



**MINDORO**  
RESOURCES LTD

*Consolidated Interim Financial Statements*

*(Unaudited)*

***June 30, 2007***

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*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**  
Six Months Ended June 30, 2007



**1. GENERAL**

This discussion and analysis of financial position and results of operation is prepared as at August 27, 2007, and should be read in conjunction with the unaudited consolidated financial statements for the six months ended June 30, 2007 and June 30, 2006, and the December 31, 2006 audited consolidated financial statements. The statements have been prepared in accordance with Canadian generally accepted accounting principals. All amounts are expressed in Canadian dollars, unless otherwise indicated. Additional information related to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com)

**2. FORWARD LOOKING INFORMATION**

Statements contained in this document that are not historical facts are regarded as forward-looking statements. These statements may involve risk, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause such differences, without being limited to the following, include: volatility and sensitivity to market metal prices; impact of change in foreign currency exchange rates and interest rates; unexpected variations in geological conditions of a property or erroneous geological data; environmental risks including increased regulatory constraints; unexpected adverse mining conditions; adverse political conditions and changes in government regulations policies. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this document. The Company disclaims any intention or obligation to update or revise any forward-looking statement, whether or not it should be revised as a result of new information, future events or otherwise.

**3. 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, copper-gold and nickel 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 mineral properties and 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.

**4. OVERVIEW OF EXPLORATION ACTIVITIES**

The Company's main assets are located in the Batangas and Surigao Districts of the Philippines.

**BATANGAS PROJECTS, LUZON**

Mindoro may earn up to a 75 percent interest in the 24,000 hectare Batangas land package from Egerton Gold Philippines Inc., a private Philippine company. The Company has earned 51 percent interest to date, and may earn the remaining 24 percent interest by taking any one deposit to the feasibility stage. Within the Batangas land package, both the Lobo and Archangel Projects are held under a Mineral Production Sharing Agreement (MPSA), which is a legally binding contract with the Philippine Government allowing for mineral exploration and development, and the Calo and El Paso prospect are held under Exploration Permits (EP). The remaining Batangas Regional ground is held under either MPSA or EP applications, which are in various stages of approval.

As of June 30, 2007, the Company had \$9,926,223 in exploration expenditures on the Batangas Projects, including expenditures of \$1,502,894 in the second quarter of 2007.

*Kay Tanda-Pulang Lupa Epithermal Gold Prospects, Archangel Project*

Drilling continued at Kay Tanda in the second quarter, where the Company has completed over 147 reverse circulation and 26 core drill holes to date. Kay Tanda is interpreted as intermediate to low sulphidation epithermal quartz-carbonate-gold-silver-base-metal mineralization and is being evaluated for its open-pit, heap leach potential.

The current phase of drilling has now been completed and a National Instrument 43-101 resource estimate is in progress.

The mineralization is still open in several directions and to depth and further resource extension drilling is planned at a later date.

On June 11, 2007, the Company disclosed the Kay Tanda Exploration Target. At a cut-off 0.3 grams per tonne (g/t) gold, the immediate Exploration Target is from 35 to 40 million tonnes of open-pitatable material at a grade of 0.76 to 0.80 g/t gold and 2.4 to 2.8 g/t silver, containing between 860,000 and 1,000,000 ounces of gold and 2.7 million to 3.6 million ounces of silver. At a cut-off at 0.5 g/t gold, the immediate Exploration Target is from 15 to 20 million tonnes of open-pitatable material at a grade of 1.1 to 1.4 g/t gold and 3.0 to 3.4 g/t silver, containing from 530,000 to 900,000 ounces of gold and from 1.45 to 2.2 million ounces of silver.

*The potential quantity and grade of the Exploration Target described is conceptual in nature, there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource. Until a feasibility study has been completed there is no certainty that the Company's projections will be economically viable.*

Metallurgical testing also continued in the second quarter, with final results released on July 17, 2007. The test had the objective of evaluating heap leach characteristics of the near-surface oxide mineralization, as well as the deeper mixed oxide/sulphide (transition) mineralization. Samples were collected by large diameter (PQ) core drilling and submitted to Metcon Laboratories, in Australia. The program was designed and supervised by an independent consultant, Peter J. Lewis and Associates of Australia. The full metallurgical report is posted on Mindoro website at [www.mindoro.com](http://www.mindoro.com).

Column (heap leach) tests were previously performed on a crush size of minus 12.7mm, i.e. 1/2 inch, which is close to the lower size limit normally used for heap leaching. Gold recovery from the oxide material after 29 days of leaching was 82.4 percent and for silver 32 percent. Silver recoveries are normally low and in this range for heap leach operations. Gold recovery from the transition material after 23 days was 78.3 percent, and silver 42 percent.

Because of the encouraging results, a further test was commenced at a very coarse crush size of 50mm (2 inches), since the coarser the crush, the lower the processing costs. Gold recovery from the coarse oxide material after 70 days was still a very high 80.7 percent and 29 percent silver. Gold recovery from the transition material after 70 days was 80.1 percent and for silver 56 percent. Since the transition sample contained a high proportion of sulphide-related mineralization, and leached very well, a test is also now being carried out on the deeper, entirely sulphide-related, gold and silver mineralization as well.

Management is most encouraged by the results from Kay Tanda to date and considers them a strong basis for further evaluation of the project's economic potential. A mining engineer, Mr. Dallas Cox BE (Min), with a great deal of open-pit gold mining experience in the SW Pacific region, has been commissioned to carry out preliminary planning and scoping work.

#### *Calo Porphyry Prospect, Batangas Region*

Drilling with a very large diamond drill rig continued in the second quarter of 2007. Given the very large size of the target area, six wide-spaced drill holes in 3,500 meters was planned as a preliminary test. Six holes have been completed to date and one additional, final, hole is underway.

As disclosed on July 4, 2007, three holes were completed during the second quarter. Although the mineralized core of the porphyry copper-gold system has not yet been located, the Company noted that, as of the end of the second quarter, all five holes drilled had intersected porphyry-related alteration. Upon completion of drilling and receipt of assays from holes six and seven, the Company will evaluate all results to date to assist in planning a second, more focused, round of drilling.

#### *El Paso Porphyry Prospect, Batangas Region*

The Company announced receipt of an Exploration Permit covering the El Paso Prospect on August 2, 2007. The Exploration Permit covers two large and strong IP chargeability anomalies, favorable intrusive rocks with extensive porphyry-related alteration, and abundant copper showings. Excellent trench results were outlined over lengths from 3 to 30 meters at El Paso, including copper values of one percent and greater. Drill testing is planned for 2008, once ground work has been completed and priority drill targets defined.

#### **SURIGAO PROJECTS, NORTHERN MINDANAO**

On April 12, 2007, the Company received regulatory approval to purchase a forty percent interest in the Surigao Projects from Panoro Minerals Ltd., bringing the Company's total interest in the Surigao Projects to 75 percent. The Surigao Projects are comprised of the Agata, Tapian San Francisco, Tapian Main, and Mat-I Projects. Purchase of the Panoro interest is further described under Capital Resources.

As of June 30, 2007, the Company had \$3,815,875 in exploration expenditures recorded to the Surigao Projects, including \$1,455,115 spent in the second quarter. The granted tenements consist of an MPSA on Agata and EPs on Tapian San Francisco and Tapian Main. The remaining ground is held under MPSA and EP applications that are undergoing normal processing. Mindoro has defined multiple porphyry copper-gold and epithermal gold prospects on the Surigao Projects; however, work in the second quarter has focused on advancing a nickel-iron laterite prospect.

#### *Agata Project, Nickel Laterite Prospects*

Not only is the Philippines richly endowed with nickel-iron laterite deposits, it is also an ideal location to supply the nearby markets in China, Japan and Korea. This proximity translates into low shipping costs and other competitive advantages. Despite a recent softening in the LME nickel price, there remains market demand for nickel-iron laterite material grading about 1.1 percent nickel and 40 percent iron. As a consequence, the nickel-iron laterite prospects on the Company's Agata Project have become an important component of the Company's future plans. The Company has identified two main areas of nickel laterite mineralization at Agata: the Northern and Southern Nickel Laterite Prospects. The Company is advancing the Northern Nickel Laterite Prospect towards production and recently announced an agreement with Delta Earthmoving Inc. for Delta to fund advancing the Southern Nickel Laterite to production as well.

#### *Agata Northern Nickel-Iron Laterite Prospect*

The Company plans on fast-tracking the Northern Nickel Laterite Prospect towards production and five coring rigs continued drilling at the Northern Prospect during the second quarter. Preliminary designs have been completed for the starter pit, a mine haul road and waste dumps. A suitable site for the ore stockpile at tidewater and a wharf facility have been located.

As announced on May 11, 2007, Technotrix Consultancy Services Inc. and Mediatrix Business Consultancy have jointly been retained to assist with the Company's application for an Environmental Compliance Certificate (ECC) covering the Northern Prospect. Receipt of an ECC is a pre-requisite for production. Technotrix and Mediatrix will work with the Company to ensure compliance with various ECC requirements, including: Environmental Impact Assessment, Environmental Risk Assessment, Environmental Management Plan, and Environmental Monitoring Programme.

As disclosed in the Company's July 13, 2007 press release, Mindoro's Exploration Target for the various laterite horizons in the Northern Prospect is as follows:

**Combined ferruginous overburden, limonite and saprolite horizons:** 50 to 60 million wet metric tonnes (WMT) at a grade of 0.9 to 1.1 percent nickel and 28 to 32 percent iron. This includes the following division of tonnage between the overburden/limonite horizon and the saprolite horizon:

- Combined ferruginous overburden and limonite horizons: 30 to 35 million WMT of material at a grade of 0.9 to 1.1 percent nickel and 40 to 44 percent iron.
- Underlying saprolite horizon: 20 to 25 million WMT of material at a grade of 1.0 to 1.4 percent nickel and 8 to 10 percent iron.

*The potential quantity and grade of the Exploration Target described is conceptual in nature, there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource. Until a feasibility study has been completed there is no certainty that the Company's projections will be economically viable.*

The Company has set a target production date for the Northern Nickel Laterite Prospect of the first half of 2008, with the objective of achieving annual production of one million wet metric tonnes by 2010. The Northern Prospect is close to the coast, with the planned haul road only 3.5 km, and just two days shipping to China. The Company will also be evaluating the option of selectively mining and shipping higher grade material to maximize early cash flow. However, the Company believes that even the lower grades, at around 1 percent nickel, justify moving the project towards production.

#### *Agata Southern Nickel-Iron Laterite Prospect*

The Company continued to receive expressions of interest in a potential joint venture or an off-take agreement on its nickel-iron laterite prospects during the second quarter. As announced on August 23, 2007, an agreement was reached with Delta Earthmoving Inc. to explore, and if warranted, advance to production the Southern Nickel Laterite Prospect.

The Southern Nickel Laterite Prospect has been mapped at a reconnaissance scale; no drilling or sampling has been carried out in this area, which is 1 to 2 kilometers north of the operating nickel laterite mine of SR Metals, just to the south of the Agata Project. Delta will, at its sole cost and risk, carry out exploration over a target area of 1,800 hectares on the Southern Prospect and, if results warrant, within six months may select an area of up to 250 hectares to advance to production.

Delta will finance all mine development and production costs, as well as market the product. Delta will receive U.S. \$10.50 per wet metric tonne mining cost and 55 percent of net profits. Mindoro will receive 45 percent of net profits. The Company noted that this agreement is in line with other similar agreements recently concluded on nickel laterite deposits in the Philippines.

Delta is a private Philippine earthmoving company with the financial and operational capability to develop the Southern Nickel Laterite Prospect. It is currently the mining contractor of the Hinatuan Nickel Project, Hinatuan Island, Surigao del Norte and the Kalamazoo Nickel Project in Claveria, Surigao del Norte, producing a combined output of 450,000 tonnes of saprolitic and limonitic nickel laterite ores per month. Delta has strong political and market contacts. Delta is fast tracking the southern Agata nickel project with the intent of being in production in early 2008. Work is commencing immediately.

#### *Tapian San Francisco Project*

With the exception of minor care and maintenance, no further work was undertaken on the Tapian San Francisco Project in the second quarter of 2007. Three diamond core holes were drilled on the C6 and C9 targets between early May and late September 2006. As reported in the Company's October 5, 2006 press release, no significant mineralization was intersected in holes one and three and hole two was terminated in bad ground, prior to reaching target depth. However, all holes intersected porphyry copper-gold related alteration, pyritization and anomalous copper and gold values. Results are therefore considered encouraging and future drilling will step-out eastwards to vector in to the interpreted center of the porphyry copper-gold system.

Mindoro's President, Tony Climie, P.Geol., supervises all Mindoro's field programs and is a "qualified person" as defined by NI 43-101.

## **5. RESULTS OF OPERATIONS**

### *For the six months ended June 30, 2007*

Interest income for the six months ended June 30, 2007 was \$27,762 (\$12,264 for the quarter) compared to interest income of \$20,460 for the six months ended June 30, 2006 (\$15,955 for the quarter). The Company had higher cash balances in the first six months of 2007 as a result of increased financing activities, compared to the same period in 2006. The net loss of \$1,077,454 for the six months ended June 30, 2007 (\$705,564 for the quarter) was higher than the net loss of \$909,239 for the six months ended June 30, 2006 (\$479,184 for the quarter). The losses are a reflection of the Company's status as a non-revenue producing exploration company. As the Company has no main source of revenue, losses are expected to continue.

Advertising and promotion expense for the six months ended June 30, 2007 was \$165,389 (\$136,573 for the quarter) compared to \$146,902 for the six months ended June 30, 2006 (\$38,805 for the quarter) as the Company conducted more promotion work in Europe, the United States and Canada in the first six months of 2007. Consulting and professional fees of \$43,047 for the six months ended June 30, 2007 (\$28,757 for the quarter) was lower than the total of \$138,963 for the six months ended June 30, 2006 (\$85,453 for the quarter) when legal expenses pertaining to the Philippine properties were incurred.

Investor relations consultants' fees of \$90,743 for the six months ended June 30, 2007 (\$45,094 for the quarter), was higher than similar fees of \$51,649 for the same period in 2006 (\$23,602 for the quarter). The increase is due to the addition of a consultant retained for investor relations services in Europe. Listing fees and shareholder communications expense of \$34,115 for the current period (\$17,394 for the quarter) was up from \$14,537 for the same period in 2006 (\$4,851 in the quarter) due to increased activity pertaining to financing expenses and expenses related to a change in the corporate transfer agent.

Increased field activity over the past year has resulted in the need to hire additional personnel, resulting in higher salary costs. Salaries and benefits of \$252,096 for the period (\$140,428 for the quarter) were higher than salaries and benefits of \$208,417 for the six months ended June 30, 2006 (\$106,642 for the quarter).

Employee stock options vesting during the six months ended June 30, 2007 resulted in stock-based compensation expense of \$39,980 (\$39,980 for the quarter) compared to nil stock-based compensation expense recognized in the same period in 2006. Travel expenses of \$169,366 for the period (\$114,538 for the quarter) were higher than the expense of \$95,446 for the same period in 2006 (\$50,661 for the quarter) because of more investor relations and promotion work carried on in 2007 in Europe and North America.

## 6. SUMMARY OF QUARTERLY RESULTS

Quarter Ending	Net Earnings	Earnings Gain	Total
	Gain (Loss)	(Loss) Per Share	Assets
June 30, 2007	\$(705,564)	\$(0.009)	\$17,039,659
March 31, 2007	(371,890)	(0.008)	14,579,772
December 31, 2006	(482,267)	(0.008)	13,621,373
September 30, 2006	(483,045)	(0.008)	9,900,290
June 30, 2006	(479,184)	(0.008)	9,865,035
March 31, 2006	(430,055)	(0.008)	7,240,937
December 31, 2005	(1,208,406)	(0.020)	7,571,132
September 30, 2005	(159,636)	(0.003)	7,506,223

## 7. LIQUIDITY

The Company continues to rely on raising capital in order to fund its ongoing operations. As of June 30, 2007, Mindoro's cash position was \$2,041,871, down from \$3,602,179 as at December 31, 2006. In the first six months of 2007, the Company received net proceeds of \$3,535,194 from two private placements. In 2006, the Company received \$4,993,937 net private placement proceeds. Purchase warrants exercised during the current period resulted in net proceeds of \$50,791 and exercise of stock options amounted to \$233,186 net proceeds.

Working capital at June 30, 2007 was \$1,449,057, as compared to \$3,146,785 at December 31, 2006.

Accounts receivable amounted to \$136,467 as of June 30, 2007, down from \$140,918 as of December 31, 2006. Included in accounts receivable is an amount due from an officer of the Company, for \$59,369 (2006 – \$78,300) and pertains to an advance to purchase common shares in the Company. Prepaid expenses decreased in the period to \$25,449 from \$52,408 at the end of 2006. The property and equipment balance of \$244,026 is up from the December 31, 2006 balance of \$159,851, pursuant to the Company's increased field programs. Accounts payable and accrued charges of \$754,730 as at June 30, 2007, is higher than the balance of \$648,720 as at December 31, 2006 which is primarily related to drilling programs underway in the Philippines.

During the first six months of 2007, \$5,026,752 was spent on Investing Activities (\$1,120,857 in the first six months of 2006) including \$4,925,829 spent on exploration activities (\$1,060,906 in the first six months of 2006). The total amount of mineral properties and exploration expenditures as at June 30, 2007 was \$14,591,846 (\$9,666,017 as at December 31, 2006).

The Company adopted no new accounting policies in the six months ended June 30, 2007.

## 8. CAPITAL RESOURCES

Some of the following commitments are denominated in Philippine Pesos ("PP"). At June 30, 2007, 43.8099PP = \$1CDN.

### *Memorandum of Agreement: Agata, Lahuy Mat-I, Pan de Azucar, and Tapan Projects*

On January 19, 1997, Mindoro Resources Ltd. entered into a Memorandum of Agreement (MOA) with Minimax Mineral Exploration Corporation, a corporation organized under the laws of the Republic of the Philippines, whereby the latter grants to Mindoro Resources Ltd. the exclusive and irrevocable right to earn options up to 75 percent interest in five mineral properties: Agata, Tapan, Pan de Azucar, Mat-I, and Lahuy.

MRL Gold Phils., Inc. was organized by virtue of the agreement between Minimax Mineral Exploration Corporation and Mindoro Resources Ltd. to form an affiliated corporation under the laws of the Republic of the Philippines and whereby Mindoro Resources Ltd. shall assign all its rights, title, and interests under said agreement.

On June 27, 1997, a deed of assignment was executed by Mindoro Resources Ltd. in favor of MRL Gold Phils., Inc. and the same was acknowledged by Minimax Mineral Exploration Corporation in a separate agreement with MRL Gold Phils., Inc.

Under the terms of the MOA, the Company may earn interests of 10 percent, 30 percent and 35 percent in each of the properties by completing phases one, two and three, respectively as follows:

- i. Phase one – incurring an aggregate amount of P20 million in eligible mining expenditures allocated to the properties as defined in the MOA;

- ii. Phase two – incurring an additional aggregate amount of P75 million in eligible mining expenditures allocated to the properties as defined in the MOA; and
- iii. Phase three – incurring an additional aggregate amount of P75 million in eligible mining expenditures allocated to the properties as defined in the MOA;

As of June 30, 2007, the Company has met phase one expenditure requirements on all properties under this agreement; phase two expenditure requirements on Agata, Tapan, and Pan de Azucar properties; and phase three expenditure requirements on Agata and Tapan properties.

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

- i. 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.
- ii. Mat-I - The Company is in Phase two of this project and must incur 15,000,000 PP in eligible mining expenditures to earn an additional 30 percent 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.
- iii. 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. In keeping with Canadian GAAP to write-down projects dormant for three years or longer, however, \$102,136 in Lahuy assets were written off in 2005.

Pursuant to an agreement dated November 4, 2003, the Company was granted an option to earn an additional 10 percent interest (the Interest Option) in future mining reserves located in the Agata, Tapan and Mat-I properties (the Surigao Properties) from Minimax. The Company may exercise its option on each property by making a payment to Minimax equivalent to 0.5 percent of the gross value of each mining reserve with a minimum of \$5,000,000 US per mining reserve. Pursuant to the terms of the Interest Option, the Company issued 200,000 Common shares to Minimax in 2004 as additional consideration for granting the option.

Pursuant to an agreement dated October 5, 2005, the Company's subsidiary, MRL Gold Phil's Inc., acquired an option to purchase an additional 15 percent direct and indirect participating interest (the Additional Interest Option) from Minimax in future mining reserves located in the Surigao Projects. Under the Additional Interest Option, after completion of a Bankable Feasibility Study but before commencing mining operations, MRL has the option to purchase an additional 15 percent interest from Minimax in each and any mining reserve located on the Surigao Projects. Payment shall be equivalent to 0.75 percent of the gross value of each mining reserve, to a minimum of US \$7.5 million. In addition MRL shall make initial cash payment of US \$75,000, and, thereafter, make further payments of US \$75,000 annually for 4 years. Beginning in year five to commencement of production, annual payments of US \$125,000 will be made. A net smelter royalty of one percent against the additional 15 percent interest in mineral reserves shall also be payable to Minimax. MRL may, at any time, terminate the Additional Interest Option without penalty. In May 2006, the Company issued 75,000 Common shares to Minimax as consideration for granting the option.

#### *Surigao Option Agreement: Agata, Mat-I, and Tapan Projects*

Pursuant to the Surigao Option Agreement ("SOA") effective June 21, 2004, Panoro Minerals Ltd. was granted an option to acquire a 40 percent interest in each of the Agata, Tapan and Mat-I properties and any extensions on those properties. In order to earn the 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 during the first expenditure period;
- ii. \$450,000 second expenditure period; and
- iii. \$600,000 in each of the third and fourth expenditure periods.

Panoro was granted an additional interest option to earn 2.5 percent of the additional 10 percent interest in each of the Agata, Tapan and Mat-I properties by reimbursing the Company 25 percent of the costs incurred by the Company under the Interest Option at the time the option is exercised.

As consideration for granting the additional interest option, Panoro is obligated to deliver to the Company 50,000 Common shares of the Company. These 50,000 Company shares were netted against the obligation to issue 100,000 Company shares to Minimax upon entering Phase three of the Tapan project. Thus, 50,000 net shares, previously recorded as Common shares issuable, were issued to Minimax during the second quarter. If the phase expenditures on the properties are not met, the properties become excluded from the SOA. Panoro reached its earn-in threshold of \$2,000,000 in July 2006 and in October 2006 formally notified Mindoro that it was exercising its option pursuant to the SOA. The Mat-I property became an Excluded Property as a work program and budgets were not approved during the required period for that project. As of December 31, 2006, ownership interest in the Agata and Tapan properties was; Panoro 40 percent, Mindoro 35 percent, and Minimax 25 percent, and in the Mat-I property, Mindoro 75 percent and Minimax 25 percent.

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

The vendor is entitled to a 1.5 percent 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. On October 11, 2006, the Mines Department approved the exploration permit for this property and the requisite 100,000 Common shares were recorded as issuable as of December 31, 2006; these shares were issued to the vendor in January 2007.

On December 8, 2004, the Company entered into an Agreement to Explore, Develop and Operate Mineral Property ("the Bautista-Tapan Agreement") and acquired mineral exploration, development and production rights. On signing the agreement, the Company paid a signing bonus of 1,500,000 Philippine Peso (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-Tapan 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 Panoro Common shares 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 percent 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 Tapan project.

On October 18, 2005, the Company entered into two Agreements to Explore, Develop and Operate Mineral Property ("the Canaga Agreements") and acquired mineral exploration, development and production rights on the Tibur and Macana tenements near the Company's Tapan San Francisco property. The tenements are in the form of Mineral Production Sharing Agreement ("MPSA") applications. These will be converted to Exploration Permits (EPs) which are a simpler and more rapidly granted form of tenement. On signing the Canaga Agreement, the Company paid a signing bonus of 2,000,000 PP to the vendor. The Company has the following additional obligations under the terms of the Canaga Agreements:

Issue 62,500 Company Common shares upon registration of each EP.

- i. Issue 87,500 Company Common shares on the first anniversary of the registration of each EP.
- ii. Payment to the vendor of quarterly advance royalties in the amount of 88,000 PP and 87,000 PP commencing after registration of the Tibur and Macana EPs, respectively.

On October 25, 2005, Panoro exercised its option to include the Tibur acquisition in the Surigao Option Agreement and earn a 40 percent interest. The vendor will receive 100,000 Panoro Common shares when a feasibility study begins on the Tibur acquisition, and will receive an additional 100,000 Panoro Common shares when a feasibility study begins on the Macana acquisition, although Mindoro has the option to substitute Company Common shares of equivalent value. When production begins, the vendor will receive 500,000 Company Common shares. For the commercial exploitation of the property, the vendor will receive a royalty of one point five percent (1.5 percent) NSR (Net Smelter Returns) for production of gold and other minerals.

On March 14, 2007, the Company agreed to the purchase of Panoro's 40 percent interest in the Surigao projects previously earned by Panoro under the Surigao Option Agreement. Upon closing, as consideration for the purchase of the interest, Mindoro will pay Panoro \$750,000 cash plus 500,000 Mindoro Common shares; Mindoro will make a second payment of \$500,000 cash plus 500,000 Mindoro Common shares on the first anniversary of the closing. Furthermore, in the event that the nickel laterite prospect located on the Agata project should proceed to production and upon shipment of an aggregate one million tonnes of nickel laterite, Mindoro will pay Panoro \$500,000 cash plus an additional \$500,000 cash payment on the first anniversary of the shipment. The purchase and sale agreements received regulatory approval on April 10, 2007 and the requisite payment of cash and issue of common shares to Panoro was completed. Pursuant to the purchase of Panoro's interest, the Company will assume all of Panoro's obligations under the Surigao Option Agreement.

*Egerton Agreement: Archangel, Lobo and Batangas Regional Project*

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 percent interest in the Lobo and Archangel mineral properties in the Philippines. The Company may earn interests of 51 percent and 24 percent 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. The Company met its phase one expenditure requirements in 2005 and has exercised its option to enter into phase two; 500,000 Common shares were issued to Egerton on November 7, 2005. 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 percent interest at production, or convert to a 2 percent 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 June 30, 2007.

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.

In May of 2006, Mindoro entered into a Joint Venture Agreement with Minimax and Medusa Mining Limited of Australia on the Apical Gold Project in Mindanao, Philippines. Medusa may earn a 70 percent interest in Apical by taking the project either to production, in the case of lode deposits, or to feasibility, in the case of bulk-tonnage, porphyry copper-gold deposits at which time Mindoro and Minimax would each hold 15 percent interest. Mindoro and Minimax are fully carried until Medusa has reached its earn-in. The Apical Project is currently held under a Mineral Production Sharing Agreement application (APSA). Medusa has the right to earn a 70 percent interest in the Apical Project by:

In the case of lode deposits, commencing development and by producing the first 500 tonnes of ore, after which Mindoro and its Philippine partner have the option to contribute to ongoing expenditures, each retaining a 15 percent participating interest, or to reduce to a 3 percent Net Smelter Royalty (“NSR”), each retaining a 1.5 percent NSR;

- i. In the case of large, bulk tonnage deposits such as porphyry copper-gold deposits or disseminated or stockwork gold deposits, completing a Bankable Feasibility Study, after which Mindoro and its partner have the right to contribute to ongoing expenditures or dilute to a 3 percent NSR.

Medusa is required to spend US\$300,000 within 3 years of grant of the APSA and spend a minimum of US\$150,000 per year subsequently. Mindoro has the right to a 15 percent interest in the Apical Project upon Medusa meeting its earn-in requirements and does not hold any interest in the Apical Project prior to that time.

## 9. TRANSACTIONS WITH RELATED PARTIES

Accounts receivable and advances as at June 30, 2007 includes \$66,627 due from officers of the Company and the Company’s subsidiary. The majority of this amount includes a loan made to an officer to purchase common shares in the Company (for \$59,369, net owing the Company, after repayment made during the period). Also included are advances to the officer related to expenses which, upon reconciliation of advances, will be charged to mineral properties and exploration costs.

During the period, Ascenta Capital received \$30,000 for investor relations services and \$41,113 for advertising and promotion expenses; Ascenta Finance received \$32,452 for travel and promotion expenses; a director of the Company is a principal of Ascenta Capital and Ascenta Finance. MacPherson Leslie & Tyerman, LLP received \$17,885 for corporate legal counsel; a director of the Company is a partner in the law firm.

Mineral properties and exploration costs include \$50,733 paid to MacPherson Leslie & Tyerman, LLP for legal counsel in connection with the properties and also include \$3,000 paid to a director during the period for consulting work on the properties.

## 10. CAPITAL STRUCTURE

Authorized:

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

<b>Issued - Common shares</b>	<b>Number</b>
Balance, December 31, 2006	68,247,523
Issued on exercise of purchase warrants (a)	72,760
Issued pursuant to private placements (b)	5,575,122
Issued upon exercise of stock options (c)	1,075,000
Issued for mining properties (d)	500,000
<b>Balance, June 30, 2007</b>	<b>75,470,405</b>
<b>Common share purchase warrants</b>	
Balance, December 31, 2006	3,911,287
Issued on exercise of agent's warrants	141,380
Issued pursuant to private placements	2,996,317
Warrants exercised (a)	(72,760)
Warrants expired	-
<b>Balance, June 30, 2007</b>	<b>6,976,224</b>
<b>Stock options</b>	
Balance, December 31, 2006	5,035,000
Issued	2,245,250
Exercised (c)	(1,075,000)
Forfeited	(105,000)
Expired	-
<b>Balance, June 30, 2007</b>	<b>6,100,250</b>

- (a) Purchase warrants were exercised in January, 2007 for net proceeds of \$50,791.
- (b) In January of 2007, the Company issued 1,500,000 Units at \$0.70 per Unit for gross proceeds of \$1,050,000. Finder's fees and other costs of \$78,236 were incurred pursuant to the issue. Each Unit consisted of one Common share and one half Common share purchase warrant. Each whole purchase warrant allows the holder to acquire one Common share of the Company at a price of \$1.00 for a period of one year until the expiry date of January 3, 2008, and thereafter, at a price of \$1.25 until January 3, 2009. A total of 750,000 purchase warrants and 105,000 agent's warrants are exercisable pursuant to this private placement.

In May of 2007, the Company issued 4,075,122 Units at \$0.70 per Unit. Proceeds, net of finders' fees and other costs, amounted to \$2,690,692. Each Unit consisted of one Common share and one half common share purchase warrant. Each whole purchase warrant allows the holder to acquire one Common share at \$1.00 for a period of one year until the expiry date of May 29, 2008, and, thereafter, at a price of \$1.25 until May 29, 2009. A total of 2,037,561 purchase warrants and 208,756 agent's warrants are exercisable pursuant to this Private Placement. The fair value of purchase warrants and agent's warrants issued, in the amount of \$63,053, was charged to share capital.

- (c) Stock options were exercised for net proceeds of \$233,240.
- (d) As consideration for the purchase of Panoro Mineral Ltd's forty percent interest in the Surigao projects previously earned by Panoro under the Surigao Option Agreement (note 4) the Company issued 500,000 Common shares to Panoro on April 10, 2007.

The following table summarizes information about Common share purchase warrants outstanding and exercisable as at June 30, 2007:

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
1,642,500	\$ 1.00	Dec-07
750,000	\$ 1.00	Jan-08
2,112,859	\$ 1.25	Apr-08
119,548	\$ 0.70	Apr-08
2,037,561	\$ 1.00	May-08
105,000	\$ 0.70	Jan-09
208,756	\$ 0.70	May-09
<b>6,976,224</b>		

The following table summarizes the information about stock options outstanding at June 30, 2007:

<b>Exercise Prices</b>	<b>Outstanding</b>	<b>Contractual Life (Years)</b>	<b>Exercise Price</b>
\$0.15 to \$0.23	370,000	1.16	\$0.17
\$0.24 to \$0.36	1,455,000	4.44	\$0.32
\$0.37 to \$0.56	150,000	3.27	\$0.48
\$0.57 to \$0.80	600,000	2.65	\$0.60
\$0.81 to \$1.00	3,525,250	4.16	\$0.88
<b>Total</b>	<b>6,100,250</b>	<b>3.88</b>	<b>\$0.67</b>

*Share Data as of August 27, 2007*

A total of 75,470,405 Common shares were issued and outstanding as of August 27, 2007. The Company had a total of 6,976,224 purchase warrants and 6,100,250 stock options outstanding as of August 27, 2007.

## 11. SCHEDULE OF DEFERRED EXPLORATION EXPENDITURES

BATANGAS PROJECTS	Six Months Ended June 30, 2007			Six Months Ended June 30, 2006		
	Lobo	Archangel	Regional	Lobo	Archangel	Regional
General Exploration	13,047	366,055	108,546	70,754	94,023	68,546
Camp, Road Construction	-	35,575	315	1,413	46,698	-
Travel	213	38,834	10,787	8,195	10,143	11,882
Geology, Geophysics, Geochemistry	-	285,576	45,495	19,154	67,630	137,255
Drilling	-	1,784,666	546,127	260,364	191,536	-
Mapping, Sampling	96	18,230	20,101	2,573	6,287	15,840
Acquisition Costs	-	11,892	1,486	-	-	10,471
Community, Environmental	4,671	64,068	21,131	12,186	7,848	7,477
<b>Total additions</b>	<b>\$ 18,027</b>	<b>\$ 2,604,896</b>	<b>\$ 753,988</b>	<b>\$ 374,639</b>	<b>\$ 424,165</b>	<b>\$ 251,471</b>

  

SURIGAO PROJECTS	Agata		Tapián	
	Agata	Tapián	Agata	Tapián
General Exploration	82,320	17,558	28,540	28,442
Camp, Road Construction	4,243	3,823	-	-
Travel	13,825	1,800	-	-
Geology, Geophysics, Geochemistry	54,237	1,778	-	-
Drilling	148,735	9,824	-	-
Mapping, Sampling	10,084	3,038	-	-
Acquisition Costs	508,982	621,762	-	20,489
Community, Environmental	44,106	5,055	-	-
Management Fee Recoveries	-	-	(42,025)	(50,702)
<b>Total additions</b>	<b>\$ 866,532</b>	<b>\$ 664,638</b>	<b>\$ (13,485)</b>	<b>\$ (1,771)</b>

  

OTHER PROJECTS	Pan de Azucar		Mat-I	
	Pan de Azucar	Mat-I	Pan de Azucar	Mat-I
General Exploration	1,250	-	163	21,250
Acquisition Costs	-	-	5,896	-
<b>Total additions</b>	<b>\$ 1,250</b>	<b>\$ -</b>	<b>\$ 6,059</b>	<b>\$ 21,250</b>

## 12. DISCLOSURE CONTROLS AND PROCEDURES

As required by Multilateral Instrument 52-109, management carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2007. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company to satisfy its continuous disclosure obligations, and are effective in ensuring that information required to be disclosed in the reports that the Company files is accumulated and communicated to management as appropriate to allow for timely decisions regarding required disclosure.

## 13. INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's internal controls over financial reporting in accordance with Multilateral Instrument 52-109 in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. There have been no significant changes in the Company's internal controls over financial reporting that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

The Company's Chief Executive Officer and Chief Financial Officer have noted that given the limited number of staff at the Company, it is not possible to achieve complete segregation of duties. Furthermore, the Company does not have the technical accounting expertise and knowledge to address all complex and non-routine accounting transactions that may arise. The Company relies on periodically obtaining outside expertise on complex accounting and reporting issues.

#### **14. RISKS AND UNCERTAINTIES**

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, including, but not limited to, environmental, metal prices, political and economical. The Company has no sources of financing other than equity financing. The properties in which the Company has an interest or has an option to earn an interest are in the exploration stages only, are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. Exploration of the Company's mineral properties may not result in any discoveries of commercial bodies of mineralization.

#### **15. EVENTS SUBSEQUENT TO JUNE 30, 2007**

The Company announced on August 23, 2007, that it has reached agreement with Delta Earthmoving Inc. (Delta) to explore, and advance to production if warranted, a new nickel laterite prospect in the southern part of the Agata project, Surigao District, Mindanao. The agreement does not cover the northern Agata nickel laterite project where Mindoro has completed over 90 drill holes with the objective of producing direct shipping ore in 2008. Delta will at its sole cost and risk carry out exploration of the southern Agata nickel laterite and, if results warrant, within six months may select an area of up to 250 hectares to advance to production from a target area of 1,800 hectares. Delta will finance all mine development and production costs, as well as market the product. Delta will receive U.S. \$10.50 per wet metric tonne mining cost and 55 percent of net profits. Mindoro will receive 45 percent of net profits. Delta is fast tracking the southern Agata nickel project with the intent of being in production in early 2008. Work is commencing immediately.



**MINDORO**  
RESOURCES LTD

**Consolidated Balance Sheets**  
**(Unaudited)**

	<b>June 30</b>	December 31
	<b>2007</b>	2006
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 2,041,871	\$ 3,602,179
Accounts receivable (Note 5)	136,467	140,918
Prepaid expenses	25,449	52,408
	<b>2,203,787</b>	3,795,505
MINERAL PROPERTIES AND EXPLORATION COSTS (Note 3)	<b>14,591,846</b>	9,666,017
PROPERTY AND EQUIPMENT (Note 4)	<b>244,026</b>	159,851
	<b>\$ 17,039,659</b>	\$ 13,621,373
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 754,730	\$ 648,720
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	26,248,309	21,842,956
Contributed surplus (Note 7)	2,348,054	2,363,677
Retained earnings	(12,311,434)	(11,233,980)
	<b>16,284,929</b>	12,972,653
	<b>\$ 17,039,659</b>	\$ 13,621,373

SUBSEQUENT EVENTS (Note 11)



Consolidated Statements of Loss and Deficit  
(Unaudited)

	Quarter Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
<b>REVENUE</b>				
Interest	\$ 12,264	\$ 15,955	\$ 27,762	\$ 20,460
<b>EXPENSES</b>				
Administration	4,905	4,276	11,933	9,526
Advertising and promotion	136,573	38,805	165,389	146,902
Communications	9,290	6,628	16,451	11,678
Conferences and trade shows	28,757	31,517	41,876	44,564
Consulting and professional fees	31,668	85,453	43,047	138,963
Investor relations consultants	45,094	23,602	90,743	51,649
Listing fees and shareholder communications	17,394	4,851	34,115	14,537
Office, postage and sundry	34,881	41,348	45,683	53,582
Printing	16,145	11,994	18,754	18,220
Rent	14,334	13,483	26,969	20,845
Salaries and benefits	140,428	106,642	252,096	208,417
Stock based compensation - employees	39,980	-	39,980	-
Stock based compensation - consultants	14,714	15,160	28,458	35,569
Travel	114,538	50,661	169,366	95,446
Depreciation and amortization	9,141	3,465	16,747	6,670
Foreign exchange loss	59,986	57,254	103,609	73,131
Write down of mineral properties and exploration costs	-	-	-	-
	<b>717,828</b>	<b>495,139</b>	<b>1,105,216</b>	<b>929,699</b>
	<b>(705,564)</b>	<b>(479,184)</b>	<b>(1,077,454)</b>	<b>(909,239)</b>
Net loss	<b>(705,564)</b>	<b>(479,184)</b>	<b>(1,077,454)</b>	<b>(909,239)</b>
Deficit, beginning of period	<b>(11,605,870)</b>	<b>(9,789,484)</b>	<b>(11,233,980)</b>	<b>(9,359,429)</b>
Deficit, end of period	\$ <b>(12,311,434)</b>	\$ <b>(10,268,668)</b>	\$ <b>(12,311,434)</b>	\$ <b>(10,268,668)</b>
Basic and diluted loss per share - basic and diluted	\$ <b>(0.01)</b>	\$ <b>(0.01)</b>	\$ <b>(0.02)</b>	\$ <b>(0.02)</b>
Weighted average shares outstanding	<b>72,504,338</b>	<b>58,191,319</b>	<b>71,252,858</b>	<b>56,057,588</b>



Consolidated Statements of Cash Flows  
(Unaudited)

	Quarter Ended June 30		Six Months Ended June 30,	
	2007	2006	2007	2006
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>				
<b>OPERATING</b>				
Net loss	(705,564)	\$ (479,184)	\$ (1,077,454)	\$ (909,239)
Items not affecting cash				
Stock-based compensation - employees	39,980	15,160	39,980	35,569
Stock-based compensation - consultants	14,714	-	28,458	
Depreciation and amortization	9,141	3,465	16,747	6,670
Changes in non-cash working capital	(30,134)	132,485	137,421	(10,904)
	(671,863)	(328,074)	(854,848)	(877,904)
<b>INVESTING</b>				
Expenditures on mineral properties and exploration costs	(2,963,441)	(724,028)	(4,925,829)	(1,060,906)
Acquisition of property and equipment	(61,149)	(39,267)	(100,923)	(59,951)
	(3,024,590)	(763,295)	(5,026,752)	(1,120,857)
<b>FINANCING</b>				
Deposits held for private placement	-	(118,990)	-	-
Issue of share capital, net of issuance costs	3,175,152	2,824,873	4,321,292	2,989,628
	3,175,152	2,705,883	4,321,292	2,989,628
<b>INCREASE IN CASH</b>	<b>(521,301)</b>	<b>1,614,514</b>	<b>(1,560,308)</b>	<b>990,867</b>
<b>CASH BEGINNING OF PERIOD</b>	<b>2,563,172</b>	<b>795,664</b>	<b>3,602,179</b>	<b>1,419,311</b>
<b>CASH END OF PERIOD</b>	<b>\$ 2,041,871</b>	<b>\$ 2,410,178</b>	<b>\$ 2,041,871</b>	<b>\$ 2,410,178</b>



## Notes to Consolidated Financial Statements

For the Six Months Ended June 30, 2007  
(Unaudited – Prepared by Management)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Mindoro Resources Ltd.'s (the "Company" or "Mindoro") principal activity is the acquisition, exploration and development of mineral properties in the Philippines and Laos. To date, no mineral development projects have been completed and commercial production has not commenced.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, an underlying assumption being that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

The continued existence of the Company is dependent upon its ability to obtain additional sources of financing or negotiate appropriate farm-in arrangements, to fund current and future exploration and administrative expenditures, to meet obligations to preserve its interests in existing mineral properties and to achieve commercial production and positive cash flows from operations. Failure to obtain sufficient financing or other appropriate arrangements would have an adverse effect on the financial position of the Company and its ability to continue as a going concern.

If the going concern assumption was not appropriate to these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities and reported revenues and expenses.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (A) PRINCIPLES OF CONSOLIDATION

These consolidated financial statements of Mindoro Resources Ltd. (the "Company") include the accounts of the Company and its wholly-owned subsidiary, MRL Gold Phils., Inc., and have been prepared in accordance with Canadian generally accepted accounting principles.

#### (B) MINERAL PROPERTIES AND EXPLORATION COSTS

Mineral property costs are comprised of initial property acquisition costs and related property option payments. All costs related to the exploration and development of mineral properties are deferred on a property by property basis until commencement of commercial production or a write-down is considered necessary. The recoverability of the amounts recorded for mineral properties and deferred costs are dependent on the existence of economically recoverable reserves and future profitable production from the mineral properties.

Incidental revenue derived from management fees from third parties are recorded first as a reduction of the specific mineral property and deferred costs to which the fees relate and any excess as a reduction to expenses in the consolidated financial statements of loss and deficit.

When properties are brought into commercial production, mineral properties and deferred costs related to a specific mine site will be amortized on a unit-of-production basis over economically recoverable reserves.

Mineral properties and deferred costs are written down when properties are abandoned or when cost exceeds net realizable value.

No provision for depletion of the amounts carried as mineral properties and deferred costs is included in the consolidated financial statements, as the properties are yet to reach commercial production.

#### (C) PROPERTY AND EQUIPMENT

Property and equipment are carried at cost less accumulated depreciation and impairment losses. Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to working condition. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally



## Notes to Consolidated Financial Statements

For the Six Months Ended June 30, 2007  
(Unaudited – Prepared by Management)

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assessed standard of performance, will flow to the company. All other subsequent expenditures are recognized as an expense in the period in which they are incurred.

Property and equipment are amortized using the declining method at rates of 20% and 30% per annum.

### (D) ASSET RETIREMENT OBLIGATIONS

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased or decreased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the Statement of Loss and Deficit. Changes resulting from revisions to the timing or the amount of the original estimate of undiscovered cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

The Company has not yet incurred any significant asset retirement obligations.

### (E) STOCK-BASED COMPENSATION

The company has a stock option plan as described in note 6.

Stock-based compensation granted to employees, directors, officers and non-employees is accounted for using the fair value method. Compensation expense is amortized over the vesting period of the options, with a corresponding increase in contributed surplus. Any consideration paid on the exercise of stock options is credited to share capital. Contributed surplus recognized as a result of granting options will be credited to share capital when the options are exercised.

### (F) INCOME TAXES

Income taxes are accounted for using the liability method of income tax allocation. Under the liability method, income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at their carrying values. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determined based on the tax laws and rates that are anticipated to apply in the period of realization.

### (G) PER SHARE AMOUNTS

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated by dividing the aggregate net loss for the period by the total weighted average number of shares outstanding at the end of the period.

### (H) MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.



## Notes to Consolidated Financial Statements

For the Six Months Ended June 30, 2007  
(Unaudited – Prepared by Management)

### (I) FOREIGN CURRENCY TRANSLATION

The Company follows the temporal method when translating foreign currency transactions and the financial statements of its integrated subsidiary.

Under this method, foreign currency denominated assets and liabilities are translated at the exchange rate prevailing at the balance sheet date for monetary items and at the transaction date for non-monetary items. Revenues and expenses are translated at average exchange rates for the year. Exchange gains or losses on translation of current and non-current monetary items are included in the determination of net loss.

### 3. MINERAL PROPERTIES AND EXPLORATION COSTS

Mineral properties and exploration costs consist of expenditures related to exploration for mineral resources on a property by property basis. This comprises costs of exploration and mining rights acquisition, geological, geochemical and geophysical surveys, drilling, labor, materials and supplies, professional fees, community relations, environmental management expenditures and others.

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has diligently investigated rights of ownership of all of the mineral concessions in which it has interest and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

Incidental revenue derived from management fees from third parties are treated as cost recoveries and recorded first as a reduction of the specific deferred exploration costs to which the fees relate, and any excess as a reduction to expenses in the statement of expenses. As of June 30, 2007, the total amount of cost recoveries have been deducted from the deferred exploration costs. The Company did not receive any management fees in the first six months of 2007.

Project	Expenditures, net of cost		Balance December 31, 2006	Expenditures	Balance June 30, 2007
	Balance December 31, 2005	recoveries and writedowns			
Agata	\$ 1,083,622	\$ 306,583	\$ 1,390,205	\$ 866,532	\$ 2,256,737
Tapian	634,990	259,510	894,500	664,638	1,559,138
Lahuy	-	-	-	-	-
Mat-I	44,319	24,619	68,938	-	68,938
Pan de Azucar	609,669	7,550	617,219	1,250	618,469
Batangas	157,551	508,124	665,675	753,988	1,419,663
Lobo	2,098,939	374,303	2,473,242	18,027	2,491,269
Archangel	956,268	2,454,138	3,410,406	2,604,896	6,015,302
Laos	24,757	150	24,907	-	24,907
	5,610,115	3,934,977	9,545,092	4,909,331	14,454,423
Royalty Deposits	30,318	90,607	120,925	16,498	137,423
	\$ 5,640,433	\$ 4,025,584	\$ 9,666,017	\$ 4,925,829	\$ 14,591,846

*Minimax Agreement: Agata, Lahuy Mat-I, Pan de Azucar, and Tapian Projects*

The following summarizes the significant contracts entered into by the Company in connection with the various exploration projects:

On January 19, 1997, Mindoro Resources Ltd. entered into a Memorandum of Agreement (MOA) with Minimax Mineral Exploration Corporation, a corporation organized under the laws of the Republic of the Philippines, whereby the latter



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grants to Mindoro Resources Ltd. the exclusive and irrevocable right to earn options up to 75% interest in five mineral properties: Agata, Tapian, Pan de Azucar, Mat-I, and Lahuy.

MRL Gold Phils., Inc. was organized by virtue of the agreement between Minimax Mineral Exploration Corporation and Mindoro Resources Ltd. to form an affiliated corporation under the laws of the Republic of the Philippines and whereby Mindoro Resources Ltd. shall assign all its rights, title, and interests under said agreement.

On June 27, 1997, a deed of assignment was executed by Mindoro Resources Ltd. in favor of MRL Gold Phils., Inc. and the same was acknowledged by Minimax Mineral Exploration Corporation in a separate agreement with MRL Gold Phils., Inc.

Under the terms of the MOA, the Company may earn 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 amount of P20 million in eligible mining expenditures allocated to the properties as defined in the MOA;
- ii. Phase two – incurring an additional aggregate amount of P75 million in eligible mining expenditures allocated to the properties as defined in the MOA; and
- iii. Phase three – incurring an additional aggregate amount of P75 million in eligible mining expenditures allocated to the properties as defined in the MOA;

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

- i. 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.
- ii. Mat-I - The Company is in Phase two of this project and must incur 15,000,000 PP in eligible mining expenditures to earn an additional 30 percent 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.
- iii. 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. In keeping with Canadian GAAP to write-down projects dormant for three years or longer, however, \$102,136 in Lahuy assets were written off in 2005.

As of June 30, 2007, the Company has met phase one expenditure requirements on all properties under this agreement; phase two expenditure requirements on Agata, Tapian, and Pan de Azucar properties; and phase three expenditure requirements on Agata and Tapian properties.

Pursuant to an agreement dated November 4, 2003, the Company was granted an option to earn an additional 10 percent interest (the Interest Option) in future mining reserves located in the Agata, Tapian and Mat-I properties (the Surigao Properties) from Minimax. The Company may exercise its option on each property by making a payment to Minimax equivalent to 0.5 percent of the gross value of each mining reserve with a minimum of \$5,000,000 US per mining reserve.

Pursuant to an agreement dated October 5, 2005, the Company's subsidiary, MRL Gold Phil's Inc., acquired an option to purchase an additional 15 percent direct and indirect participating interest (the Additional Interest Option) from Minimax in future mining reserves located in the Surigao Projects. Under the Additional Interest Option, after completion of a Bankable Feasibility Study but before commencing mining operations, MRL has the option to purchase an additional 15 percent interest from Minimax in each and any mining reserve located on the Surigao Projects. Payment shall be equivalent to 0.75 percent of the gross value of each mining reserve, to a minimum of US \$7.5 million. In addition MRL shall make



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initial cash payment of US \$75,000, and, thereafter, make further payments of US \$75,000 annually for 4 years. Beginning in year five to commencement of production, annual payments of US \$125,000 will be made. A net smelter royalty of one percent against the additional 15 percent interest in mineral reserves shall also be payable to Minimax. MRL may, at any time, terminate the Additional Interest Option without penalty. In May 2006, the Company issued 75,000 Common shares to Minimax as consideration for granting the option with a total value of \$63,690.

### *Surigao Option Agreement: Agata, Mat-I, and Tapian Projects*

Pursuant to the Surigao Option Agreement ("SOA") effective June 21, 2004, Panoro Minerals Ltd. was granted an option to acquire a 40 percent interest in each of the Agata, Tapian and Mat-I properties and any extensions on those properties. In order to earn the 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 during the first expenditure period;
- ii. \$450,000 second expenditure period; and
- iii. \$600,000 in each of the third and fourth expenditure periods.

Panoro was granted an additional interest option to earn 2.5 percent of the additional 10 percent interest in each of the Agata, Tapian and Mat-I properties by reimbursing the Company 25 percent of the costs incurred by the Company under the Interest Option at the time the option is exercised. As consideration for granting the additional interest option, Panoro is obligated to deliver to the Company 50,000 Common shares of the Company. These 50,000 Company shares were 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, previously recorded as Common shares issuable, were issued to Minimax during the second quarter. If the phase expenditures on the properties are not met, the properties become excluded from the SOA. Panoro reached its earn-in threshold of \$2,000,000 in July 2006 and in October 2006 formally notified Mindoro that it was exercising its option pursuant to the SOA. The Mat-I property became an Excluded Property as a work program and budget were not approved during the required period for that project. The ownership interest in the Agata and Tapian properties was now Panoro 40 percent, Mindoro 35 percent, and Minimax 25 percent, and in the Mat-I property, Mindoro 75 percent and Minimax 25 percent.

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

The vendor is entitled to a 1.5 percent 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. On October 11, 2006, the Mines Department approved the exploration permit for this property and the requisite 100,000 Common shares were issued to the vendor in January 2007.

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 Philippine Peso (PP) to the vendor. The Company was also



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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 Panoro Common shares 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 percent 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 (see note 6).

On October 18, 2005, the Company entered into two Agreements to Explore, Develop and Operate Mineral Property ("the Canaga Agreements") and acquired mineral exploration, development and production rights on the Tibur and Macana tenements near the Company's Tapian San Francisco property. The tenements are in the form of Mineral Production Sharing Agreement ("MPSA") applications. These will be converted to Exploration Permits (EPs) which are simpler and more rapidly granted form of tenements. On signing the Canaga Agreement, the Company paid a signing bonus of 2,000,000 PP to the vendor. The Company has the following additional obligations under the terms of the Canaga Agreements:

- i. Issue 62,500 Company Common shares upon registration of each EP.
- ii. Issue 87,500 Company Common shares on the first anniversary of the registration of each EP.
- iii. Payment to the vendor of quarterly advance royalties in the amount of 88,000 PP and 87,000 PP commencing after registration of the Tibur and Macana EPs, respectively.

On October 25, 2005, Panoro exercised its option to include the Tibur acquisition in the Surigao Option Agreement and earn a 40 percent interest. The vendor will receive 100,000 Panoro Common shares when a feasibility study begins on the Tibur acquisition, and will receive an additional 100,000 Panoro Common shares when a feasibility study begins on the Macana acquisition, although Mindoro has the option to substitute Company Common shares of equivalent value. When production begins, the vendor will receive 500,000 Company Common shares. For the commercial exploitation of the property, the vendor will receive a royalty of one point five percent (1.5 percent) NSR (Net Smelter Returns) for production of gold and other minerals.

On March 14, 2007 the Company agreed to the purchase of Panoro's 40 percent interest in the Surigao projects previously earned by Panoro under the Surigao Option Agreement. Upon closing, as consideration for the purchase of the interest, Mindoro will pay Panoro \$750,000 cash plus 500,000 Mindoro Common shares; Mindoro will make a second payment of \$500,000 cash plus 500,000 Mindoro Common shares on the first anniversary of the closing. Furthermore, in the event that the nickel laterite prospect located on the Agata project should proceed to production and upon shipment of an aggregate one million tonnes of nickel laterite, Mindoro will pay Panoro \$500,000 cash plus an additional \$500,000 cash payment on the first anniversary of the shipment. The purchase and sale agreements received regulatory approval on April 10, 2007 and the requisite payment of cash and issue of common shares to Panoro was completed. Pursuant to the purchase of Panoro's interest, the Company will assume all of Panoro's obligations under the Surigao Option Agreement.

### *Egerton Agreement: Archangel, Lobo and Batangas Regional Projects*

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 percent interest in the Lobo and Archangel mineral properties in the



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Philippines. The Company may earn interests of 51 percent and 24 percent 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. The Company met its phase one expenditure requirements in 2005 and has exercised its option to enter into phase two; 500,000 Common shares were issued to Egerton on November 7, 2005. 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 percent interest at production, or convert to a 2 percent 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 June 30, 2007.

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.

In May of 2006, Mindoro entered into a Joint Venture Agreement with Minimax and Medusa Mining Limited of Australia on the Apical Gold Project in Mindanao, Philippines. Medusa may earn a 70 percent interest in Apical by taking the project either to production, in the case of lode deposits, or to feasibility, in the case of bulk-tonnage, porphyry copper-gold deposits at which time Mindoro and Minimax would each hold 15 percent interest. The Apical Project is currently held under a Mineral Production Sharing Agreement application (APSA). Medusa has the right to earn a 70% interest in the Apical Project by:

- i. In the case of lode deposits, commencing development and by producing the first 500 tonnes of ore, after which Mindoro and its Philippine partner have the option to contribute to ongoing expenditures, each retaining a 15% participating interest, or to reduce to a 3% Net Smelter Royalty ("NSR"), each retaining a 1.5% NSR;
- ii. In the case of large, bulk tonnage deposits such as porphyry copper-gold deposits or disseminated or stockwork gold deposits, completing a Bankable Feasibility Study, after which Mindoro and its partner have the right to contribute to ongoing expenditures or dilute to a 3% NSR.

Medusa is required to spend US\$300,000 within 3 years of grant of the APSA and spend a minimum of US\$150,000 per year subsequently. Mindoro has the right to a 15 percent interest in the Apical Project upon Medusa meeting its earn-in requirements and does not hold any interest in the Apical Project prior to that time.

#### 4. PROPERTY AND EQUIPMENT

Property and equipment are amortized using the declining balance method at an annual rate of 20% to 30% per annum.

	June 30, 2007			December 31, 2006		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Computer hardware	\$ 64,005	\$ 52,231	\$ 11,774	\$ 58,944	\$ 50,600	\$ 8,344
Computer software	53,296	44,819	8,477	50,556	43,807	6,749
Office furniture and equipment	308,823	85,048	223,775	202,861	58,103	144,758
Leasehold improvements	16,518	16,518	-	16,518	16,518	-
	<b>\$ 442,642</b>	<b>\$ 198,616</b>	<b>\$ 244,026</b>	<b>\$ 328,879</b>	<b>\$ 169,028</b>	<b>\$ 159,851</b>



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### 5. ACCOUNTS RECEIVABLE

Funds due from an officer of the Company, for \$59,369 (2006 – \$78,300), are entered into the accounts receivable account and pertain to an advance to purchase common shares in the Company. The advance is in the form of an interest-free demand loan for the purpose of exercising purchase warrants to acquire 261,000 common shares in the Company. The loan is repayable to the Company in full on or before November 21, 2007. Security for the repayment is in the form of a demand promissory note and the share certificate representing the number of common shares acquired pursuant to the loan. The market value of the shares acquired was \$268,830 as at June 30, 2007

### 6. SHARE CAPITAL

Authorized

Unlimited number of common shares  
Unlimited number of preferred shares

Issued	June 30, 2007		December 31, 2006	
	Number	Amount	Number	Amount
Common shares				
Balance, beginning of period	68,247,523	\$ 21,842,956	53,571,892	\$ 14,616,181
Issued upon exercise of warrants (a)	72,760	75,721	6,646,681	2,011,177
Issued pursuant to private placements (b)	5,575,122	3,535,194	7,403,950	4,993,937
Issued upon exercise of stock options (c)	1,075,000	419,438	450,000	137,036
Issued for mining properties (d)	500,000	375,000	75,000	63,690
Common Shares issuable (e)	-	-	100,000	20,935
<b>Balance, end of period</b>	<b>75,470,405</b>	<b>\$ 26,248,309</b>	<b>68,247,523</b>	<b>\$ 21,842,956</b>
Common share purchase warrants	<b>Number</b>		<b>Number</b>	
Balance, beginning of period	3,911,287		7,508,861	
Issued pursuant to private placements (b)	2,996,317		3,928,291	
Issued pursuant to exercise of agents warrants (f)	141,380		74,344	
Exercised (a)	(72,760)		(6,646,681)	
Expired (g)	-		(953,528)	
<b>Balance, end of period</b>	<b>6,976,224</b>		<b>3,911,287</b>	

- (a) Purchase warrants were exercised for net proceeds of \$50,791. The fair value of purchase warrants exercised, \$24,930, was credited to share capital.
- (b) In April of 2006, the Company issued 4,118,950 Units at \$0.70 per Unit for proceeds of \$2,707,325 net of issue costs, including finders fees, of \$175,940. Each Unit consisted of one Common share and one half Common share purchase warrant. Each whole purchase warrant allows the holder to acquire one Common share of the Company at a price of \$1.00 for a period of one year subsequent to issue of the purchase warrant and, at a price of \$1.25 for one additional year thereafter. The Company also issued 226,316 agent's warrants; agent's warrants are exercisable into Units having the same terms as the Units issued.

In December of 2006, the Company issued 3,285,000 Units at \$0.70 per Unit for proceeds of \$2,286,612 net of issue costs of \$12,888. Each Unit consisted of one Common share and one half Common share purchase warrant. Each whole purchase warrant allows the holder to acquire one Common share of the Company at a price of \$1.00 until December 2007 and, thereafter, at a price of \$1.25 until December 20, 2008.

In January of 2007, pursuant to a private placement, the Company issued 1,500,000 Units at \$0.70 per Unit for gross proceeds of \$1,050,000 less finders' fees and other costs of \$78,236. Each Unit consisted of one Common share and one half Common share purchase warrant. Each whole purchase warrant allows the holder to acquire one Common share at \$1.00 for a period of one year until the expiry date of January 3,



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2008, and, thereafter, at a price of \$1.25 until January 3, 2009. A total of 750,000 purchase warrants and 105,000 agent's warrants are exercisable pursuant to this Private Placement. The fair value of purchase warrants and agent's warrants issued, in the amount of \$64,210, was charged to share capital.

In May of 2007, the Company issued 4,075,122 Units at \$0.70 per Unit, pursuant to a private placement. Proceeds, net of finders' fees and other costs, amounted to \$2,690,692. Each Unit consisted of one Common share and one half common share purchase warrant. Each whole purchase warrant allows the holder to acquire one Common share at \$1.00 for a period of one year until the expiry date of May 29, 2008, and, thereafter, at a price of \$1.25 until May 29, 2009. A total of 2,037,561 purchase warrants and 208,756 agent's warrants are exercisable pursuant to this Private Placement. The fair value of purchase warrants and agent's warrants issued, in the amount of \$63,053, was charged to share capital.

- (c) The Company issued 1,075,000 Common shares pursuant to the exercise of stock options for net proceeds of \$233,045. Stock-based compensation costs totaling \$186,393, recorded as an increase to contributed surplus on issuance of the stock options, were reclassified to share capital upon the exercise of these options.
- (d) In connection with the Company's October 5, 2005 agreement with Minimax (note 3) and pursuant to receiving regulatory approval in January 2006, the Company recorded an obligation to issue 75,000 shares to Minimax. The shares were issued May 28, 2006.

As consideration for the purchase of Panoro Mineral Ltd's forty percent interest in the Surigao projects previously earned by Panoro under the Surigao Option Agreement (note 3) the Company issued 500,000 Common shares to Panoro on April 10, 2007.

- (e) In connection with the Company's October 26, 2004, Bautista-Agata agreement (note 3) and pursuant to receiving the exploration permit for this property on October 11, 2006, the Company recorded an obligation to issue 100,000 Common shares to the property vendor. These shares were issued January 21, 2007.
- (f) These purchase warrants were issued pursuant to the exercise of 141,380 Agent's warrants.
- (g) Three issues of warrants expired during 2006: 598,750 warrants with an exercise price of \$0.50 and 7,600 warrants with an exercise price of \$0.30 expired in October; and 347,178 warrants with an exercise price of \$0.30 expired in November.

The following table summarizes information about Common share purchase warrants outstanding and exercisable as at June 30, 2007:

June 30, 2007				December 31, 2006			
Number of Warrants	Exercise Price	Expiry Date		Number of Warrants	Exercise Price	Expiry Date	
1,642,500	\$ 1.00	December 2007		2,076,479	\$ 1.00	April 2007	
750,000	1.00	January 2008		1,642,500	1.00	December 2007	
2,112,859	1.25	April 2008		192,308	0.70	April 2008	
119,548	0.70	April 2008					
2,037,561	1.00	May 2008					
105,000	0.70	January 2009					
208,756	0.70	May 2009					
<b>6,976,224</b>				<b>3,911,287</b>			

The company has a stock option plan under which directors, officers, consultants and employees of the Company are eligible to receive stock options. The maximum number of shares reserved for issuance upon exercise of all options granted under the plan may not exceed 10% of the issued and outstanding Common shares. The Board of Directors shall determine the terms and provisions of the options at the time of grant. Options granted may not



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exceed ten years and vest immediately. The exercise price of each option shall not be less than the price permitted by any stock exchange on which the Common shares are then listed. The following table summarizes the status of the Company's stock option plan:

	June 30, 2007		December 31, 2006	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	5,035,000	\$0.51	4,825,000	\$0.45
Issued	2,245,250	0.84	700,000	0.60
Exercised	(1,075,000)	0.22	(450,000)	0.19
Forfeited	(105,000)	0.35	(40,000)	0.96
Outstanding at end of period	<b>6,100,250</b>	<b>\$0.67</b>	5,035,000	\$0.51
Options exercisable at end of period	<b>3,780,000</b>	<b>\$0.54</b>	4,810,000	\$0.50

Compensation cost for the six months ended June 30, 2007 of \$68,438 (2006 - \$217,925) was recorded as stock-based compensation expense. As this was a non-cash transaction, it is not reflected in the consolidated statement of cash flows.

The following table summarizes share options outstanding:

Range of Exercise Prices	Number Outstanding	Weighted Average Contractual Life (Years)	Weighted Average Exercise Price
\$0.15 to \$0.23	370,000	1.16	0.17
\$0.24 to \$0.36	1,455,000	4.44	0.32
\$0.37 to \$0.56	150,000	3.27	0.48
\$0.57 to \$0.80	600,000	2.65	0.60
\$0.81 to \$1.00	3,525,250	4.16	0.88
<b>Total</b>	<b>6,100,250</b>	<b>3.88</b>	<b>\$0.67</b>

### 7. CONTRIBUTED SURPLUS

	June 30, 2007	December 31, 2006
Balance, beginning of period	\$ 2,363,677	\$ 2,110,714
Stock based compensation	(117,956)	164,740
Agent's warrants issued	127,263	77,489
Agent's warrants exercised	(24,930)	(19,427)
Purchase warrants issued	-	55,043
Purchase warrants exercised	-	(24,882)
	<b>\$ 2,348,054</b>	<b>\$ 2,363,677</b>

### 8. RELATED PARTY TRANSACTIONS

- (a) Accounts receivable and advances as at June 30, 2007 includes \$66,627 due from officers of the Company and the Company's subsidiary. The majority of this amount includes a loan made to an officer in 2006 to purchase common shares in the Company (for \$59,369, net owing the Company, after repayment made during the period). Also included are advances to the officer related to expenses which, upon reconciliation of advances, will be charged to mineral properties and exploration costs.



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- (b) Ascenta Capital received \$30,000 for investor relations services and \$41,113 for advertising and promotions expenses; Ascenta Finance received \$32,452 for travel and promotion expenses; a director of the Company is a principal of Ascenta Capital and Ascenta Finance. MacPherson Leslie & Tyerman, LLP received \$17,885 for corporate legal counsel; a director of the Company is a partner in the law firm.
- (c) Mineral properties and exploration costs include \$50,733 paid to MacPherson Leslie & Tyerman, LLP for legal counsel in connection with the properties and also include \$3,000 paid to a director during the period for consulting work on the properties.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

### 9. FINANCIAL INSTRUMENTS

- (a) Fair values: The fair values of all financial instruments approximate their carrying values due to their short-term nature.
- (b) Currency risk: The Company is exposed to currency risk to the extent of its foreign operations conducted in the Philippines. The Company does not hedge its exposure to fluctuations in the related foreign exchange rate.

### 10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation in the current year.

### 11. SUBSEQUENT EVENTS

The Company announced on August 23, 2007, that it has reached agreement with Delta Earthmoving Inc. (Delta) to explore, and advance to production if warranted, a new nickel laterite prospect in the southern part of the Agata project, Surigao District, Mindanao. The agreement does not cover the northern Agata nickel laterite project where Mindoro has completed over 90 drill holes with the objective of producing direct shipping ore in 2008. Delta will at its sole cost and risk carry out exploration of the southern Agata nickel laterite and, if results warrant, within six months may select an area of up to 250 hectares to advance to production from a target area of 1,800 hectares. Delta will finance all mine development and production costs, as well as market the product. Delta will receive U.S. \$10.50 per wet metric tonne mining cost and 55 per cent of net profits. Mindoro will receive 45 per cent of net profits. Delta is fast tracking the southern Agata nickel project with the intent of being in production in early 2008. Work is commencing immediately.