared to \$5,635 in 2003. Listing fees and shareholder communications also increased to \$25,392 during the first nine months, compared to \$16,103 in 2003, as the Company completed two private placement financings. Salaries and benefits increased to \$32,246 for the quarter compared to \$20,428 in 2003, as the Company hired an additional employee to provide administrative support services.

LIQUIDITY

The Company continues to rely on raising capital in order to fund its ongoing operations. As of September 30, 2004, the Company's cash position was \$140,831 down from \$296,772 at the end of December, 2003. Accounts receivable rose to \$73,102 from \$61,698 at the end of December, 2003. Included is \$32,086 related to employee

advances which are expected to be charged to deferred exploration upon reconciliation of expenses. Prepaid expenses increased to \$26,766 from \$13,627. Accounts payable increased during the period to \$226,070 from \$146,023 at the end of 2003. Included is a \$155,416 compensation liability, of which \$91,667 remained outstanding from 2003. The Company also has \$89,377 in cash calls payable; these are cash call funds received from the Company's joint venture partner. When joint venture expenses are incurred, the cash calls payable account is reduced by an amount equal to the expense paid.

During the period, \$437,130 was spent on exploration activities in the Philippines. Total amount of deferred exploration on existing properties as at September 30, 2004, is \$3,485,541.

\$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.

On October 15, 2004, pursuant to a sale of units at \$0.225 per unit under the TSX Venture Exchange Short Form Offering Policy, Mindoro issued 8,888,888 common shares and 8,888,888 non-transferable purchase warrants. Each purchase warrant entitles the holder to purchase one common share for \$0.30 for two years. A hold period which expires on February 16, 2005, applies to 2,017,889 of both the common shares and purchase warrants. Gross proceeds from the offering were \$2,000,000; with net proceeds to the Mindoro of \$1,790,876. Cash commissions equal to nine percent of the gross proceeds of the offering were paid to Northern Securities Inc. An additional 888,888 Agents Warrants were issued with each Agents Warrant entitling the holder to purchase one unit at \$0.225 per unit at any time prior to October 15, 2006. Northern Securities also received 50,000 Mindoro shares upon closing, in addition to a previously paid \$12,500 work fee. The 50,000 shares, as well as any shares issued pursuant to the exercise of the Agent Warrants, are subject to a hold period expiring on February 16, 2005

On November 5, 2004, the Company raised an additional \$247,995 from the issue of 1,102,200 common shares and 1,102,200 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 four month hold period.

SUMMARY OF QUARTERLY RESULTS

Quarter Ending	Net Earnings Gain (Loss)	Earnings Gain (Loss) Per Share	Total Assets
September 30, 2004	\$ (224,101)	\$ (0.007)	\$ 3,769,857
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

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 September 30, 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 September 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 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, Tapian 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 issued two tranches of 600,000 Common shares as consideration for EWDL providing \$90,000 worth of drilling services in 2003 and another \$90,000 worth of drilling services again in 2004.

TRANSACTIONS WITH RELATED PARTIES

The Company had a \$155,416 compensation liability at the end of the third quarter, of which \$91,667 remained outstanding from 2003. Accrued vacation pay of \$27,081 also remained outstanding. A \$32,141.74 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 \$41,808 to Ascenta Capital Partners Inc., for marketing and investor relations services and related expenses during the period; Mindoro Director Marshall Farris is also a Principle of Ascenta. The Company issued 1,200,000 common shares and paid \$25,429 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

Issued - Common shares	Number
Balance, December 31, 2003	31,356,757
Issued for private placement	1,331,112
Issue upon exercise of purchase warrants	50,000
Issued upon exercise of agent's warrants	202,910
Issued upon exercise of stock options	495,000
Issued for services	600,000
Balance, September 30, 2004	34,035,779

Common share purchase warrants	
Balance, December 31, 2003	1,631,083
Issued with private placement	1,081,112
Agents' warrants	75,000
Warrants exercised	(50,000)
Agents' warrants exercised	(202,910)
Balance, September 30, 2004	2,534,285

Stock options	
Balance, December 31, 2003	2,046,000
Issued to directors, officers and employees	1,230,000
Issued to consultants	350,000
Exercised	(495,000)
Forfeited	(246,000)
Balance, September 30, 2004	2,885,000

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, Tapian 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, Tapian, 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



Consolidated Balance Sheets

	September 30 2004	December 31 2003
ASSETS		
CURRENT		
Cash and short-term investments	\$ 140,831	\$ 296,772
Accounts receivable	73,102	61,698
Prepaid expenses	26,766	13,627
	240,699	372,097
ROYALTY DEPOSITS	29,872	25,110
MINERAL PROPERTIES AND DEFERRED COSTS (Note 2)	3,485,541	3,048,411
PROPERTY AND EQUIPMENT (Note 3)	13,746	12,115
	\$ 3,769,857	\$ 3,457,734
LIABILITIES		
CURRENT		
Accounts payable and accrued charges (Note 4)	\$ 226,070	\$ 146,023
Cash Calls Payable (Note 5)	89,377	-
	315,447	146,023
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	9,848,766	9,292,564
Contributed Surplus (Note 7)	645,924	331,712
Deficit	(7,040,280)	(6,312,565)
	3,454,410	3,311,711
	\$ 3,769,857	\$ 3,457,734



Consolidated Statements of Loss and Deficit

	Quarter Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
REVENUE				
Interest	\$ 20	\$ 12	\$ 22	\$ 79
EXPENSES				
Administration	(0)	1,341	706	2,011
Advertising and promotion	19,631	4,845	35,354	20,903
Communications	1,920	1,491	4,909	4,097
Conferences and trade shows	14,757	3,995	19,479	11,392
Consulting and professional fees	30,700	4,202	119,277	14,551
Listing fees and shareholder communications	13,996	403	25,392	16,103
Office, postage and sundry	4,250	6,885	22,821	18,015
Printing	6,716	115	10,872	8,026
Rent	2,593	2,474	7,760	7,594
Salaries and benefits	32,246	20,428	91,253	64,953
Stock based compensation	73,000	-	364,600	-
Travel	14,550	1,501	19,081	5,635
Depreciation and amortization	1,017	1,702	2,845	3,951
	215,377	49,383	724,350	177,231
INCOME (LOSS) BEFORE OTHER CHARGES	215,357	49,371	724,328	177,152
OTHER CHARGES (INCOME)				
Loss on Disposition of Subsidiaries	-	-	-	0
Foreign exchange (gain) loss	8,743	7,836	3,386	16,048
	8,743	7,836	3,386	16,048
NET LOSS	224,101	57,206	727,715	193,200
DEFICIT, BEGINNING OF PERIOD PREVIOUSLY STATED	6,816,179	5,961,963	6,128,365	5,818,135
RESTATEMENT ON CHANGE IN ACCOUNTING POLICY	-	105,800	184,200	105,800
DEFICIT BEGINNING OF PERIOD RESTATED	\$ 6,816,179	\$ 6,067,763	6,312,565	\$ 5,923,935
DEFICIT, END OF PERIOD	\$ 7,040,280	\$ 6,124,969	\$ 7,040,280	\$ 6,117,135
BASIC AND DILUTED (GAIN) LOSS PER SHARE	\$ 0.007	\$ 0.002	\$ 0.023	\$ 0.007
WEIGHTED AVERAGE SHARES OUTSTANDING	32,610,451	28,663,491	32,099,969	26,618,866



Consolidated Statements of Cash Flow

	Quarter Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES				
OPERATING				
Net loss	\$ (224,101)	\$ (57,208)	\$ (727,715)	\$ (201,035)
Items not affecting cash				
Depreciation and amortization	1,017	1,702	2,845	3,951
	(223,083)	(55,506)	(724,869)	(197,084)
Increase in royalty deposits	(1,729)	711	(4,762)	2,738
Changes in non-cash working capital	7,961	(95,514)	144,881	(57,866)
	(216,851)	(150,309)	(584,750)	(252,212)
INVESTING				
Expenditures on mineral properties and deferred costs	(191,579)	(110,479)	(437,130)	(327,033)
Acquisition of property and equipment	(914)	(2,351)	(4,476)	(5,757)
	(192,493)	(112,830)	(441,606)	(332,790)
FINANCING				
Deposits held for private placement	-	-	-	-
Issue of share capital, net of issuance costs	434,455	565,769	870,414	850,437
	434,455	565,769	870,414	850,437
INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	25,112	302,630	(155,941)	265,435
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF PERIOD	115,719	121,106	296,772	158,301
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	\$ 140,831	\$ 423,736	\$ 140,831	\$ 423,736

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

For the Nine Months Ended September 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 September 30, 2003 are as follows:

	December 31, 2003	September 30, 2003
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	\$ 1,792	\$ -	\$ 1,135,625
Tapian	562,899	-678	-	562,221
Lahuy	103,361	-	-	103,361
Mat-I	27,000	-	-	27,000
Pan de Azucar	665,454	16,670	-	682,124
Batangas	-	10,194	-	10,194
Lobo	464,526	304,074	-	768,600
Archangel	91,338	105,078	-	196,416
	\$ 3,048,411	\$ 437,130	\$ -	\$ 3,485,541

3. CAPITAL ASSETS

	Cost	Accumulated Depreciation	Net Book Value
Office furnishings	\$ 19,574	\$ 16,088	\$ 3,486
Office equipment	10,150	9,282	868
Computer software	42,547	38,959	3,588
Computer hardware	50,181	44,377	5,804
Leasehold improvements	16,517	16,517	-
	\$ 138,969	\$ 125,223	\$ 13,746

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

For the Nine Months Ended September 30, 2004

**MINDORO**
RESOURCES LTD**4. RELATED PARTY TRANSACTIONS**

The Company had a \$155,416 compensation liability at the end of the third quarter, of which \$91,667 remained outstanding from 2003. Accrued vacation pay of \$27,081 also remained outstanding. A \$32,141.74 receivable at the end of the third quarter was related to employee advances which are expected to be charged to deferred exploration upon reconciliation of expenses. The Company paid \$41,808 to Ascenta Capital Partners, for marketing and investor relations services and related expenses during the period; Mindoro Director Marshall Farris is also a Principle of Ascenta. The Company issued 1,200,000 common shares and paid \$25,429 to East West Drilling (L) Limited; Mindoro Director Peter Draper is also a Principle of East West. (see note 6 (a) (i) and note 6 (g)).

5. CASH CALLS PAYABLE

Funds advanced from the Company's joint venture partner are entered into the cash calls payable account. When joint venture expenses are incurred, the cash call payable account is reduced by an amount equal to the expense paid.

6. SHARE CAPITAL

Authorized

Unlimited number of common shares

Unlimited number of preferred shares

	<u>Number</u>	<u>Amount</u>
Issued		
Common shares		
Balance, beginning of period (a)	31,356,757	\$ 9,292,564
Issued for private placement (b)	1,331,112	\$ 305,453
Issued upon exercise of warrants (d)	50,000	\$ 14,672
Issued upon exercise of agent's warrants (e)	202,910	\$ 39,830
Issued upon exercise of stock options (f)	495,000	\$ 106,303
Issued for services (g)	600,000	\$ 89,945
Balance, end of period	34,035,779	9,848,766
Common share purchase warrants		
Balance, beginning of period (a)	1,631,083	\$ -
Issued (b)	1,081,112	\$ -
Issued agent's warrants (c)	75,000	\$ -
Exercised warrants (d)	(50,000)	\$ -
Exercised agent's warrants (e)	(202,910)	\$ -
Balance, end of period	2,534,285	-

(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, Tapian and Mat-I Projects.

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

For the Nine Months Ended September 30, 2004

**MINDORO**
RESOURCES LTD

- (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, Tapian, and Mat-I Projects.
- (b) On January 16, 2004, pursuant to a private placement, the Company issued 500,000 units for gross proceeds of \$150,000, less commissions and issue costs of \$29,707. 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.

On August 5, 2004, pursuant to a private placement, the Company issued 831,112 units for gross proceeds of \$187,000.20 less issue costs of \$1,842. Units consisted of one Common share and one Common share purchase warrants. Each warrant entitles the holder to purchase one additional Common share at a price of \$0.30 until August 5, 2006, 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 Common share 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.
- (e) On September 3, 2004, the Company issued 202,910 Common shares pursuant to the exercise of agent's warrants for gross proceeds of \$22,318.50.
- (f) During the period, the Company issued 495,000 Common shares pursuant to the exercise of stock options at the following exercise prices: 185,000 at \$0.15; 180,000 at \$0.13; and 130,000 at \$0.10; for gross proceeds of \$64,032. An additional \$42,271 of previously recorded contributed surplus was also charged to share capital upon exercise of the options (see note 1, *Stock Base Compensation*).
- (g) On September 30, 2004, the Company issued 600,000 Common shares to East West Drilling (L) Limited as compensation for drilling services during the period.

Incentive Share Options

	Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	2,046,000	\$0.14
Issued to directors, officers and employees	1,230,000	\$0.32
Issued to consultants	350,000	\$0.28
Exercised	(495,000)	(\$0.13)
Forfeited	(246,000)	(\$0.33)
Outstanding at end of period	2,885,000	\$0.22
Options exercisable at end of period	2,635,000	\$0.20

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

For the Nine Months Ended September 30, 2004


MINDORO
 RESOURCES LTD

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

Range of Exercise Prices	Number Outstanding	Weighted Average Contractual Life (Years)	Weighted Average Exercise Price
\$0.10 to \$0.14	925,000	2.41	\$0.12
\$0.15 to \$0.23	580,000	2.57	\$0.17
\$0.24 to \$0.36	1,380,000	6.3	\$0.31
Total	2,885,000	3.6	\$0.22

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. 07, 2004	100,000
O. Reyes	Feb. 11, 2004	Feb. 11, 2014	100,000
N.R. Toreson	Feb. 11, 2004	Sept. 07, 2004	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. 04, 2006	200,000
Marshall Farris	Sept. 23, 2004	Sept. 23, 2009	100,000
Peter Draper	Sept. 23, 2004	Sept. 23, 2009	150,000
Advisory Board Members	Sept. 23, 2004	Sept. 23, 2009	100,000
Consultants	Sept. 23, 2004	Sept. 23, 2009	150,000
Total			1,580,000

7. CONTRIBUTED SURPLUS

Balance, December 31, 2003 previously reported	\$ 147,512
Adjustment for change in accounting policy (see note 1)	\$ 184,200
Balance, December 31, 2003 restated	\$ 331,712
Stock based compensation contributed	\$ 364,600
Stock options exercised	\$ (42,271)
Agent's options contributed	\$ 9,394
Agent's warrants exercised	\$ (17,511)
Balance, September 30, 2004	\$ 645,924

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>