



MINDORO  
RESOURCES LTD

*Consolidated Interim Financial Statements  
(Unaudited)*

*March 31, 2005*

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](mailto: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*

# MINDORO RESOURCES LTD.

## Management's Discussion and Analysis

Three months ended March 31, 2005



MINDORO  
RESOURCES LTD

*This Management Discussion and Analysis for the three months ended March 31, 2005 should be read in conjunction with the unaudited interim consolidated financial statement and the audited annual financial statement.*

### NATURE OF THE BUSINESS

Mindoro Resources Ltd. ("Mindoro" or "the Company") 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.

The following information, prepared as of May 20, 2005, should be read in conjunction with the March 31, 2005 unaudited interim consolidated financial statements and the December 31, 2004 audited consolidated financial statements, which have been prepared in accordance with Canadian generally accepted accounting principals. All amounts are expressed in Canadian dollars, unless otherwise indicated.

### OVERALL PERFORMANCE

#### Batangas Projects

##### *Lobo*

Geophysical surveys at Lobo gave strong indications of at least two buried porphyry copper-gold systems. Drilling commenced on the first of these, the Pica Prospect, in May 2005. The first hole at Pica will be drilled to a depth of approximately 500 meters and will take several weeks to complete. The second porphyry copper-gold target, the Calumpang Prospect, is located immediately to the northeast of Pica. The Company plans on drill testing the Calumpang porphyry target upon completion of the Pica drill program.

A second rig commenced drilling at West Drift, on the Sampson epithermal vein-breccia trend. High grade gold mineralization was previously intersected at West Drift, as reported on November 8, 2004. Drill Hole 38, for example, intersected 12 meters of 7.42 g/t gold including 2.5 meters of 29.46 g/t gold (true widths). The Sampson Trend is 800 meters from the parallel Camo Trend, where a modest gold resource was defined at SW Breccia, as announced in the Mindoro's January 4, 2005 news release. Objectives are to test the West Drift mineralization to depth and increase Lobo's gold resources. The first drill hole of the follow-up drilling at West Drift has just been completed and the second hole has commenced.

Two drill holes were also recently completed on Lobo's Signal Prospect. On February 23, 2005, Mindoro reported high gold and silver values, up to 72.64 g/t gold and 432.3 g/t silver, obtained from float boulders at Signal. However, drilling has indicated that the high-grade, gold-mineralized boulders were moved in a volcanic debris flow from their source area outside of the geophysical anomalies located at Signal. Additional geological and geophysical work is in progress to identify the source area, believed to be within a few hundreds of meters of Signal to the northeast.

##### *Archangel*

Strong chargeability and resistivity anomalies, outlined semi-continuously over six kilometers, are interpreted as being related to a cluster of porphyry copper-gold systems at Archangel.

As reported on March 5 and May 11, 2005, combined induced polarization and magnetic surveys defined, what appears to be, four separate anomalies. Inverse modeling of data is currently being carried out to more precisely define the anomalies. The anomalies and associated alteration and copper-gold showings are consistent with porphyry copper-gold targets. Some of the resistivity anomalies are believed to reflect epithermal quartz-gold-silver mineralization at shallower depths, which is the subject of ongoing resource evaluation and metallurgical testing.

Reconnaissance geological work and prospecting indicates that the copper-gold mineralized trend at Archangel extends for another four to five kilometers to the northeast. Once the geological work has been completed, the geophysical crew will be re-mobilized to survey this newly-recognized extension.

## **Surigao Projects**

### ***Agata***

Agata is a highly mineralized project and the site of historical and ongoing artisanal gold mining. It is located at the intersection of cross-cutting faults and a splay of the Philippines Fault, which is a favorable structural setting for mineralizing intrusions. Scout drilling in 1999 intersected promising epithermal gold mineralization and also recognized the high potential of Agata for porphyry copper-gold deposits. In 2004, an aggressive exploration program commenced, funded by joint venture partner Panoro Minerals Ltd., focusing on porphyry copper-gold deposits.

In early 2005, a total of 75 line kilometers of induced polarization and magnetic geophysical surveying, as well as geological mapping and sampling, was completed. Two intense and broad chargeability anomalies were outlined: the North Target and the South Target, as well as a number of peripheral anomalies.

The North Target is a very large chargeability anomaly, as described in Mindoro's January 18, 2005 news release, which covers about 1.6 kilometers by 800 meters. Ultra-mafic rocks in the area exhibit intense quartz-magnetite-(pyrite) alteration, with coincident soil anomalies. The alteration is believed to be related to an underlying intrusive complex, which has high potential for associated porphyry copper-gold mineralization.

The South Target is also a large and extremely strong chargeability anomaly and has a flanking, strong resistivity high anomaly. The anomalies extend onto another tenement which Mindoro has now acquired. Geological and geochemical evaluation of the South Target is still in its early stages. There are historical and ongoing artisanal gold mining operations in this area. Soil geochemical surveys carried out by Mindoro in 1997 partially covered the South Target and defined gold, zinc and copper anomalies. Geological, geochemical and IP results at the South Target strongly point to a porphyry copper-gold system at depth.

A number of other broad, lower order, yet still significant, chargeability anomalies were also defined between, and peripheral to, the North and South Targets.

### ***Tapian San Francisco***

Tapian San Francisco is located in a favorable structural setting: adjacent to the Philippine Fault system and on the same structural trends extending from Anglo's Boyongan and Bayugo porphyry discoveries, located about eight kilometers away.

A total of 30 line kilometers of induced polarization and magnetic geophysical surveying has been completed at Tapian San Francisco, as well as detailed geological mapping and sampling. The geophysical program focused on defining the underlying porphyry copper-gold targets; although there are also abundant epithermal gold showings, which will be assessed for economic potential

Geophysics defined seven chargeability anomalies, as described in Mindoro's news release of January 20, 2005. Of particular interest are the C4, C5 and C6 chargeability anomalies and flanking resistivity anomalies, which correlate with strong and extensive porphyry-style alteration. The anomalies and alteration are coincident with copper and gold soil geochemical anomalies. These multiple, stacked, anomalies point strongly to the presence of a porphyry copper-gold system at depth.

The geophysical results are still being correlated with geological and geochemical data, but it is clear that porphyry copper-gold targets of considerable potential interest are emerging and promising drill targets are being defined.

### ***Tapian Main***

The geophysical Induced Polarization survey at Tapan Main defined a strong chargeability anomaly, coincident with intrusives, soil geochemical anomalies and alteration, that extends over an area of 1.4 kilometers by 600 meters and is open to the south. The clustering of multiple intrusions is typical of horizontal sections above the top of large magma chambers related to porphyry copper-gold systems. The porphyry target is likely deeper than those at Tapan San Francisco. Additional geophysical surveying is required to fully define the anomalies.

*Mindoro's President, Tony Climie, P.Geol., supervises all Mindoro's field programs and is a "qualified person" as defined by NI43-101.*

## RESULTS OF OPERATIONS

Interest income of \$4,152 was higher in the period than 2004 as the Company's cash position was significantly greater due to several financing activities in the latter half of 2004. Net loss for the period of \$346,552 was less than net loss of \$418,227 in the same period of 2004 as stock based compensations were considerably less during the period. Stock based compensation expenses, from the issue of stock options, were \$155,125, compared to \$291,600 in the first three months of 2004. Salary expense of \$28,065 in the first quarter was similar to the salary expense of \$27,708 in the first quarter of 2004. Consulting and professional fees of \$30,884 for the period were lower than the fees of \$53,229 in the same period of 2004, mainly due to higher legal fees in 2004 related to the preparation of a joint venture. Increased investor relations and marketing activity in the first quarter of 2005 resulted in significant increases in certain administration expenses compared to the first quarter of 2004. The following are the more significant increases in expenditures in the first quarter of 2005 compared to the same period of 2004: advertising and promotion expenses of \$49,400 in 2005, and \$10,998 in 2004; trade show costs of \$5,558 in 2005, and \$3,995 in 2004; and travel costs of \$8,648 in 2005 and \$2,086 in 2004.

## SUMMARY OF QUARTERLY RESULTS

Quarter Ending	Net Earnings Gain (Loss)	Earnings Gain (Loss)	
		Per Share	Total Assets
March 31, 2005	\$(346,552)	\$(0.008)	\$5,537,076
December 31, 2004	(72,341)	(0.002)	5,969,940
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	(82,176)	(0.003)	3,520,898
September 30, 2003	(57,208)	(0.002)	3,271,363
June 30, 2003	(99,089)	(0.004)	2,867,034

## LIQUIDITY

The Company continues to rely on raising capital in order to fund its ongoing operations. As of March 31, 2005, Mindoro's cash position was \$822,984, down from \$1,295,541 as at December 31, 2004. Accounts receivable increased to \$170,257 as of March 31, 2005, up from \$96,429 as of December 31, 2004 with the increase primarily related to a \$62,465 advance made to drilling contractor East West Drilling Limited. Cash calls receivable from our joint venture partner was \$87,484 compared to \$48,324 as of December 31, 2004, and prepaid expenses decreased to \$6,367 from \$12,433 at the end of the previous year. Accounts payable and accrued charges decreased significantly as at March 31, 2005 to \$84,172 from \$232,468 as at December 31, 2004.

In the first three months of 2005, \$204,716 was expended on Investing Activities, with \$197,871 spent on Exploration Activities in the Philippines. The total amount of deferred exploration on existing properties as at March 31, 2005 was \$4,399,963. During the first quarter, 364,865 purchase warrants were exercised for proceeds of \$85,610 net of issue costs.

## CAPITAL RESOURCES

Some of the following commitments are denominated in Philippine Pesos ("PP"). At March 31, 2005, 45.228 PP = \$1CDN.

*Memorandum of Agreement*

Pursuant to a Memorandum of Agreement ("MOA") dated January 19, 1997 with Minimax Mineral Exploration Corporation ("Minimax"), the Company was granted the right to earn options to earn up to a 75% working interest in five mineral properties: Agata, Tapian, Pan de Azucar, Mat-I and Lahuy, 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:

- (i) Phase one - incurring an aggregate of 20,000,000 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; and
- (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 of phase two and phase three of the property entered into, respectively.

As at March 31, 2005, 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, Tapian and Pan de Azucar properties by incurring the required minimum eligible expenditures. In accordance with the MOA, 700,000 Common shares of the Company have been issued to Minimax to March 31, 2005. An additional 100,000 Common shares were committed to be issued in 2004 as the Company elected to enter into phase three on the Tapian property. These shares were not issued to March 31, 2005 and were recorded as Common shares issuable at March 31, 2005 less the Common shares deliverable by Panoro Minerals Ltd.

The Company must incur expenditures in relation to each phase within time periods specified in the MOA as summarized below:

- (i) Agata - The Company is in Phase three of this project and must incur 15,000,000 PP in eligible mining expenditures before November 1, 2005.
- (ii) Tapian - The Company is in Phase three of this project and must incur 15,000,000 PP in eligible mining expenditures before December 20, 2006.
- (iii) Pan de Azucar - The Company is in Phase three of this project and was to have incurred 15,000,000 PP in eligible mining expenditures by January 4, 2004. Although the Company did not meet these requirements, the Company is currently negotiating an extension to this deadline through extending the exploration period in the exploration permit.
- (iv) Mat-I - The Company is in Phase two of this project and must incur 15,000,000 PP in eligible mining expenditures to earn a 40% interest. These expenditures must be made within a two year period from the approval and execution of the Mineral Production Sharing Agreement ("MPSA") on this project. The MPSA on this project was filed in 1997 and has not yet been approved.
- (v) Lahuy - The Company is in Phase one of this project and must incur 5,000,000 PP in eligible mining expenditures. There is currently more than one party claiming title to the mining claims over this property, and as such, the Company has not been able to obtain a MPSA or an exploration permit. The Company is of the opinion they will be able to successfully resolve this dispute.

Pursuant to an agreement dated November 4, 2003, the Company was granted an option to earn an additional 10% working interest in each of the Agata, Tapian and Mat-I properties from Minimax. The Company may exercise its option on each property by making a payment to Minimax equivalent to 0.5% of the gross value of each mining reserve with a minimum of \$5,000,000 US per mining reserve. The agreement also requires the Company to issue 200,000 Common shares to Minimax as additional consideration for granting the option. The shares, having a fair value of \$54,000, were recorded as issuable at December 31, 2003 and were issued during 2004.

#### *Surigao Option Agreement*

Pursuant to the Surigao Option Agreement ("SOA") effective June 21, 2004, Panoro was granted an option to acquire a 40% working interest in each of the Agata, Tapian and Mat-I properties and any extensions on those

properties. In order to earn the working interests in the properties, Panoro is to make expenditures totaling \$2,000,000 over a four year period as follows (the "Surigao Option Period"):

- (i) \$350,000 on or before June 21, 2005;
- (ii) \$450,000 on or before June 21, 2006; and
- (iii) \$600,000 in each of the years ending June 21, 2007 and 2008.

Panoro was granted an additional interest option to earn 2.5% of the additional 10% interest in each of the Agata, Tapian and Mat-I properties by reimbursing the Company 25% of the costs incurred by the Company under the additional interest option at the time the option is exercised. As consideration for the granting of the additional interest option, Panoro is obligated to deliver to the Company 50,000 Common shares of the Company. The expected receipt of these 50,000 Company shares by the Company has been netted against the obligation to issue 100,000 Company shares to Minimax upon entering Phase three of the Tapian project. Thus, 50,000 net shares have been recorded as Common shares issuable at March 31, 2005.

If the phase expenditures on the properties are not met, the properties become excluded from the SOA.

Under the terms of the MOA and the SOA and as confirmed in a Confirmation Agreement between the Company, Minimax and Panoro, the parties established an Area of Mutual Interest surrounding the Agata, Tapian and Mat-I properties. During 2004, the Company entered into two agreements to acquire mineral tenements over properties that are within the Area of Mutual Interest to the Surigao properties. On October 26, 2004, the Company entered into an Agreement to Explore, Develop and Operate Mineral Property ("the Bautista-Agata Agreement") and acquired mineral exploration, development and production rights. On signing this agreement, the Company paid a signing bonus of 500,000 PP to the vendor. The Company has the following additional obligations:

- (i) Issue 100,000 Common shares to the vendor upon the approval of an exploration permit over the property;
- (ii) Commence payment to the vendor of quarterly royalty advances of 50,000 PP per quarter three months following the approval of an exploration permit over the property;
- (iii) Issue 250,000 Common shares to the vendor one year following the approval of an exploration permit over the property; and
- (iv) Issue 500,000 Common shares to the vendor upon decision to commence commercial production from the property.

The vendor is entitled to a 1.5% Net Smelter Royalty on commercial production from the property. Pursuant to the terms of the Confirmation Agreement, Panoro elected to include this additional property as part of the Agata project. As such, as part of the SOA, Panoro is to reimburse the Company costs of acquiring the property, and will incur all further obligations under the Bautista-Agata Agreement until the Surigao Option Period expires, or the Agata property becomes an excluded property.

On December 8, 2004, the Company entered into an Agreement to Explore, Develop and Operate Mineral Property ("the Bautista-Tapian Agreement") and acquired mineral exploration, development and production rights. On signing the agreement, the Company paid a signing bonus of 1,500,000 PP to the vendor. The Company was also obligated to issue to the vendor 40,000 Common shares of the Company and 40,000 Common shares of Panoro on signing of the agreement. The Company has the following additional obligations under the terms of the Bautista-Tapian Agreement:

- (i) Commence payment to the vendor of quarterly royalty advances of 150,000 PP per quarter on June 8, 2005;
- (ii) Issue 50,000 Company Common shares and 50,000 Common shares of Panoro to the vendor on December 8, 2005;
- (iii) Issue 250,000 Company Common shares and 250,000 Panoro Common shares to the vendor at feasibility study stage on the property; and
- (iv) Issue 250,000 Company Common shares and 250,000 Panoro Common shares to the vendor upon decision to commence commercial production on the property.

The vendor is entitled to a 1.5% Net Smelter Royalty on commercial production from the property. In January 2005, pursuant to the terms of the Confirmation Agreement, Panoro elected to include this additional property as part of the Tapian project. As such, it will now be part of the SOA and Panoro will reimburse the Company for the costs of acquiring the property, assume the obligation to deliver the 40,000 Mindoro Common shares and 40,000 Panoro Common shares, and will incur all further obligations under the Bautista-Tapián Agreement until either the Surigao Option Period expires, or the Tapián property becomes an excluded property.

#### *Egerton Agreement*

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

- (i) Phase one - incurring an aggregate of \$1,500,000 US in eligible mining expenditures by January 21, 2006; and
- (ii) Phase two - completing a feasibility study and obtaining the necessary financing to commence commercial drilling and production on either of these mineral properties.

Pursuant to the Agreement, the Company issued 500,000 Common shares to Egerton upon receipt of the related MPSAs on the properties during 2003.

Once the phase one expenditure requirement has been met on these 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 that point, Egerton will have the option to participate at 25% interest at production, or convert to a 2% gross smelter royalty.

Pursuant to the terms of each MPSA, the Company is required to spend certain minimum amounts on eligible expenditures to maintain the MPSA in good standing. These minimum requirements have been met as at March 31, 2005.

During 2004, the Company entered into an Addendum to Agreement, whereby the area covered by the Agreement was extended to include certain mineral tenements surrounding the Lobo and Archangel properties (the "Batangas properties"). Egerton has acquired and made applications to acquire the Batangas properties. For each mineral deposit located within the Batangas properties for which a positive feasibility study is achieved and necessary financing to commence commercial drilling and production is obtained, the Company must issue 500,000 Common shares to Egerton, to a maximum of 1,500,000 Common shares or three mineral deposits on the Batangas properties.

#### **TRANSACTIONS WITH RELATED PARTIES**

- (a) Accounts receivable and advances includes \$47,711 due from an officer and director of the Company; and \$62,465 advanced to East West Drilling, a director of the Company is also the managing director of East West.
- (b) Consulting and professional fees expense includes \$3,942 paid to a director of the Company, and \$15,000 paid for investor relations to Ascenta Capital; a director of the Company is also a principal of Ascenta. Advertising and promotions expense includes \$25,141 also paid to Ascenta.
- (c) Mineral properties and deferred costs includes \$47,308 paid to East West; \$3,140 was also paid to a director of the company for consulting work pertaining to the properties.

## CAPITAL STRUCTURE

Authorized:

Unlimited number of Common shares

Unlimited number of Preferred shares

<b>Issued - Common shares</b>	<b><u>Number</u></b>
Balance, December 31, 2004	44,111,867
On exercise of purchase warrants	50,000
On exercise of agent's warrants	314,865
<u>Issuable for mineral properties (1)</u>	<u>50,000</u>
<b>Balance, March 31, 2005</b>	<b><u>44,526,732</u></b>

<b>Common share purchase warrants</b>	
Balance, December 31, 2004	13,068,361
Issued on exercise of agent's warrants	314,865
Warrants exercised	(364,865)
<u>Warrants expired</u>	<u>(750,000)</u>
<b>Balance, March 31, 2005</b>	<b><u>12,268,361</u></b>

<b>Stock options</b>	
Balance, December 31, 2004	2,830,000
<u>Issued to directors, officers and employees</u>	<u>1,115,000</u>
<b>Balance, March 31, 2005</b>	<b><u>3,945,000</u></b>

- 1) Mindoro had obligations to issue 90,000 Common shares with a stated value of \$24,550 as of December 31, 2004. These shares were issued in the first quarter of 2005, but no additional entry in 2005 was necessary. To follow is a summary of the share obligations recorded as at December 31, 2004, and issued in 2005 and share obligations as of March 31, 2005:
  - a) Pursuant to an agreement with Panoro Minerals Ltd., ("the Surigao Option Agreement") Panoro became obligated during 2004 to deliver to the Company 50,000 Common shares of the Company. The expected receipt of these shares was netted against the Company's obligation to issue 100,000 Common shares to Minimax Mineral Exploration, as described below.
  - b) Pursuant to the Company's Memorandum of Agreement with Minimax, 100,000 Common shares were committed to be issued in 2004 to Minimax as the Company elected to enter into phase three on the Tapian property. These shares were recorded as Common shares issuable as at December 31, 2004, at fair value, on the date the Company exercised the option, of \$27,500, less the Common shares deliverable by Panoro Minerals Ltd. at fair value of \$13,750, for a net obligation of \$13,750.
  - c) Pursuant to an Agreement to Explore, Develop and Operate Mineral Property ("the Bautista-Tapián Agreement") the Company was obligated to issue to the property vendor 40,000 Common shares of the Company and 40,000 Common shares of Panoro. The 40,000 Company shares were recorded as issuable at December 31, 2004, at fair value on the date of signing of \$10,800. The fair value of the Panoro Common shares on the date of signing of \$6,800 was included in accounts payable and accrued liabilities at December 31, 2004.
  - d) In January, 2005, Panoro exercised its option to include the property acquired by the Company under the Bautista Tapián Agreement within the Surigao Option Agreement. Upon exercising this option, Panoro assumed the obligation to issue 40,000 Common shares of the Company and 40,000 Common shares of Panoro. The fair value of these shares as recorded at December 31, 2004 was reversed in January 2005.

## FORWARD LOOKING STATEMENTS

Some of the statements contained in this report are forward-looking statements, such as estimates that describe the Company's future plans, objectives or goals. This includes words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events or conditions, by their very nature they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements.

Additional information relevant to the Company's activities is available on SEDAR at [www.sedar.com](http://www.sedar.com).



**MINDORO**  
RESOURCES LTD

**CONSOLIDATED BALANCE SHEETS**

	<b>March 31</b>		<b>December 31</b>
	<b>2005</b>		<b>2004</b>
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and short-term investments	\$ 822,984	\$	1,295,541
Accounts receivable	170,257		96,429
Prepaid expenses	6,367		12,433
Cash call receivable (Note 5)	87,484		48,324
	<b>1,087,092</b>		<b>1,452,727</b>
ROYALTY DEPOSITS	<b>30,512</b>		<b>28,396</b>
MINERAL PROPERTIES AND DEFERRED COSTS (Note 2)	<b>4,399,962</b>		<b>4,202,091</b>
PROPERTY AND EQUIPMENT (Note 3)	<b>19,510</b>		<b>13,726</b>
	<b>\$ 5,537,076</b>	\$	<b>5,696,940</b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued charges (Note 4)	\$ 84,172	\$	232,469
	<b>84,172</b>		<b>232,469</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital (Note 6)	11,742,897		11,627,155
Contributed Surplus	1,106,014		886,771
Deficit	(7,396,007)		(7,049,455)
	<b>5,452,904</b>		<b>5,464,471</b>
	<b>\$ 5,537,076</b>	\$	<b>5,696,940</b>



**MINDORO**  
RESOURCES LTD

**CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**

**Three Months Ended March 31,**  
**2005** **2004**

	<b>2005</b>	<b>2004</b>
REVENUE		
Interest	\$ 4,152	\$ 2
EXPENSES		
Administration	793	706
Advertising and promotion	49,400	10,998
Communications	1,491	1,482
Conferences and trade shows	5,558	3,995
Consulting and professional fees	30,884	53,229
Listing fees and shareholder communications	4,753	5,245
Office, postage and sundry	3,502	10,320
Printing	1,311	543
Rent	1,809	2,574
Salaries and benefits	28,065	27,708
Stock based compensation	155,125	291,600
Travel	8,648	2,086
Depreciation and amortization	1,062	872
	<b>292,401</b>	<b>411,358</b>
LOSS BEFORE OTHER CHARGES	<b>288,249</b>	<b>411,356</b>
OTHER CHARGES (INCOME)		
Foreign exchange loss	58,303	6,872
	<b>58,303</b>	<b>6,872</b>
NET LOSS	<b>346,552</b>	<b>418,227</b>
DEFICIT, BEGINNING OF PERIOD PREVIOUSLY STATED	<b>7,049,455</b>	<b>6,128,365</b>
RESTATEMENT ON CHANGE IN ACCOUNTING POLICY	-	184,200
DEFICIT BEGINNING OF PERIOD RESTATED	<b>7,049,455</b>	<b>6,312,565</b>
DEFICIT, END OF PERIOD	\$ <b>7,396,007</b>	\$ <b>6,730,792</b>
BASIC AND DILUTED (GAIN) LOSS PER SHARE	\$ <b>0.008</b>	\$ <b>0.013</b>
WEIGHTED AVERAGE SHARES OUTSTANDING	<b>44,338,601</b>	<b>31,775,646</b>



**MINDORO**  
RESOURCES LTD

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Three Months Ended March 31**  
**2005** **2004**

---

**NET INFLOW (OUTFLOW) OF CASH RELATED  
TO THE FOLLOWING ACTIVITIES**

**OPERATING**

Net loss	\$ (346,552)	\$ (400,171)
Items not affecting cash		
Stock Based Compensation	155,125	291,600
Depreciation and amortization	1,062	1,062
	<b>(190,365)</b>	<b>(107,509)</b>
Increase in royalty deposits	(2,116)	2,078
Changes in non-cash working capital	(255,219)	(12,396)
	<b>(447,700)</b>	<b>(117,827)</b>

---

**INVESTING**

Security deposits	-	-
Expenditures on mineral properties and deferred costs	(197,871)	1,037,985
Acquisition of property and equipment	(6,845)	(1,018)
	<b>(204,716)</b>	<b>1,036,967</b>

---

**FINANCING**

Issue of share capital, net of issuance costs	179,859	436,203
-----------------------------------------------	---------	---------

---

**INCREASE (DECREASE) IN CASH AND  
SHORT TERM INVESTMENTS**

	<b>(472,557)</b>	<b>1,355,343</b>
--	------------------	------------------

**CASH AND SHORT-TERM INVESTMENTS,  
BEGINNING OF PERIOD**

	<b>1,295,541</b>	<b>296,772</b>
--	------------------	----------------

---

**CASH AND SHORT-TERM INVESTMENTS,  
END OF PERIOD**

	<b>\$ 822,984</b>	<b>\$ 1,652,115</b>
--	-------------------	---------------------

---

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

For the Three Months Ended March 31, 2005


**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, 2004. These interim financial statements should be read together with the Company's most recent annual audited financial statements.

**2. DEFERRED EXPLORATION COSTS**

Project	Balance, December 31, 2003	Expenditures	Balance, December 31, 2004	Expenditures	Balance, March 31, 2005
Agata	\$ 1,133,833	\$ (114)	\$ 1,133,719	(\$26,735)	\$ 1,106,984
Tapian	562,899	86,459	649,358	(\$65,715)	\$ 583,643
Lahuy	103,361	-	103,361	\$0	\$ 103,361
Mat-I	27,000	15,017	42,017	\$2,965	\$ 44,982
Pan de Azucar	665,454	22,345	687,799	\$9,162	\$ 696,961
Batangas	-	16,374	16,374	\$3,984	\$ 20,358
Lobo	496,108	731,483	1,227,591	\$195,498	\$ 1,423,088
Archangel	122,921	195,004	317,925	\$77,903	\$ 395,828
Laos	-	24,757	24,757	\$0	\$ 24,757
	\$ 3,111,576	\$ 1,091,325	\$ 4,202,901	\$197,062	\$ 4,399,962

**3. CAPITAL ASSETS**

	2004			2005		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Computer hardware	\$ 50,181	\$ 44,844	\$ 5,337	\$ 52,061	\$ 44,850	\$ 7,211
Computer software	42,547	39,205	3,342	43,352	39,240	4,112
Office furniture and equipment	29,724	24,677	5,047	33,865	25,679	8,187
Leasehold improvements	16,517	16,517	-	16,517	16,517	-
	\$ 138,969	\$ 125,243	\$ 13,726	\$ 145,795	\$ 126,285	\$ 19,510

**4. RELATED PARTY TRANSACTIONS**

- Accounts receivable and advances includes \$47,711 due from an officer and director of the Company; and \$62,465 advanced to East West Drilling, a director of the Company is also the managing director of East West.
- Consulting and professional fees expense includes \$3,942 paid to a director of the Company, and \$15,000 paid for investor relations to Ascenta Capital; a director of the Company is also a principal of Ascenta. Advertising and promotions expense includes \$25,141 also paid to Ascenta.
- Mineral properties and deferred costs includes \$47,308 paid to East West Drilling; \$3,140 was also paid to a director of the Company for consulting work on the properties.

**5. CASH CALLS RECEIVABLE**

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

For the Three Months Ended March 31, 2005

**MINDORO**  
RESOURCES LTD

Funds due from the Company's joint venture partner are entered into the cash call receivable account.

**6. SHARE CAPITAL**

Authorized

Unlimited number of common shares

Unlimited number of preferred shares

	<u>Number</u>	<u>Stated Value</u>
Issued		
Common shares		
Balance, December 31, 2004 (a)	44,111,867	\$ 11,602,605
Issuable, December 31, 2004 (b)	90,000	\$ 24,550
Obligation to issue shares (b)	(40,000)	\$ (10,800)
Issued upon exercise of warrants (c)	364,865	\$ 126,542
<b>Balance, end of period</b>	<b>44,526,732</b>	<b>11,742,897</b>
Common share purchase warrants		
Balance, beginning of period (a)	13,068,361	
Issued (d)	314,865	
Exercised (c)	(364,865)	
Expired (e)	(750,000)	
<b>Balance, end of period</b>	<b>12,268,361</b>	

- (a) On January 16, 2004, the company issued 500,000 Units at \$0.30 per Unit for proceeds of \$129,604, net of cash issue costs of \$20,396. Each Unit consisted of one Common share and one-half Common share purchase warrant. Each whole Common share purchase warrant entitles the holder to acquire one Common share at \$0.60 per share until January 16, 2005. The company issued 50,000 agent's warrants pursuant to this private placement exercisable into one Unit of the company at \$0.30 per Unit until January 16, 2006, each Unit having the same terms as above. The fair value of the agent's warrants was estimated to be \$13,145 using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years, expected volatility of 123%, risk-free interest rate of 2.84% and a 0% dividend yield. This was recorded as a share issue cost with a corresponding increase in contributed surplus.

On August 5, 2004, the company issued 831,112 Units at \$0.225 per Unit for proceeds of \$185,159, net of issue costs of \$1,841. Each Unit consisted of one Common share and one Common share purchase warrant entitling the holder to acquire one Common share at \$0.30 per share until August 4, 2006.

On October 29, 2004, the company issued 1,102,200 Units at \$0.225 per Unit for proceeds of \$245,756, net of issue costs of \$2,239. Each Unit consisted of one Common share and one Common share purchase warrant entitling the holder to acquire one Common share at \$0.30 per share until October 29, 2006.

Pursuant to a Short Form Offering document, the company issued 8,888,888 Units at \$0.225 per Unit for gross proceeds of \$2,000,000. Each Unit consisted of one Common share and one Common share purchase warrant entitling the holder to acquire one Common

## **MINDORO RESOURCES LTD.**

### **Notes to the Consolidated Interim Financial Statements (Unaudited)**

For the Three Months Ended March 31, 2005



**MINDORO**  
RESOURCES LTD

share at \$0.30 per share until October 15, 2006. The company paid the agent a 9% cash commission on the gross proceeds of \$180,000, granted 888,888 agent's warrants, issued the agent 50,000 Common shares and paid \$91,440 in additional miscellaneous share issue costs. The agent's warrants entitle the holder to acquire one Unit of the company at \$0.225 per Unit until October 15, 2006. The fair value of the agent's warrants was estimated to be \$222,222 using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years, expected volatility of 110%, risk-free interest rate of 3.2% and a 0% dividend yield. This was recorded as a share issue cost with a corresponding increase in contributed surplus. The fair value of the shares issued of \$11,250 was recorded as a share issue cost with a corresponding increase in share capital.

Subsequent to March 31, 2005, 279,465 Units were issued upon the exercise of 279,465 warrants for \$62,880. Each Unit consists of one Common share and one Common share purchase warrant entitling the holder to purchase one Common share at \$0.30 per share for two years from the date of issue.

- (b) Pursuant to an agreement with Panoro Minerals Ltd., ("the Surigao Option Agreement") Panoro became obligated during 2004 to deliver to the Company 50,000 Common shares of the Company. The expected receipt of these shares was netted against the Company's obligation to issue 100,000 Common shares to Minimax Mineral Exploration, as described below.

Pursuant to the Company's Memorandum of Agreement with Minimax, 100,000 Common shares were committed to be issued in 2004 to Minimax as the Company elected to enter into phase three on the Tapian property. These shares were recorded as Common shares issuable as at December 31, 2004, at fair value, on the date the Company exercised the option, of \$27,500, less the Common shares deliverable by Panoro Minerals Ltd. at fair value of \$13,750, for a net obligation of \$13,750.

Pursuant to an Agreement to Explore, Develop and Operate Mineral Property ("the Bautista-Tapian Agreement") the Company was obligated to issue to the property vendor 40,000 Common shares of the Company and 40,000 Common shares of Panoro. The 40,000 Company shares were recorded as issuable at December 31, 2004, at fair value on the date of signing of \$10,800. The fair value of the Panoro Common shares on the date of signing of \$6,800 was included in accounts payable and accrued liabilities at December 31, 2004.

In January 2005, Panoro exercised its option to include the property acquired by the Company under the Bautista Tapian Agreement within the Surigao Option Agreement. Pursuant to exercising this option, Panoro assumed the obligation to issue 40,000 Common shares of the Company and 40,000 Common shares of Panoro. The fair value of these shares as recorded at December 31, 2004 was reversed in January 2005.

- (c) These warrants were exercised for \$85,610. Stock-based compensation costs totaling \$40,932.45, recorded as an increase to contributed surplus on issuance in 2004, were reclassified to share capital upon the exercise of these warrants.
- (d) These warrants were issued pursuant to the exercise of 314,865 Agent's warrants.
- (e) Two issues of warrants expired during the period: 250,000 warrants with an exercise price of \$0.60 expired in January and 500,000 warrants with an exercise price of \$0.50 expired in

**MINDORO RESOURCES LTD.**  
**Notes to the Consolidated Interim Financial Statements (Unaudited)**  
For the Three Months Ended March 31, 2005



**MINDORO**  
RESOURCES LTD

March.

*Incentive Share Options*

The following table summarizes the status of the Company's stock option plan:

	<b>Shares</b>	<b>Weighted-Average Exercise Price</b>
Outstanding at beginning of period	2,830,000	\$0.14
Issued to directors, officers and employees	1,115,000	\$0.28
Exercised	-	-
Forfeited	-	-
<b>Outstanding at end of period</b>	<b>3,945,000</b>	<b>\$0.22</b>
<b>Options exercisable at end of period</b>	<b>3,870,000</b>	<b>\$0.23</b>

Compensation cost of \$155,125 was recorded as stock-based compensation and \$105,050 was recorded as mineral properties and deferred exploration with a total corresponding increase in contributed surplus of \$260,175.

The following table summarizes share options outstanding:

<b>Range of Exercise Prices</b>	<b>Number Outstanding</b>	<b>Weighted Average Contractual Life (Years)</b>	<b>Weighted Average Exercise Price</b>
\$0.10 to \$0.14	925,000	1.92	\$0.12
\$0.15 to \$0.23	1,025,000	2.94	\$0.20
\$0.24 to \$0.36	1,995,000	5.83	\$0.31
<b>Total</b>	<b>3,945,000</b>	<b>4.16</b>	<b>\$0.24</b>

During the period, the following share options were issued:

<b>Optionee</b>	<b>Date Issued</b>	<b>Date Expires</b>	<b>Options Issued</b>
J.A. Climie	Feb. 3, 2005	Feb. 3, 2010	200,000
P. Gould	Feb. 3, 2005	Feb. 3, 2010	100,000
G. Kirchner	Feb. 3, 2005	Feb. 3, 2010	150,000
M. Farris	Feb. 3, 2005	Feb. 3, 2010	100,000
O. Reyes	Feb. 3, 2005	Feb. 3, 2010	100,000
P. Draper	Feb. 3, 2005	Feb. 3, 2010	100,000
Officer of subsidiary	Feb. 3, 2005	Feb. 3, 2010	100,000
Employees	Feb. 3, 2005	Feb. 3, 2010	265,000
<b>Total</b>			<b>1,115,000</b>

**7. CONTRIBUTED SURPLUS**

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

For the Three Months Ended March 31, 2005

**MINDORO**  
RESOURCES LTD

Balance, beginning of period	\$ 886,771
Stock based compensation contributed	\$ 260,175
Agent's warrants exercised	\$ (40,932)
<b>Balance, March 31, 2005</b>	<b>\$ 1,106,014</b>

**8. SUBSEQUENT EVENTS**

Subsequent to March 31, 2005, 279,465 Units were issued upon the exercise of 279,465 warrants for \$62,880. Each Unit consists of one Common share and one Common share purchase warrant entitling the holder to purchase one Common share at \$0.30 per share for two years from the date of issue.

**9. 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, CFO, Corporate Secretary</i>

*www.mindoro.com*