

# Management's Discussion and Analysis

For the Nine Months Ended September 30, 2008



## 1. GENERAL

This discussion and analysis of financial position and results of operation is prepared as at November 24, 2008, and should be read in conjunction with the unaudited consolidated financial statements for the nine months ended September 30, 2008 and September 30, 2007 and the December 31, 2007 audited consolidated financial statements, which have been prepared in accordance with Canadian generally accepted accounting principals. All amounts are expressed in Canadian dollars, unless otherwise indicated. 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, the cumulative expenses incurred on the property are written off against income in the period the decision is made.

## 4. OVERVIEW OF EXPLORATION ACTIVITIES

The Company's mineral exploration projects are located in the Agusan del Norte, Surigao del Norte (jointly the Surigao District), Iloilo and Batangas Provinces of the Philippines. Mindoro's field programs are carried out under the supervision of Tony Climie, P.Geol, who approved the technical content of this document and who is a qualified person as defined by National Instrument 43-101.

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MINDORO  
RESOURCES LTD

### SURIGAO DISTRICT, NORTHERN MINDANAO

The Company has a direct and indirect 75 percent interest in the Agata, Tapian San Francisco and Tapian Main projects, and a 10 percent direct interest in the Mat-I project, collectively referred to as the Surigao Projects and located in Surigao del Norte and Agusan del Norte Provinces of northern Mindanao, Philippines. The granted tenements consist of a Mineral Production Sharing Agreement (MPSA) on Agata and Exploration Permits (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 third quarter has continued to focus on advancing the Agata North nickel laterite prospect on the Agata MPSA. As of September 30, 2008, the Company had \$7,464,634 in exploration expenditures recorded to the Surigao Projects, including expenditures of \$981,875 in the third quarter of 2008.

#### Nickel Laterite Markets

Focus for the Company has always been to evaluate the Agata North Nickel Laterite prospect for its potential for an integrated mining and processing operation. A short term plan had been to commence direct shipping ore operation (DSO) to supply feedstock to the nickel pig iron industry in China. However, the softening of nickel prices and decline in demand for low grade Philippine nickel laterite ores has led to a shelving of this short term plan and renewed emphasis on defining the Company's "global" nickel laterite resources with a view to establishing an integrated mining and processing operation.

Nickel demand from China over the past two to three years resulted in an unprecedented demand for DSO production from nickel laterite deposits, used in the production of nickel pig iron, a low-grade ferro-nickel product, which has become a key nickel supply source for the Chinese stainless steel sector. Small steel and ferro-alloy makers in China switched to producing nickel pig iron during record high nickel prices in 2007. An oversupply of DSO nickel laterite material in the first half of 2007 flooded the Chinese markets and demand dropped dramatically in the second half of the year.

During the third quarter nickel prices continued to decline and have essentially collapsed to very low levels of under U.S. \$11,000 a tonne at this time (November, 2008). It is unlikely that nickel prices will recover to a level that will sustain the DSO market for low-grade Philippine nickel laterite in the medium term.

#### Enhanced Value, On-Site Processing Alternatives

While sulphide nickel deposits have dominated historical nickel production, the future belongs to nickel laterite deposits. Once regarded as too difficult to process, more recent advances and technological refinements, still in their relative infancy, are leading to a new generation of nickel production centers from laterite deposits.

Much of the Surigao District nickel laterite production to date has been as direct shipping ore to processing plants in Japan and Australia, with lower grade material going to China for nickel pig iron production (feedstock for stainless steel mills). A recent softening of nickel prices has ended the shipping of low-grade nickel laterite to China for nickel-pig iron production. DSO production of higher grade material continues. However, there is now an increasing trend towards advancing on-site, value-added processing of nickel laterite within the Philippines itself, rather than just shipping out low-value product. The prolifically nickel laterite-mineralized Surigao District will likely be an important part of this evolution.

Local processing alternatives include; on-site blast or electric arc furnaces for nickel pig iron production (a low grade ferronickel product); ferronickel smelting (a ferronickel smelter recently commenced operation in NW Mindanao, not far away from the Company's projects); heap-leaching; atmospheric (tank) leaching; and an improved generation of High Pressure Acid Leach (HPAL) plants. HPAL technology is currently being used with great success by Sumitomo and Asia Nickel on their Philippine Coral Bay operation, and the partners recently announced plans for a second HPAL plant to be constructed in the Surigao District.



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While options for DSO production had been kept open, on-site processing offers more attractive opportunities. During the reporting period, the Company continued to evaluate various nickel laterite processing technologies to determine the potential for the establishment of an enhanced value, on-site processing plant. Construction of a local processing plant, rather than simply shipping out raw product, would greatly increase the returns to all stakeholders; including Mindoro's shareholders, its Philippine partner, the local people, local government units, and to the Philippines itself.

To date, the Company has identified two main areas of nickel laterite mineralization on its Agata Project: the Agata North and Agata South nickel laterite prospects.

### Agata North Nickel Laterite Resource

On April 30, 2008, Mindoro announced an early-stage NI 43-101 compliant mineral resource estimate for the Agata Nickel Laterite Project. As previously reported, the estimate was updated on August 12, 2008.

The estimate for combined Measured and Indicated Resources is 4.95 million wet metric tonnes (WMT) grading 1.18 percent nickel, 0.074 percent cobalt and 28 percent iron, at a cut-off grade of 0.80 percent nickel; containing approximately 92.4 million pounds nickel. In addition, the Inferred Resource estimate is an additional 4.37 million WMT grading 1.26 percent nickel, 0.047 percent cobalt and 20 percent iron, also at a cut-off grade of 0.80 percent nickel; containing approximately 92.5 million pounds nickel. Breakdown between limonite and saprolite is given in the August 12, 2008, news release. A total of 228 drill holes, comprising 4,507 meters of diamond drill core and 4,480 assay samples, were used for the estimate.

*The reader is cautioned that mineral resources which are not mineral reserves do not have demonstrated economic viability. There has been insufficient exploration to define mineral resources other than those disclosed in this release, and it is uncertain if further exploration will result in the targets delineating additional mineral resources or that these resources, if delineated, will be economic or sufficient to support a commercial mining operation. Until a feasibility study has been completed there is no certainty that the company's projections will be economically viable.*

The Mineral Resource model was generated by Dallas Cox, BE (Min), an independent qualified person as defined by NI 43-101. A total of 228 drill holes, comprising 4,507 meters of diamond drill core and 4,480 assay samples, have been used for the estimate. An Inverse Distance Squared grade estimation method was utilized within tightly constrained lithological and grade domains. Mr. Cox has indicated that the density of drilling and continuity of mineralization is sufficient to classify the estimated resource and has verified and authorized the technical information detailed in this release. Both dry metric tonnes (DMT) and wet metric tonnes (WMT) are quoted.



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Summary of the Mineral Resource Estimate:

**Resource @ 0.8 % Ni cutoff grade**

Category	Laterite Horizon	Mil. WMT	Mil. DMT	Ni%	Co%	Fe%	Contained Ni	
							tonnes	pounds
Measured	Limonite	0.85	0.55	1.07	0.117	44	5,914	13,037,809
	Saprolite	0.58	0.47	1.30	0.031	13	6,037	13,309,802
Indicated	Limonite	1.88	1.22	1.06	0.117	44	12,976	28,606,163
	Saprolite	1.63	1.31	1.30	0.031	13	16,975	37,423,819
<b>Combined Measured + Indicated</b>	Limonite	2.73	1.78	1.06	0.117	44	18,889	41,643,972
	Saprolite	2.22	1.77	1.30	0.031	13	23,012	50,733,621
	<b>Sub-Total</b>	<b>4.95</b>	<b>3.55</b>	<b>1.18</b>	<b>0.074</b>	<b>28</b>	<b>41,902</b>	<b>92,377,593</b>
<b>Inferred</b>	Limonite	1.14	0.74	1.04	0.105	43	7,741	17,065,435
	Saprolite	3.23	2.58	1.32	0.030	13	34,211	75,421,718
	<b>Sub-Total</b>	<b>4.37</b>	<b>3.33</b>	<b>1.26</b>	<b>0.047</b>	<b>20</b>	<b>41,952</b>	<b>92,487,153</b>

- Total metal contents in the reported resources represent metal in the ground and have not been adjusted for metallurgical recoveries and other factors which will be considered in later study.
- Mineral resources which are not mineral reserves do not have demonstrated economic viability.
- The tonnage and nickel grades above have been rounded to the nearest 2nd decimal, and iron grades to the nearest whole number, which may have resulted in minor discrepancies.
- The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
- It is uncertain if further exploration will result in upgrading the Inferred mineral resource to an Indicated or Measured mineral resource or the Indicated mineral resource to a Measured Resource category.

The resource delineation drilling program was terminated at Agata North during the third quarter, with about 80 per cent of the mapped nickel laterite drill-tested, and a total of 408 drill holes completed. It is planned to release an updated NI 43-101 resource estimate in late November or early December. Management believes that an adequate resource has now been defined in order to identify the optimal mining and processing concept, and to advance Agata North to the scoping study stage.

Agata South Nickel Laterite Prospect, In Joint Venture with Delta

On August 23, 2007, the Company announced it had reached an agreement with Delta Earthmoving Inc., an experienced nickel laterite mining contractor, to explore, and advance to production if warranted, the Agata South nickel laterite project. The agreement does not cover Agata North. 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, may select an area of up to 250 hectares to advance to production.

With the collapse in the DSO market Delta ceased drilling at Agata South after drilling 241 holes and 2,989 meters. Delta's exploration results were evaluated by an independent nickel laterite expert commissioned by the Company. As previously reported, although evaluation of results is ongoing, it appears that both resource potential and the quality of the Agata South Nickel Laterite is of much lower potential than for Agata North.

Evaluation Of Other Surigao Nickel Laterite Prospects

Reconnaissance geological mapping and auger drilling were carried out in the third quarter on the Company's Tapian Main, Tapian San Francisco tenements. Diamond drilling is planned for BoloBolo once the Exploration Permit is granted. Other reconnaissance areas remain to be evaluated.



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### American Tunnels Porphyry Prospect, Agata Project

In a geological coincidence, the nickel laterite mineralization at Agata is juxtaposed in close proximity to several porphyry copper-gold prospects. One of these, the American Tunnels prospect, is characterized by a strong IP chargeability anomaly, extending over 800 m by 300 m, capped by a resistivity anomaly and coincident with a magnetic anomaly; extensive copper, gold and zinc soil anomalies are associated. The IP chargeability anomaly is part of a string of strong chargeability anomalies extending over at least six kilometers of strike through the Agata Project, which are associated with intersections of splays of the Philippine Fault and cross-cutting faults.

Although artisanal miners have been mining epithermal gold in the American Tunnels area for several decades, early in 2008 artisanal miners commenced actively mining high-grade copper mineralization from a number of shafts and tunnels over an area of 150 m by 50 m. The copper ore is mined by manual methods with ore grading 5 percent to 15 percent copper loaded into 40 kg sacks and sold to local buyers to be sent to China for processing. At least ten mining areas were active during the third quarter. As a result of the recent softening in copper prices, this number has reduced to about three workings. A further eleven workings are being actively mined for epithermal gold.

Geological mapping and underground sampling of the workings continued over the third quarter in readiness for a future drill program. As described in the Company's May 12, 2008, press release, the Company obtained high copper values from channel sampling within one of the more easily accessible shafts. Given the strength of copper mineralization observed and extent and nature of alteration, the copper mineralization is taken as evidence of a porphyry copper-gold source nearby, probably related to the adjacent IP anomalies. On November 17<sup>th</sup>, the Company released the results of the underground sampling. Copper results from channel and rock chip samples taken over several tens of meters at various orientations along mine tunnels gave encouraging results – with several five-meter intervals assaying well over 1 percent copper, together with significant gold, silver and molybdenum values in places.

### BATANGAS PROJECTS, LUZON

The Batangas land package comprises approximately 29,000 hectares. Within this, 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, subject to various permitting requirements, 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 September 30, 2008, the Company had \$11,824,419 in exploration expenditures on the Batangas Projects, including community relations and general property maintenance expenditures of \$128,260 in the third quarter of 2008.

The Company's Batangas tenements cover over 29,000 hectares in the well-mineralized southern Luzon porphyry copper-gold belt. Projects include Lobo and Archangel, where early-stage NI 43-101-compliant gold resources have been defined (SWB and Kay Tanda), which are both open to upgrading and extension, and at least fifteen promising porphyry copper-gold prospects, including the Calo, Talahib, Pica and El Paso prospects.

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

On February 6, 2008, a NI 43-101 compliant mineral resource estimate was released. The Mineral Resource Report was completed jointly by Dean Fredericksen, Principal Consultant, of Ravensgate Mineral Industry Consultants of Australia, who carried out the Mineral Resource estimate, and Dr. Bruce Rohrlach, geological consultant, also of Australia, who completed the geological and quality control / quality assurance components of the report. The report is available on SEDAR ([www.sedar.com](http://www.sedar.com)) and Mindoro's website ([www.mindoro.com](http://www.mindoro.com)).



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Summary results of the NI 43-101 report were:

- **Total Inferred Resource: 11,599,000 tonnes @ 0.70 g/t Au, 3.0 g/t Ag (262,000 contained ounces Au)**
- **Total Indicated Resource: 3,365,000 tonnes @ 0.88 g/t Au, 8.0 g/t Ag (95,000 contained ounces Au)**

*The tonnage and contained ounces figures above have been rounded to the nearest thousand and gold grades to the nearest 2nd decimal.*

As noted in the first quarter report, many gold mineralized intercepts, including much of the bonanza grade material, were not included in the resource estimate due to wide drill spacing, averaging 50 meter centers, and lack of information on geological controls. Additional drilling is required to understand these geological controls and further upgrade the resource estimate.

Archangel includes the Kay Tanda epithermal gold-silver resource as well as several porphyry copper-gold prospects.

### Acquisition of Remaining Equity in Batangas Projects

On July 2, 2008, the Company announced that, through its wholly owned subsidiary MRL Gold Phils., Inc., it had entered into a Letter of Intent with Egerton Gold Philippines, Inc. to acquire the remaining 49% direct and indirect interest in the company's Batangas Projects, located in southern Luzon, in exchange for eight million Common shares in the Company. The Company previously had the right to earn up to a 75% interest in the Batangas Projects and was vested at 51%. The acquisition will result in the Company acquiring an immediate 100% direct and indirect interest in the Batangas Projects. The final agreement remains in progress and is anticipated to be completed in the fourth quarter. See section **8. CAPITAL RESOURCES** below for specific details.

This pending agreement has opened the door for greater flexibility in structuring joint ventures. The Company has been in advanced joint venture discussions since early 2008 with several parties and has now entered into initial agreements with two joint venture partners noted below. Acquisition of the residual Egerton interest has freed up sufficient equity to attract these substantial joint venture partners, and to leave the Company with a significant equity position at the feasibility stage.

### Gold Fields Joint Venture

On September 3, 2008, the Company reported that a non binding letter agreement (the "Agreement") was signed with a member of the Gold Fields group of companies (see Section **8. CAPITAL RESOURCES** below for specific details). The Company has granted Gold Fields a 90 day period within which to conduct further due diligence. It is expected that a formal agreement will be concluded during this period. During this period, the Company has granted Gold Fields exclusivity in relation to participation in these projects. In brief, Gold Fields may earn up to a 75% interest in each of the three projects by sole funding exploration and a feasibility study on each project, subject to certain expenditure limits. The Company will retain a 25 percent interest at a production decision. Gold Fields will manage each project whilst it is farming into each project.

Gold Fields has advised the Company that their due diligence is proceeding satisfactorily and that preparation of a formal agreement is well-advanced. In addition, program planning has also commenced.



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### Avocet Joint Venture

On September 24, 2008, the Company reported that a Memorandum of Understanding (the "MOU") was signed with Avocet Mining PLC ("Avocet"), a London-based AIM listed gold producer (see Section 8. CAPITAL RESOURCES below for specific details). Under the terms of the MOU, Avocet may earn up to a 75% economic interest in the Property from Mindoro's Philippine subsidiary, MRL Gold Phils, Inc., by funding all exploration on the Property until reaching a Decision to Mine. At Decision to Mine, Mindoro will receive a cash payment of four million dollars, a two percent net smelter royalty on identified ounces, and may participate at production with a 25 percent interest; Avocet and Mindoro would then be responsible for funding their share of capital and operating costs. Avocet will undertake a preliminary six month program, including a minimum 1,500 meters of diamond drilling, designed to complete a fast-tracked, but comprehensive evaluation of the Kay Tanda Project, with a view to making a decision to enter Pre-Feasibility and progress to Feasibility.

The Company has been informed by Avocet that it is preparing for the 1,500 meters diamond drilling program at Kay Tanda. Field work is ongoing and includes geological mapping of structures hosting high-grade epithermal veins at depth, preparation of access roads and drill pads, and support of the Company's Community Relations programs. Avocet has contracted Indodrill Philippines Inc. to conduct the drilling, which is expected to commence in early December. Indodrill Philippines Inc. is an independent contractor with considerable experience in man portable diamond drilling in Southeast Asia.

### PAN DE AZUCAR PROJECT, PANAY ISLAND

On October 24, 2008, the Company extended its right to earn a 75 percent interest in the Pan de Azucar Project, Iloilo Province, Philippines (as described below in section 13. EVENTS SUBSEQUENT TO SEPTEMBER 30, 2008)

## 5. RESULTS OF OPERATIONS

*For the three months ended September 30, 2008*

Interest revenue for the three months ended September 30, 2008 was \$7,822 compared to interest revenue of \$12,590 for the three months ended September 30, 2007. The Company had lower cash balances in the current quarter than the same period in 2007 when private placement financing activities were under way.

The net loss for the three months ended September 30, 2008 was \$643,895 compared to a net loss of \$541,695 for the three months ended September 30, 2007.

Advertising and promotion expense for the three months ended September 30, 2008 was \$59,666 compared to \$45,726 for the same period in 2007. The Company carried out more promotion work in the current quarter with the annual meeting held in August, 2008. Investor relations consultants' fees for the three months ended September 30, 2008 was \$48,954. The amount expended in the same period in 2007 was \$44,469. Salaries and benefits in the current period of \$155,574 compares to \$126,461 for the three months ended September 30, 2007. The number of personnel and salaries has risen in comparison to 2007. Stock based compensation-employees expense was \$226,023 for the three months ended September 30, 2008 compared to \$159,920 for the same period in 2007. The current period includes expense for two separate issues of employee stock options as compared to the same period in 2007 where the expense was for one issue of employee stock options. Travel expense for the three months ended September 30, 2008 was \$45,190 compared to \$36,956 during the three months ended September 30, 2007.

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*For the nine months ended September 30, 2008*

Interest revenue for the nine months ended September 30, 2008, was \$93,998 compared to interest revenue of \$40,353 for the nine months ended September 30, 2007. Because of increased financing activities in the second half of 2007, the Company had higher cash balances during the first nine months of the current year compared to the first nine months of 2007. The net loss of \$1,622,074 for the current period was higher than the net loss of \$1,619,149 for the nine months ended September 30, 2007. The Company recorded higher advertising and promotion expense and travel expense during the first nine months of 2007 compared to the current period. However consulting and professional fees, rent, salaries and benefits, and stock based compensation expense-employees were higher in the current period than in the same period in 2007. Operations in the first nine months of 2008 continue to focus on exploration and the Company did not generate any operating revenue.

Travel expense of \$103,578 for the nine months ended September 30, 2008 was much lower than for the nine months ended September 30, 2007 when \$206,322 was expensed because of increased corporate and investor relations travel activities carried on in 2007 in North America, Europe and the Philippines.

Advertising and promotion expense for the nine months ended September 30, 2008, was \$99,415 compared to \$211,115 for the same period in 2007. Consulting and professional fees of \$99,738 for the nine months ended September 30, 2008 was higher than the total of \$58,099 for the same period in 2007. Consulting and professional fees in the current period includes accounting fees for 2007 audit services billed after the 2007 year end audit.

Additional administrative and support personnel were hired during the current year to support the increased internally conducted field activities, resulting in higher salary costs. Corporate salary adjustments have also been processed and increases are reflected in the current period. Salaries and benefits of \$464,001 for the current period were higher than salaries and benefits of \$378,557 in the first nine months of 2007.

Stock based compensation expense for employees of \$486,740 for the nine months ended September 30, 2008, was higher than the nine month expense total of \$199,900 for 2007, when a smaller number of stock options had vested compared to the same period in 2008. The current period expense results from the stock based compensation associated with stock options issued in the second quarter of 2007 and in the third quarter of 2008. The 2007 options vest every six months for two years and the 2008 options vest every three months for one year. 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.

### 6. SUMMARY OF QUARTERLY RESULTS

Quarter Ending	Net Earnings Gain (Loss)	Earnings Gain	
		(Loss) Per Share	Total Assets
September 30, 2008	\$(643,895)	\$(0.007)	\$23,293,711
June 30, 2008	(559,587)	(0.006)	23,536,194
March 31, 2008	(418,592)	(0.005)	24,484,053
December 31, 2007	(490,420)	(0.006)	24,627,244
September 30, 2007	(541,695)	(0.007)	23,987,219
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

## **7. FINANCIAL CONDITION & LIQUIDITY**

The Company continues to rely on raising capital in order to fund its ongoing operations. As of September 30, 2008, the Company's cash position was \$2,648,824 (at June 30, 2008 - \$3,978,675) down from \$6,673,559 as at December 31, 2007. During the nine months ended September 30, 2008, the Company received net proceeds of \$119,664 from the exercise of stock options (for the six months ended June 30, 2008 - \$119,664).

Working capital at September 30, 2008, was \$2,250,979 (at June 30, 2008 - \$3,738,735) as compared to \$5,844,031 at December 31, 2007.

Accounts receivable balance is \$38,858 as of September 30, 2008 (at June 30, 2008 - \$61,848), down from \$57,062 as of December 31, 2007. Included in accounts receivable are advances to employees for \$21,410, input tax credits receivable of \$11,910 and sundry other amounts. Prepaid expenses increased in the period to \$82,125 (at June 30, 2008 - \$87,099) from \$40,100 at the end of 2007. This increase includes deposits for conventions and conferences and security deposits on Philippine office space and staff quarters. The property and equipment balance of \$430,704 (at June 30, 2008 - \$446,613) has increased from the December 31, 2007 balance of \$286,717, with the largest increase for the nine months ended September 30, 2008 found in the Philippine equipment category. Accounts payable and accrued charges of \$518,827 as at September 30, 2008 (at June 30, 2008 - \$388,887) is lower than the balance of \$926,690 as at December 31, 2007. The reduction is the result of the April 2008 payment of \$500,000 to Panoro Minerals that was accrued at December 31, 2007.

During the first nine months of 2008, \$2,624,264 was spent on Investing Activities (\$6,056,305 in the first nine months of 2007) including \$2,429,787 spent on exploration activities (\$5,928,608 in the first nine months of 2007). During the quarter ended September 30, 2008, \$1,089,309 was spent on Investing Activities (\$1,029,553 during the quarter ended September 30, 2007). The total amount of mineral properties and exploration expenditures during the quarter ended September 30, 2008 was \$1,078,677 (\$1,002,779 during the quarter ended September 30, 2007). The total amount of mineral properties and exploration expenditures as of September 30, 2008, was \$20,079,284 compared to \$17,569,806 as of December 31, 2007.

## **8. CAPITAL RESOURCES**

Some of the following commitments are denominated in Philippine Pesos ("PP"). At September 30, 2008, 44.9181PP = \$1CDN.

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% 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%, 30% and 35% in each of the properties by completing phases one, two and three, respectively as follows:



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- (i) Phase one – incurring an aggregate amount of 20,000,000 PP in eligible mining expenditures allocated to the properties as defined in the MOA;
- (ii) Phase two – incurring an additional aggregate amount of 75,000,000 PP in eligible mining expenditures allocated to the properties as defined in the MOA; and
- (iii) Phase three – incurring an additional aggregate amount of 75,000,000 PP 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, on October 28, 2008 the Company successfully negotiated an extension to this deadline as noted in Section 13. **EVENTS SUBSEQUENT TO SEPTEMBER 30, 2008** below.
- (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% 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 September 30, 2008, 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 U.S. \$5,000,000 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.

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Payment shall be equivalent to 0.75 percent of the gross value of each mining reserve, to a minimum of U.S. \$7.5 million. In addition MRL shall make initial cash payment of U.S. \$75,000, and, thereafter, make further payments of U.S. \$75,000 annually for 4 years. Beginning in year five to commencement of production, annual payments of U.S. \$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, 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 budget were not approved during the required period for that project. The ownership interest in the Agata and Tapan 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, 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.



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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 PP to the vendor. The Company was also obligated to issue to the vendor 40,000 Common shares of the Company and 40,000 Common shares of Panoro on signing of the agreement. The Company has the following additional obligations under the terms of the Bautista-Tapian Agreement:

- (i) Commence payment to the vendor of quarterly royalty advances of 150,000 PP per quarter on June 8, 2005;
- (ii) Issue 50,000 Company Common shares and 50,000 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.

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.

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.



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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. The purchase and sale agreements received regulatory approval on April 10, 2007. Upon closing on that date, as consideration for the purchase of the interest, Mindoro paid Panoro \$750,000 cash plus 500,000 Mindoro Common shares and made a second payment on April 10, 2008 of \$500,000 cash plus 500,000 Mindoro Common shares. 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. Pursuant to the purchase of Panoro's interest, the Company will assume all of Panoro's obligations under the Surigao Option Agreement.

On February 6, 2008, MRL Gold Phils., Inc. signed a Memorandum of Agreement (MOA) with the Mamanwa and Manobo Tribes and the National Commission on Indigenous Peoples. The MOA will allow the people of the Mamanwa and Manobo Tribes to participate in the Company's future by granting a royalty of one percent of the gross output of any mining project. In addition to the royalty payments, Mindoro has committed to provide skills training, employment opportunities, educational scholarships, and medical and dental services. The MOA also ensures the preservation and development of the community's culture, traditions and institutions, and the protection of burial grounds and sacred places.

### ***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 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 MPSA's 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 September 30, 2008.

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.



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For the Nine Months Ended September 30, 2008

On June 23, 2008, MRL Gold Phils., Inc. signed a Letter of Intent with Egerton Gold Philippines, Inc. to acquire the remaining 49% interest in the Batangas Projects. The Company would have 90 days to execute a formal agreement, whereupon, subject to regulatory approval, the Company will issue 500,000 Common shares to Egerton in exchange for an undivided 24% direct and indirect interest in the Batangas Projects. This would bring the Company's total direct and indirect interest in the Projects to 75%. For Egerton's remaining 25% indirect interest, the Company will issue a further 7,500,000 Common shares to Egerton. These shares would be subject to a hold period with 1,500,000 shares restricted from trading for six months, two million shares restricted for 12 months, two million shares restricted for 18 months and two million shares restricted for 24 months. Egerton would also receive a one time payment of U.S.\$1,000,000 at the start of production, applicable to the first deposit to start production only, and will be granted a one percent Net Smelter Royalty on all metals produced from the Batangas Projects. Although a formal agreement has not yet been executed, the two parties have continued to work towards a formal agreement beyond the initial deadline and the Company anticipates finalizing an agreement in the fourth quarter.

A non-binding letter agreement was signed September 1, 2008 with a member of the Gold Fields group of companies ("Gold Fields"), establishing the basic commercial framework whereby Gold Fields may earn up to a 75% interest in three of the Batangas properties: El Paso, Lobo and Talahib. From the date of signing, there is a 90 day period within which Gold Fields may complete its due diligence and have exclusivity in relation to participation in these projects. Should Gold Fields decide to continue beyond the 90 day period and agreements are completed, the earn-in terms include:

- (i) Gold Fields may earn a 51% interest in the El Paso project and the Lobo project by spending AU \$4,000,000 on the relevant project within sixty months of the earn-in period formally commencing;
- (ii) Gold Fields may earn a 51% interest in the Talahib project by spending AU \$2,000,000;
- (iii) Gold Fields must maintain a minimum annual expenditure commitment of AU \$350,000; and,
- (iv) Upon earning 51% interest, Gold Fields may elect to continue sole funding of a project. Completing a feasibility study or contributing a milestone amount of expenditure will earn Gold Fields a further 24% interest in the relevant project. The milestone amount for each of the El Paso and Lobo projects is AU \$16,000,000 and the milestone amount for the Talahib project is AU \$12,000,000. The milestone amounts are in addition to the expenditure amounts for the initial earn-in phase of 51%.

A Memorandum of Understanding ("MOA") was signed September 22, 2008 with Avocet Mining PLC ("Avocet"), an experienced gold mining company with expertise in the region, to advance and potentially co-develop Kay Tanda. This MOA establishes the basic commercial framework whereby Avocet can earn up to a 75% interest in the Archangel project. Pursuant to the terms of the MOA, Avocet has been granted a six month period in which to complete its due diligence and have exclusivity in relation to participation in the project. During the due diligence period, Avocet is also required to fund an initial drill program, consisting of a minimum 1,500 meters of diamond drilling. Should Avocet decide to continue beyond the six month period and agreements are completed, the earn-in terms of the MOA include:

- (i) Avocet may earn up to 75% economic interest and 75% equity interest by funding all exploration on the Archangel property until reaching a Decision to Mine. Avocet will initially undertake a drilling program in the first six months and complete a minimum of 1,500 meters of diamond drilling; and,
- (ii) At Decision to Mine, Avocet will pay the Company \$4,000,000 and a Net Smelter Royalty of 2% on identified ounces. The Company may also participate at production with a 25% interest and the two parties will then be responsible to fund their share of the capital and operating costs.

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### ***MEDUSA AGREEMENT: APICAL GOLD PROJECT***

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 may earn a 70% 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% participating interest, or to reduce to a 3% Net Smelter Royalty ("NSR"), each retaining a 1.5% NSR;
- 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 U.S.\$300,000 within 3 years of grant of the APSA and spend a minimum of U.S.\$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**

- (i) Ascenta Capital received \$15,000 for investor relations services and \$6,561 for advertising and promotions expenses; a director of the Company, who resigned in March 2008, is a principal of Ascenta Capital. MacPherson Leslie & Tyerman, LLP received \$13,495 for corporate legal counsel; a director of the Company is counsel to the law firm. Virtus Group, LLP was paid \$400 for corporate employee benefits consulting; a director of the Company is a partner in Virtus Group, LLP.
- (ii) Directors of the Company were reimbursed for travel expenses amounting to \$11,165.
- (iii) Employee advances to an officer of the Company in the amount of \$2,207 are included in accounts receivable.
- (iv) Mineral properties and exploration costs include \$7,538 paid to a director during the period for consulting work and expenses on the properties and \$78,500 paid to MacPherson Leslie & Tyerman, LLP for legal work during the period in connection with the properties.
- (v) Employee advances to an officer of the Company's subsidiary, MRL Gold Phils Inc., amounting to \$6,763 are included in accounts receivable. A director was paid \$1,406 for consulting services. A total of \$3,203 has been paid to a law firm by the subsidiary for consulting services and is included in mineral and exploration costs. An officer of the subsidiary is a founding partner with the law firm.
- (vi) Three officers and two directors of the Company and the Company's subsidiary exercised a total of 505,000 stock options in February 2008 and March 2008. A director of the Company who resigned in March 2008 from the board of directors of the Company exercised 50,000 stock options in April 2008.

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For the Nine Months Ended September 30, 2008



### 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, 2007	89,202,405
Issued on exercise of purchase warrants	-
Issued pursuant to private placements	-
Issued upon exercise of stock options (a)	555,000
Issued for mining properties (b)	500,000
<b>Balance, September 30, 2008</b>	<b>90,257,405</b>
<b>Common share purchase warrants</b>	
Balance, December 31, 2007	20,846,942
Issued on exercise of agent's warrants	-
Issued pursuant to private placements	-
Warrants exercised	-
Warrants expired	(2,232,407)
<b>Balance, September 30, 2008</b>	<b>18,614,535</b>
<b>Stock options</b>	
Balance, December 31, 2007	5,887,000
Issued	2,695,000
Exercised (a)	(555,000)
Forfeited/expired (c)	(785,000)
<b>Balance, Sept 30, 2008</b>	<b>7,242,000</b>

- (a) Pursuant to the exercise of stock options, the Company issued 555,000 Common shares for net proceeds of \$128,664. A total of 250,000 stock options with an exercise price of \$0.28, 50,000 stock options with an exercise price of \$0.23 and 255,000 stock options with an exercise price of \$0.15 were exercised during the period. Stock-based compensation costs amounting to \$99,699 were re-classified to share capital upon exercise of these options.
- (b) Pursuant to an agreement with Panoro Minerals Ltd. ("Panoro") to purchase the forty percent interest in the Surigao projects previously earned by Panoro under the Surigao Option agreement, the payment due on the first anniversary of the April, 2007 closing of \$500,000 cash and the issue of 500,000 common shares in the Company were completed April 10, 2008.
- (c) A total of 785,000 stock options were cancelled due to forfeiture or expiration during the period, including: 30,000 options with an exercise price of \$0.29; 300,000 options with an exercise price of \$0.60; 232,500 options with an exercise price of \$0.84; and 222,500 options with an exercise price of \$0.96.



## Management's Discussion and Analysis

For the Nine Months Ended September 30, 2008

The following table summarizes information about Common share purchase warrants outstanding and exercisable as at September 30, 2008:

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
1,642,500	\$1.25	Dec-08
105,000	\$0.70	Jan-09
750,000	\$1.25	Jan-09
208,756	\$0.70	May-09
2,037,562	\$1.25	May-09
388,717	\$0.60	Sep-09
13,482,000	\$1.10	Sep-09
<b>18,614,535</b>		

The following table summarizes the information about stock options outstanding at September 30, 2008:

<b>Range of Exercise Prices</b>	<b>Number Outstanding</b>	<b>Weighted Average Contractual Life (Years)</b>	<b>Weighted Average Exercise Price</b>
\$0.15 to \$0.23	65,000	0.98	\$0.23
\$0.24 to \$0.36	3,870,000	4.16	\$0.30
\$0.37 to \$0.56	150,000	2.01	\$0.48
\$0.57 to \$0.80	300,000	2.90	\$0.60
\$0.81 to \$1.00	2,857,000	3.15	\$0.88
<b>Total</b>	<b>7,242,000</b>	<b>3.64</b>	<b>\$0.54</b>

### *Offering Outstanding as of November 24, 2008*

In September of 2008, the Company announced that it has arranged for a potential investment from IFC (International Finance Corporation), a member of the World Bank Group. Subject to documentation, approval of the board of directors of IFC and regulatory approval, IFC may purchase up to six million units consisting of one Common share and one Common share purchase warrant at a price of \$0.19 each. Warrants are exercisable into one additional common share at a price of \$0.28 each for five years. The offering has not closed as yet.

### *Share Data as of November 24, 2008*

A total of 90,257,405 Common shares were issued and outstanding as of November 24, 2008. The Company had a total of 18,614,535 purchase warrants and 7,284,500 stock options outstanding as of November 24, 2008.

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For the Nine Months Ended September 30, 2008



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**11. SCHEDULE OF DEFERRED EXPLORATION EXPENDITURES**

	For the Nine Months Ended September 30, 2008			For the Nine Months Ended September 30, 2007		
	Lobo	Archangel	Regional	Lobo	Archangel	Regional
<b>BATANGAS PROJECTS</b>						
General Exploration	12,333	169,193	272,754	17,128	519,434	225,027
Camp, Road Construction	-	687	3,258	-	39,693	996
Travel	418	4,414	20,060	217	51,150	18,045
Geology, Geophysics	-	16,237	9,319	-	341,827	50,199
Drilling	-	31,949	-	4,283	1,839,865	778,735
Mapping, Sampling	469	100	13,789	523	28,362	22,049
Acquisition Costs	-	9	-	-	25,146	5,153
Community, Environmental	2,220	12,156	33,072	5,139	82,758	28,117
<b>Total additions</b>	<b>\$ 15,440</b>	<b>\$ 234,745</b>	<b>352,252</b>	<b>\$ 27,290</b>	<b>\$ 2,928,235</b>	<b>\$ 1,128,321</b>
<b>SURIGAO PROJECTS</b>						
	<b>Agata</b>	<b>Tapian</b>		<b>Agata</b>	<b>Tapian</b>	
General Exploration	795,040	189,074		302,112	15,849	
Camp, Road Construction	9,425	1,887		4,741	5,195	
Travel	53,541	9,223		19,658	2,088	
Geology, Geophysics	174,656	16,204		64,269	1,904	
Drilling	295,373	7,529		170,002	16,826	
Mapping, Sampling	23,964	1,630		11,028	3,211	
Acquisition Costs	279	2,424		510,718	622,001	
Community, Environmental	134,175	33,287		70,229	6,059	
Development Costs	130,671	-		-	-	
<b>Total additions</b>	<b>\$ 1,617,124</b>	<b>\$ 261,258</b>		<b>\$ 1,152,757</b>	<b>\$ 673,133</b>	
<b>OTHER PROJECTS</b>						
	<b>Pan de Azucar</b>	<b>Mat-I</b>		<b>Pan de Azucar</b>	<b>Mat-I</b>	
General Exploration	7,808	-		1,537	-	
Acquisition Costs	-	-		-	-	
<b>Total additions</b>	<b>\$ 7,808</b>	<b>\$ -</b>		<b>\$ 1,537</b>	<b>\$ -</b>	

**12. 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.

Market Risk: The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to the short term nature of these instruments.



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The fair value of financial instruments as at September 30, 2008 is summarized as follows:

	Financial assets held for trading	Loans and receivables	Other financial liabilities	Total carrying value
Cash and cash equivalents	\$ 2,648,824	\$ -	\$ -	\$ 2,648,824
Accounts receivable	-	38,858	-	38,858
Accounts payable and accrued liabilities	-	-	518,827	518,827
	\$ 2,648,824	\$ 38,858	\$ 518,827	\$ 3,206,509

**Currency Risk:** The Company's capital funds are received and maintained in Canadian dollars. Foreign operations are conducted in the Philippines and operating expenditures are primarily made in Philippine pesos. However, a portion of operating materials, supplies, services and equipment purchases are in United States dollars. Accordingly the results of the Company's operations are subject to foreign currency transaction risk and translation risk. The fluctuations of the Philippine peso and the United States dollar in relation to the Canadian dollar will consequently have an impact upon the consolidated balance sheets, the consolidated statements of loss and deficit and the consolidated statements of cash flows. The Company does not hedge its exposure to fluctuations in the related foreign exchange rate.

**Credit Risk:** The Company's credit risk is primarily attributable to its liquid financial assets. The Company limits exposure to credit risk through maintaining its cash and cash equivalents with high-credit quality financial institutions.

**Liquidity Risk:** The Company ensures that there is sufficient capital in order to meet short term business requirements after taking into account the Company's holdings of cash and cash equivalents. There is no established source of revenue and all operations have been funded by equity subscriptions.

**Interest Rate Risk:** With cash and cash equivalents, the Company invests cash at fixed rates of interest and for relatively short terms, usually 90 days or less. This approach achieves a satisfactory return for shareholders. Fluctuations in interest rates therefore impact the value of cash and cash equivalents.

### 13. EVENTS SUBSEQUENT TO SEPTEMBER 30, 2008

On October 28, 2008 the Company completed an Amending Agreement to the January 1997 Memorandum of Agreement between the Company and Minimax Mineral Exploration (Minimax). The Amending Agreement extends the deadline for the Phase three expenditure requirement of 15,000,000 PP on the Pan de Azucar property to October 27, 2010 from January 4, 2004. As consideration for the extension provided therein, the Company will pay Minimax U.S. \$25,000 upon signing the Amending Agreement and U.S.\$15,000 one year after the signing.

On November 3, 2008 the Company announced the appointment of an advisor to its advisory board, granting incentive stock options. Mr. John Tosney was granted 50,000 options to purchase Common shares at an exercise price of \$0.13 per share for a five year term. These options will vest over one year with one half of the options vesting in each six month period following the date of issue.

### 14. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements 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.

**(A) 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, property option payments, geological, geochemical and geophysical surveys, drilling, labor, materials and supplies, professional fees, community relations, environmental management expenditures and others.

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.

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 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 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 comprehensive loss.

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.

**(B) 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 Comprehensive Loss. 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.

**(C) STOCK-BASED COMPENSATION**

The Company has a stock option plan as described in note 7 in the Notes to Consolidated Financial Statements for the nine months ended September 30, 2008. 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. During the nine months ended September 30, 2008 a total of 2,695,000 stock options were granted to employees and consultants (nine months ended September 30, 2007 – 2,245,250 options were granted).

**(D) 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.

**(E) EMPLOYEE FUTURE BENEFIT**

The Company's wholly-owned subsidiary, MRL Gold Phils. Inc., has an unfunded, defined benefit retirement plan covering the retirement, separation, death and disability benefits of all its eligible employees. The Company has adopted the following policies:

- (i) The cost of the accrued benefit obligations for pensions earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages and other actuarial factors.
- (ii) Past service costs from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.
- (iii) Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains (losses) over 10 percent of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plans is 17 years.
- (iv) When a restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

**(F) CHANGES IN ACCOUNTING POLICY**

- (i) Commencing January 1, 2007, the Company adopted new accounting standards as issued by the Canadian Institute of Chartered Accountants (CICA) for Comprehensive Income, Equity, Financial Instruments and Hedges. In accordance with the new standards, the comparative financial statements have not been restated as a result of implementing the new accounting standards.

***Comprehensive income (loss)***

Section 1530 introduces a new requirement for the reporting and presentation of comprehensive income, which represents the change in equity from transactions and other events and circumstances from non-owner sources. Comprehensive income includes unrealized gains and losses such as: changes in foreign currency translation; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges. As the Company did not have any of these types of transactions in the year, comprehensive loss is equal to net loss in the year. There are no opening or closing balances that form part of accumulated or other comprehensive income.

***Equity***

Section 3251, "Equity", which replaces Section 3250, "Surplus" and establishes standards for the presentation of equity and changes in equity during the reporting period and requires that an enterprise present separately equity components and changes in equity arising from (i) net income; (ii) other comprehensive income; (iii) other changes in retained earnings; (iv) changes in contributed surplus; (v) changes in share capital; and (vi) changes in reserves. The Company has adopted this standard effective January 1, 2007. No transitional adjustments were required as a result of the adoption of this standard.

***Financial Instruments - Recognition and Measurement***

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. The Section requires that:

- financial assets are classified as loans and receivables, held-to-maturity, held-for-trading or available-for-sale. Loans and receivables include all loans and receivables and are accounted for at amortized cost. Held-to-maturity classification is restricted to fixed maturity instruments that the Company intends and is able to hold to maturity and is accounted for at amortized cost. Held-for-trading instruments are recorded at fair value with realized and unrealized gains and losses reported in net income. The remaining financial assets are classified as available-for-sale. These are recorded at fair value with unrealized gains and losses reported in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.
- financial liabilities are classified as either held-for-trading or other financial liabilities. Held for trading instruments are recorded at fair value with realized and unrealized gains and losses reported in net income. Other financial liabilities are accounted for at amortized cost with gains and losses reported in net income in the period that the liability is derecognized; and
- derivative financial instruments, including non-financial derivatives, are classified as held-for-trading and measured at fair value unless designated as hedging instruments or exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts are also measured at fair value.
- Under adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading and accounts receivables as loans and receivables, which are accounted for at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost.
- The Company has no material financial, non-financial, or embedded derivatives.



***Financial Instruments – Disclosure and Presentation***

Revised Section 3861 replaces Section 3860, Financial Instruments - Disclosure and Presentation, and establishes standards for presentation of financial instruments and non-financial derivatives, and identifies information that should be disclosed. The adoption of this Section had no material impact on the Company's consolidated financial statements.

***Hedges***

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. Section 3865 replaces Accounting Guideline 13 "Hedging Relationships" and the hedging guidance in Section 1650, "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The Company currently does not apply hedge accounting.

- (ii) In June 2007, the CICA issued Emerging Issues Committee Abstract No. 166, "Accounting Policy Choice for Transaction Costs" ("EIC-166"). This EIC addresses the accounting policy choice of expensing or adding transaction costs to the carrying value of the related financial assets and financial liabilities that are classified as other than held-for-trading. The Company has elected to add transaction costs to the carrying value of assets and liabilities classified as other than held-for-trading and to amortize the transaction costs over the expected life of the instrument utilizing the effective interest method. The effective interest method calculates the amortized cost of a financial asset or liability and allocates the interest income or expense over the term of the financial asset or liability using an effective interest rate. The adoption of this guidance had no material impact on the Company's consolidated financial statements.
- (iii) In July 2006, the CICA amended Section 1506, "Accounting Changes", which revises current standards on changes in accounting policy, estimates or errors. An entity is permitted to change an accounting policy only when it results in financial statements that provide reliable and more relevant information or results from a requirement under a primary source of Canadian GAAP. The guidance also addresses how to account for a change in accounting policy, estimate or corrections of errors, and establishes enhanced disclosures about their effects on the financial statements. The Company has adopted this standard, effective January 1, 2007.

***Capital Disclosures and Financial Instruments-Disclosure and Presentation***

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, "Capital Disclosures", Handbook Section 3862, "Financial Instruments-Disclosures", and Handbook section 3863, "Financial Instruments-Presentation". The Company adopted these standards commencing January 1, 2008.

Section 1535 specifies the disclosure of an entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements and if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments-Disclosure and Presentation. The new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks.

In June 2007, CICA Section 1400 was amended to clarify requirements for management to assess and disclose an entity's ability to continue as a going concern. The Company adopted this standard commencing January 1, 2008. The Company's disclosure reflects such assessment.

## **Management's Discussion and Analysis**

For the Nine Months Ended September 30, 2008



**MINDORO**  
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In 2005, the CICA announced plans to converge Canadian GAAP with IFRS over a transition period from 2006 to 2011. The CICA has indicated that Canadian reporting issuers will need to begin reporting under IFRS, including comparative figures, by the first quarter of 2011. The Company is currently assessing the impact of the differences in accounting standards to the Company's financial statements.



**MINDORO**  
RESOURCES LTD

*Interim Consolidated Financial Statements*

*(Unaudited)*

*Nine Months Ended September 30, 2008*

*(Expressed in Canadian Dollars, Except Where Otherwise Noted)*

*These interim consolidated financial statements have not been reviewed  
by the Corporation's external auditors*

Mindoro Resources Ltd.  
Suite 104, 17707 – 105<sup>th</sup> Avenue  
Edmonton, AB, Canada T5S 1T1

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

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



## Consolidated Balance Sheets (Unaudited)

	September 30, 2008	December 31, 2007
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 2,648,824	\$ 6,673,559
Accounts receivable (Note 3)	38,858	57,062
Prepaid expenses	82,125	40,100
	<b>2,769,807</b>	<b>6,770,721</b>
INVESTMENT (Note 4)	13,916	-
MINERAL PROPERTIES AND EXPLORATION COSTS (Note 5)	20,079,284	17,569,806
PROPERTY AND EQUIPMENT (Note 6)	430,704	286,717
	<b>\$ 23,293,711</b>	<b>\$ 24,627,244</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 518,827	\$ 926,690
ACCRUED BENEFIT OBLIGATION	78,348	83,363
	<b>597,175</b>	<b>1,010,053</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)	31,152,277	30,557,914
Share obligation (Note 5)	-	375,000
Contributed surplus (Note 8)	6,509,882	6,027,826
Deficit	(14,965,623)	(13,343,549)
	<b>22,696,536</b>	<b>23,617,191</b>
	<b>\$ 23,293,711</b>	<b>\$ 24,627,244</b>

SUBSEQUENT EVENTS (Note 15 )



## Consolidated Statements of Loss, Comprehensive Loss and Deficit (Unaudited)

	Quarter Ended		Nine Months Ended	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
<b>REVENUE</b>				
Interest	\$ 7,822	\$ 12,591	\$ 93,998	\$ 40,353
<b>EXPENSES</b>				
Administration	4,981	6,492	23,596	18,425
Advertising and promotion	59,665	45,726	99,415	211,115
Communications	9,434	7,670	25,876	24,121
Conferences and trade shows	6,086	15,213	43,714	57,089
Consulting and professional fees	10,797	15,052	99,738	58,099
Investor relations consultants	48,954	44,470	135,724	135,213
Listing fees and shareholder communications	5,291	1,581	27,233	35,696
Office, postage and sundry	28,060	12,966	67,192	58,649
Printing	4,013	9,502	9,288	28,256
Rent	24,754	14,187	62,908	41,156
Salaries and benefits	155,574	126,461	464,001	378,557
Stock based compensation - employees	226,023	159,920	486,740	199,900
Stock based compensation - consultants	7,952	8,349	15,351	36,807
Travel	45,190	36,956	103,578	206,322
Foreign exchange loss (gain)	2,317	39,674	15,143	143,284
Depreciation and amortization	12,626	10,066	33,626	26,813
	<b>651,717</b>	<b>554,285</b>	<b>1,713,123</b>	<b>1,659,502</b>
Loss Before Other Items	(643,895)	(541,694)	(1,619,125)	(1,619,149)
Other Items				
Loss on disposal of property and equipment	-	-	(2,949)	-
Write down of mineral properties and exploration costs	-	-	-	-
	<b>(643,895)</b>	<b>(541,694)</b>	<b>(1,622,074)</b>	<b>(1,619,149)</b>
Provision for Future Income Tax (Expense) Recovery	-	-	-	-
Net loss and comprehensive loss	<b>(643,895)</b>	<b>(541,694)</b>	<b>(1,622,074)</b>	<b>(1,619,149)</b>
Deficit, beginning of period	<b>(14,321,728)</b>	<b>(12,311,434)</b>	<b>(13,343,549)</b>	<b>(11,233,980)</b>
Deficit, end of period	<b>\$ (14,965,623)</b>	<b>\$ (12,853,128)</b>	<b>\$ (14,965,623)</b>	<b>\$ (12,853,129)</b>
Basic and diluted loss per share - basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average shares outstanding	<b>90,257,405</b>	<b>78,768,014</b>	<b>89,959,814</b>	<b>73,039,419</b>



# Consolidated Statements of Cash Flows (Unaudited)

	Quarter Ended		Nine Months Ended	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>				
<b>OPERATING</b>				
Net loss	\$ (643,895)	\$ (541,695)	\$ (1,622,074)	\$ (1,619,149)
Items not affecting cash				
Stock-based compensation - employees	226,023	159,920	486,740	199,900
Stock-based compensation - consultants	7,952	8,349	15,351	36,807
Depreciation and amortization	12,626	10,066	33,626	26,813
Unrealized foreign exchange loss	-	-	-	-
Write-down of mineral properties and exploration costs	-	-	-	-
Provision for future income tax expense	-	-	-	-
Accrued benefit obligation	(1,125)	-	(5,015)	-
Loss on write down of property and equipment	0	-	2,949	-
Write down of mineral properties and exploration costs	-	-	-	-
Changes in non-cash working capital (note 11)	157,904	(3,150,478)	(431,684)	(3,013,057)
	<b>(240,515)</b>	<b>(3,513,838)</b>	<b>(1,520,107)</b>	<b>(4,368,686)</b>
<b>INVESTING</b>				
Expenditures on mineral properties and exploration costs	(1,078,676)	(1,002,779)	(2,429,786)	(5,928,608)
Expenditures on long term investments	(13,916)	-	(13,916)	-
Acquisition of property and equipment	3,283	(26,774)	(180,562)	(127,697)
	<b>(1,089,309)</b>	<b>(1,029,553)</b>	<b>(2,624,264)</b>	<b>(6,056,305)</b>
<b>FINANCING</b>				
Issue of share capital, net of issuance costs	(27)	7,625,719	119,636	11,947,011
	<b>(27)</b>	<b>7,625,719</b>	<b>119,636</b>	<b>11,947,011</b>
DECREASE IN CASH AND CASH EQUIVALENTS	<b>(1,329,851)</b>	3,082,328	<b>(4,024,735)</b>	1,522,020
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<b>3,978,675</b>	2,041,871	<b>6,673,559</b>	3,602,179
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ <b>2,648,824</b>	\$ 5,124,199	<b>2,648,824</b>	\$ 5,124,199
<b>Non Cash Investing/Financing Activities</b>				
Stock-based compensation - mineral properties	41,043	-	79,692	-
<b>Supplemental cash flow information</b>				
Interest received	27,626	12,243	91,890	40,353

## Notes to Consolidated Financial Statements

For the Nine Months Ended September 30, 2008



**MINDORO**  
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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. 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) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks, on hand and cash deposited in term deposits, with original terms to maturity of less than 90 days.

#### (C) 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, property option payments, geological, geochemical and geophysical surveys, drilling, labor, materials and supplies, professional fees, community relations, environmental management expenditures and others.

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.

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 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.

## Notes to Consolidated Financial Statements

For the Nine Months Ended September 30, 2008



MINDORO  
RESOURCES LTD

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 comprehensive loss.

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.

### **(D) 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 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.

### **(E) 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 Comprehensive Loss. 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.

### **(F) STOCK-BASED COMPENSATION**

The company has a stock option plan as described in note 7.

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 is credited to share capital when the options are exercised.

## Notes to Consolidated Financial Statements

For the Nine Months Ended September 30, 2008



**MINDORO**  
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### **(G) 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.

### **(H) 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.

### **(I) 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. Significant estimates made by management include assessing the recoverability of mineral properties and exploration costs and property and equipment. Actual results could differ from those estimates.

### **(J) 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.

### **(K) EMPLOYEE FUTURE BENEFITS**

The Company's wholly-owned subsidiary, MRL Gold Phils., Inc., has an unfunded, defined benefit retirement plan covering the retirement, separation, death and disability benefits of all its eligible employees. The Company has adopted the following policies:

- i. The cost of the accrued benefit obligations for pensions earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages and other actuarial factors.
- ii. Past service costs from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.

## Notes to Consolidated Financial Statements

For the Nine Months Ended September 30, 2008



MINDORO  
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- iii. Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains (losses) over 10 percent of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.
- iv. When a restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement

### (L) CHANGES IN ACCOUNTING POLICY

- i. Commencing January 1, 2007, the Company adopted new accounting standards as issued by the Canadian Institute of Chartered Accountants (CICA) for Comprehensive Income, Equity, Financial Instruments and Hedges. In accordance with the new standards, the comparative financial statements have not been restated as a result of implementing the new accounting standards.

#### **Comprehensive income (loss)**

Section 1530 introduces a new requirement for the reporting and presentation of comprehensive income, which represents the change in equity from transactions and other events and circumstances from non-owner sources. Comprehensive income includes unrealized gains and losses such as: changes in foreign currency translation; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges. As the Company did not have any of these types of transactions in the year, comprehensive loss is equal to net loss in the year. There are no opening or closing balances that form part of accumulated or other comprehensive income.

#### **Equity**

Section 3251 which replaces Section 3250, Surplus and establishes standards for the presentation of equity and changes in equity during the reporting period and requires that an enterprise present separately equity components and changes in equity arising from (i) net income; (ii) other comprehensive income; (iii) other changes in retained earnings; (iv) changes in contributed surplus; (v) changes in share capital; and (vi) changes in reserves. The Company has adopted this standard effective January 1, 2007. No transitional adjustments were required as a result of the adoption of this standard.

#### **Financial Instruments - Recognition and Measurement**

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. The Section requires that:

- financial assets are classified as loans and receivables, held-to-maturity, held-for-trading or available-for-sale. Loans and receivables are accounted for at amortized cost. Held-to-maturity classification is restricted to fixed maturity instruments that the Company intends and is able to hold to maturity, and is accounted for at amortized cost. Held-for-trading instruments are recorded at fair value with realized and unrealized gains and losses reported in net income. The remaining financial assets are classified as available-for-sale. These assets are recorded at fair value with unrealized gains and losses reported in other comprehensive income until the investment is derecognized or impaired at which time the unrealized gains and losses would be recorded in net income.

## Notes to Consolidated Financial Statements

For the Nine Months Ended September 30, 2008



MINDORO  
RESOURCES LTD

- financial liabilities are classified as either held-for-trading or other financial liabilities. Held-for-trading instruments are recorded at fair value with realized and unrealized gains and losses reported in net income. Other financial liabilities are accounted for at amortized cost with gains and losses reported in net income in the period that the liability is derecognized.
- derivative financial instruments, including non-financial derivatives, are classified as held-for-trading and measured at fair value unless designated as hedging instruments or exempted from derivative treatment as a normal purchase or sale. Certain derivatives embedded in other contracts are also measured at fair value.
- Under adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading and accounts receivables as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities.
- The Company has no material financial, non-financial, or embedded derivatives.

### Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. Section 3865 replaces Accounting Guideline 13, Hedging Relationships and the hedging guidance in Section 1650, Foreign Currency Translation by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The Company currently does not apply hedge accounting.

### Financial Instruments – Disclosure and Presentation

Revised Section 3861 replaces Section 3860, Financial Instruments - Disclosure and Presentation, and establishes standards for presentation of financial instruments and non-financial derivatives, and identifies information that should be disclosed. The adoption of this Section had no material impact on the Company's consolidated financial statements.

- ii. In June 2007, the CICA issued Emerging Issues Committee Abstract No. 166, Accounting Policy Choice for Transaction Costs ("EIC-166"). This EIC addresses the accounting policy choice of expensing or adding transaction costs to the carrying value of the related financial assets and financial liabilities that are classified as other than held-for-trading. The Company has elected to add transaction costs to the carrying value of assets and liabilities classified as other than held-for-trading and to amortize the transaction costs over the expected life of the instrument utilizing the effective interest method. The effective interest method calculates the amortized cost of a financial asset or liability and allocates the interest income or expense over the term of the financial asset or liability using an effective interest rate. The adoption of this guidance had no material impact on the Company's consolidated financial statements.
- iii. In July 2006, the CICA amended Section 1506, Accounting Changes, which revises current standards on changes in accounting policy, estimates or errors. An entity is permitted to change an accounting policy only when it results in financial statements that provide reliable and more relevant information or results from a requirement under a primary source of Canadian GAAP. The guidance also addresses how to account for a change in accounting policy, estimate or corrections of errors, and establishes enhanced disclosures about their effects on the financial statements. The adoption of this Section had no material impact on the Company's consolidated financial statements.

## Notes to Consolidated Financial Statements

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### Capital Disclosures and Financial Instruments-Disclosure and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Section 1535, Capital Disclosures, Section 3862, Financial Instruments-Disclosures, and Section 3863, Financial Instruments-Presentation. The Company adopted these standards commencing January 1, 2008.

Section 1535 specifies the disclosure of a company's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements and if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments-Disclosure and Presentation. The new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks.

In June 2007, Section 1400 was amended to clarify requirements for management to assess and disclose an entity's ability to continue as a going concern. The Company adopted this standard commencing January 1, 2008. The Company's disclosure reflects such assessment.

### Recent Accounting Pronouncements

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period from 2006 to 2011. In February, 2008, the AcSB announced that 2011 is the changeover date for publically-listed companies to use IFRS, replacing Canada's own GAAP. The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Section 3064, Goodwill and Intangible Assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The standard is effective for interim and annual financial statements beginning January 1, 2009. The Company does not expect the adoption of this Section to have a significant effect on its financial statements.

### 3. ACCOUNTS RECEIVABLE

Accounts receivable includes advances to employees for \$21,410, input tax credits receivable of \$11,910 and sundry other amounts receivable.

### 4. INVESTMENT

Investment represents ownership of a Share with an undivided interest in the assets of the "Tower Club", which principally consist of title over the facilities and other assets of the Club and a 25 year leasehold right over the 33<sup>rd</sup> and 34<sup>th</sup> Floors and their appurtenant parking units in the Philamlife Tower, Makati City, Philippines.

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### 5. MINERAL PROPERTIES AND EXPLORATION COSTS

Project	Balance December 31,		Balance December 31,		Balance September 30, 2008
	2006	Expenditures	2007	Expenditures	
Agata	\$ 1,390,205	\$ 1,960,590	\$ 3,350,795	\$ 1,617,124	\$ 4,967,919
Tapian	894,500	1,271,416	2,165,916	261,258	2,427,174
Mat-I	68,938	603	69,541	-	69,541
Pan de Azucar	617,219	2,936	620,155	7,808	627,963
Batangas	665,675	1,423,131	2,088,806	352,251	2,441,057
Lobo	2,473,242	32,279	2,505,521	15,440	2,520,961
Archangel	3,410,406	3,217,250	6,627,656	234,745	6,862,401
Laos	24,907	(24,907)	-	-	-
Other	-	-	-	-	-
	9,545,092	7,883,298	17,428,390	2,488,626	19,917,016
Royalty Deposits	120,925	20,491	141,416	20,852	162,268
	\$ 9,666,017	\$ 7,903,789	\$ 17,569,806	\$ 2,509,478	\$ 20,079,284

*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. Some of the commitments are denominated in Philippine Pesos ("PP"):

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% 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 20 million PP in eligible mining expenditures allocated to the properties as defined in the MOA;
- ii. Phase two – incurring an additional aggregate amount of 75 million PP in eligible mining expenditures allocated to the properties as defined in the MOA; and
- iii. Phase three – incurring an additional aggregate amount of 75 million PP 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:

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- 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, on October 28, 2008, the Company successfully negotiated an extension to this deadline as noted in Section 15. SUBSEQUENT EVENTS below.
- ii. the Company is currently negotiating an extension to this deadline.
- iii. 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.
- iv. 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. However, in keeping with Canadian GAAP to write-down projects dormant for three years or longer, \$102,136 in Lahuy assets were written off in 2005.

As of September 30, 2008, 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 US \$5,000,000 per mining reserve.

Pursuant to an agreement dated October 5, 2005, the Company's subsidiary, MRL Gold Phils., 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 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. ("Panoro") 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;

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- 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, Tapanian 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 50,000 of its common shares to the Company. These 50,000 shares were netted against the obligation to issue 100,000 Company shares to Minimax upon entering Phase three of the Tapanian project. Thus, 50,000 net shares, previously recorded as Common shares issuable, were issued to Minimax during the second quarter of 2005.

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 the Company 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 Tapanian 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, Tapanian 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-Tapanian Agreement") and acquired mineral exploration, development and production rights.

On signing the agreement, the Company paid a signing bonus of 1,500,000 PP to the vendor. The Company was also obligated to issue to the vendor 40,000 Common shares of the Company and 40,000 Common shares of Panoro on signing of the agreement. The Company has the following additional obligations under the terms of the Bautista-Tapanian Agreement:

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- 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 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 payments of cash and issues of common shares to Panoro were completed upon the closing and the first anniversary of the closing. Pursuant to the purchase of Panoro's interest, the Company will assume all of Panoro's obligations under the Surigao Option Agreement. The cash payment of \$500,000 in April 2008 was included in accounts payable and accrued liabilities as at December 31, 2007. The issue of common shares in April 2008 was included in shareholders' equity as at December 31, 2007 (as share obligation).

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On February 6, 2008, MRL Gold Phils., Inc. signed a Memorandum of Agreement (MOA) with the Mamanwa and Manobo Tribes and the National Commission on Indigenous Peoples. The MOA will allow the people of the Mamanwa and Manobo Tribes to participate in the Company's future by granting a royalty of one percent of the gross output of any mining project. In addition to the royalty payments, Mindoro has committed to provide skills training, employment opportunities, educational scholarships, and medical and dental services. The MOA also ensures the preservation and development of the community's culture, traditions and institutions, and the protection of burial grounds and sacred places.

### *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 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 US \$1,500,000 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 September 30, 2008.

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.

On June 23, 2008, MRL Gold Phils., Inc. signed a Letter of Intent with Egerton Gold Philippines, Inc. to acquire the remaining 49% interest in the Batangas Projects. The Company would have 90 days to execute a formal agreement, whereupon, subject to regulatory approval, the Company will issue 500,000 Common shares to Egerton in exchange for an undivided 24% direct and indirect interest in the Batangas Projects. This would bring the Company's total direct and indirect interest in the Projects to 75%. For Egerton's remaining 25% indirect interest, the Company will issue a further 7,500,000 Common shares to Egerton. These shares would be subject to a hold period with 1,500,000 shares restricted from trading for six months, two million shares restricted for 12 months, two million shares restricted for 18 months and two million shares restricted for 24 months. Egerton would also receive a one time payment of U.S.\$1,000,000 at the start of production, applicable to the first deposit to start production only, and will be granted a one percent Net Smelter Royalty on all metals produced from the Batangas Projects. Although a formal agreement has not yet been executed, the two parties have continued to work towards its completion.

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A non-binding letter agreement was signed September 1, 2008 with a member of the Gold Fields group of companies (“Gold Fields”), establishing the basic commercial framework whereby Gold Fields may earn up to a 75% interest in three of the Batangas properties: El Paso, Lobo and Talahib. From the date of signing, there is a 90 day period within which Gold Fields may complete its due diligence and have exclusivity in relation to participation in these projects. Should Gold Fields decide to continue beyond the 90 day period and agreements are completed, the earn-in terms include:

- i. Gold Fields may earn a 51% interest in the El Paso project and the Lobo project by spending AU \$4,000,000 on the relevant project within sixty months of the earn-in period formally commencing;
- ii. Gold Fields may earn a 51% interest in the Talahib project by spending AU \$2,000,000;
- iii. Gold Fields must maintain a minimum annual expenditure commitment of AU \$350,000; and,
- iv. Upon earning 51% interest, Gold Fields may elect to continue sole funding of a project. Completing a feasibility study or contributing a milestone amount of expenditure will earn Gold Fields a further 24% interest in the relevant project. The milestone amount for each of the El Paso and Lobo projects is AU \$16,000,000 and the milestone amount for the Talahib project is AU \$12,000,000. The milestone amounts are in addition to the expenditure amounts for the initial earn-in phase of 51%.

A Memorandum of Understanding (“MOA”) was signed September 22, 2008 with Avocet Mining PLC (“Avocet”), an experienced gold mining company with expertise in the region, to advance and potentially co-develop Kay Tanda. This MOA establishes the basic commercial framework whereby Avocet can earn up to a 75% interest in the Archangel project. Pursuant to the terms of the MOA, Avocet has been granted a six month period in which to complete its due diligence and have exclusivity in relation to participation in the project. During the due diligence period, Avocet is also required to fund an initial drill program, consisting of a minimum 1,500 meters of diamond drilling. Should Avocet decide to continue beyond the six month period and agreements are completed, the earn-in terms of the MOA include:

- i. Avocet may earn up to 75% economic interest and 75% equity interest by funding all exploration on the Archangel property until reaching a Decision to Mine. Avocet will initially undertake a drilling program in the first six months and complete a minimum of 1,500 meters of diamond drilling; and,
- ii. At Decision to Mine, Avocet will pay the Company \$4,000,000 and a Net Smelter Royalty of 2% on identified ounces. The Company may also participate at production with a 25% interest and the two parties will then be responsible to fund their share of the capital and operating costs.

### *Medusa Agreement: Apical Gold Project*

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;

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- 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.

### *Delta Earthmoving Agreement: Agata South Nickel-Iron Laterite Prospect*

On March 7, 2008 the Company signed a Memorandum of Agreement and Mining Services Agreement (collectively, “the Agreements”) with Delta Earthmoving Inc.. Under the terms of the Agreements, Delta will, at its sole cost and risk, carry out exploration over a target area of 1,800 hectares on the Agata South Nickel-Iron Laterite Prospect and may select an area of up to 250 hectares to advance to production. Delta will finance all exploration and, if warranted, 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 Resources Ltd. and its partner Minimax will receive 45 percent of net profits (Mindoro Resources Ltd. 75% and Minimax 25%).

## 6. PROPERTY AND EQUIPMENT

	September 30, 2008			December 31, 2007		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Computer hardware	\$ 92,328	\$ 36,304	\$ 56,024	\$ 75,396	\$ 22,605	\$ 52,791
Computer software	135,566	72,070	63,496	124,974	54,454	70,520
Vehicle	118,367	32,729	85,638	116,765	25,701	91,064
Equipment & Furnishings	214,853	55,796	159,057	104,081	37,385	66,696
Leasehold improvements	79,202	12,713	66,489	9,190	3,544	5,646
	<u>\$ 640,316</u>	<u>\$ 209,612</u>	<u>\$ 430,704</u>	<u>\$ 430,406</u>	<u>\$ 143,689</u>	<u>\$ 286,717</u>



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- e. 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.
- f. A total of 2,037,562 purchase warrants and 208,756 agent's warrants are exercisable pursuant to this Private Placement. The fair value of the purchase warrants issued was \$318,510 and the fair value of agent's warrants issued amounted to \$63,053. These fair value amounts were charged to share capital.
- g. In September of 2007, the Company issued 13,482,000 Units, in two tranches, at \$0.60 per Unit, pursuant to a Private Placement. Proceeds from both tranches, net of finders' fees and other costs, amounted to \$7,614,409. Each Unit consisted of one Common share and one common share purchase warrant. In the first tranche, each purchase warrant allows the holder to acquire one Common share at \$0.90 for a period of one year until the expiry date of September 20, 2008, and, thereafter, at a price of \$1.10 until September 20, 2009. The fair value of the 6,585,662 purchase warrants issued in this tranche, in the amount of \$1,373,993, was charged to share capital. In the second tranche, each purchase warrant allows the holder to acquire one Common share at \$0.90 for a period of one year until the expiry date of September 28, 2008, and thereafter, at a price of \$1.10 until September 28, 2009. A total of 6,896,338 purchase warrants issued in this tranche are exercisable pursuant to this Private Placement. The Units issued pursuant to this Private Placement are subject to a resale restriction period of four months, which expires on January 20, 2008. The fair value of purchase warrants issued in the second tranche, in the amount of \$1,286,042, was charged to share capital. Two tranches of agent's warrants amounting to 388,717 were also issued pursuant to this Private Placement and the fair value of the agent's warrants, in the amount of \$142,461, was charged to share capital.
- h. In 2007, 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. In the first six months of 2008, pursuant to the exercise of stock options, the Company issued 555,000 Common shares for net proceeds of \$119,664. Stock-based compensation costs amounting to \$99,699 were re-classified to share capital upon exercise of these options.
- i. 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. Pursuant to the one year anniversary of the closing of the April 2007 agreement, an additional 500,000 shares were issued to Panoro on April 2, 2008. The value of these shares was included in shareholders' equity as at December 31, 2007, as a share obligation.
- j. The Company issued 250,000 Common shares to the property vendor in connection with the Company's October 26, 2004 Bautista-Agata agreement (note 3) and pursuant to the one year anniversary of the receipt of the property exploration permit. The shares were issued October 2, 2007.
- k. 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.
- l. These purchase warrants were issued pursuant to the exercise of 72,760 Agent's warrants.
- m. No warrants expired in 2007. In April of 2008, 2,112,859 purchase warrants and 119,548 agent's warrants issued in April of 2006 expired.



## Notes to Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

The following table summarizes information about Common share purchase warrants outstanding and exercisable as at September 30, 2008:

September 30, 2008			December 31, 2007		
Number of Warrants	Exercise Price	Expiry Date	Number of Warrants	Exercise Price	Expiry Date
1,642,500	\$ 1.25	December 2008	1,642,500	\$ 1.25	December 2008
105,000	0.70	January 2009	750,000	1.00	January 2008
750,000	1.25	January 2009	2,112,859	1.25	April 2008
208,756	0.70	May 2009	119,548	0.70	April 2008
2,037,562	1.25	May 2009	2,037,562	1.00	May 2008
388,717	0.60	September 2009	13,482,000	0.90	September 2008
13,482,000	1.10	September 2009	105,000	0.70	January 2009
-			208,756	0.70	May 2009
-			388,717	0.60	September 2009
<b>18,614,535</b>			<b>20,846,942</b>		

The grant date fair value of common share purchase warrants are recorded as an increase to contributed surplus and a decrease to share capital as an issue cost of each private placement. The fair value of common share purchase warrants are estimated at the grant date using the Black-Scholes pricing model. There were no warrants issued in the nine months ended September 30, 2008.

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 exceed ten years and, prior to 2007, vested immediately. The options issued to employees in 2007 vest over 2 years and the options issued in 2008 vest over one year. 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:

	September 30, 2008		December 31, 2007	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	5,887,000	\$0.66	5,035,000	\$0.51
Issued	2,695,000	0.29	2,245,250	0.84
Exercised	(555,000)	0.22	(1,075,000)	0.22
Forfeited	(785,000)	0.76	(318,250)	0.71
Outstanding at end of period	7,242,000	\$0.54	5,887,000	\$0.66
Options exercisable at end of period	3,630,250	\$0.65	4,303,000	\$0.58

Compensation cost for the period of \$502,091 (2007 - \$236,707) was recorded as stock-based compensation expense. Compensation cost for the period of \$79,692 (2007- \$nil) was recorded as mineral exploration expense. As these were non-cash transactions, they are not reflected in the consolidated statements of cash flows.

## Notes to Consolidated Financial Statements

For the Nine Months Ended September 30, 2008



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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	65,000	0.98	0.23
\$0.24 to \$0.36	3,870,000	4.16	0.30
\$0.37 to \$0.56	150,000	2.01	0.48
\$0.57 to \$0.80	300,000	2.90	0.60
\$0.81 to \$1.00	2,857,000	3.15	0.88
<b>Total</b>	<b>7,242,000</b>	<b>3.64</b>	<b>\$0.54</b>

In September of 2008, the Company announced that it has arranged for a potential investment from IFC (International Finance Corporation), a member of the World Bank Group. Subject to documentation, approval of the board of directors of IFC and regulatory approval, IFC may purchase up to six million units consisting of one Common share and one Common share purchase warrant at a price of \$0.19 each. Warrants are exercisable into one additional common share at a price of \$0.28 each for five years. The offering has not closed as yet.

### 8. CONTRIBUTED SURPLUS

	September 30, 2008	December 31, 2007
Balance, beginning of period	\$ 6,027,826	\$ 2,363,677
Stock based compensation	482,056	204,511
Agent's warrants issued	-	275,270
Agent's warrants exercised	-	(24,930)
Purchase warrants issued	-	3,209,298
Purchase warrants exercised	-	-
	<b>\$ 6,509,882</b>	<b>\$ 6,027,826</b>

### 9. RELATED PARTY TRANSACTIONS

- Ascenta Capital received \$15,000 for investor relations services and \$6,561 for advertising and promotions expenses; a director of the Company who resigned in March 2008, is a principal of Ascenta Capital. MacPherson Leslie & Tyerman, LLP received \$13,495 for corporate legal counsel; a director of the Company is legal counsel to the law firm. Virtus Group, LLP was paid \$400 for corporate employee benefits consulting; a director of the Company is a partner in Virtus Group, LLP.
- Directors of the Company were reimbursed for travel expenses amounting to \$11,165.
- Employee advances to an officer of the Company in the amount of \$2,207 are included in accounts receivable.
- Mineral properties and exploration costs include \$7,538 paid to a director during the period for consulting work and expenses on the properties and \$78,500 paid to MacPherson Leslie & Tyerman, LLP for legal counsel in connection with the properties.
- Employee advances to an officer of the Company's subsidiary, MRL Gold Phils Inc., amounting to \$6,763 are included in accounts receivable. A director of the subsidiary was paid \$1,406 for consulting services. A total of \$3,203 has been paid to a law firm by the subsidiary for consulting services and is included in mineral and exploration costs. An officer of the subsidiary is a founding partner with the law firm.

## Notes to Consolidated Financial Statements

For the Nine Months Ended September 30, 2008



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- f. Three officers and two directors of the Company and the Company's subsidiary exercised a total of 505,000 stock options in February 2008 and March 2008. A director of the Company who resigned in March 2008 from the board of directors of the Company exercised 50,000 options in April 2008.

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.

### 10. SEGMENTED INFORMATION

The Company carries out the acquisition, exploration and development of mineral properties in the Philippines through its wholly-owned subsidiary, MRL Gold Phils., Inc. The Company's administrative offices are located in Edmonton, Alberta.

Geographical information is as follows:

	<u>As at September 30, 2008</u>		<u>As at December 31, 2007</u>	
	<u>Mineral Properties &amp; Exploration</u>	<u>Property &amp; Equipment</u>	<u>Mineral Properties &amp; Exploration</u>	<u>Property &amp; Equipment</u>
<b>Philippines</b>	\$ 20,079,284	\$ 387,836	\$ 17,569,806	\$ 247,648
<b>Canada</b>	-	42,868	-	39,069
	<u>\$ 20,079,284</u>	<u>\$ 430,704</u>	<u>\$ 17,569,806</u>	<u>\$ 286,717</u>

### 11. OTHER INFORMATION

Change in non-cash working capital in the consolidated statements of cash flows is comprised of the following:

	Nine Months Ended	
	September 30, <b>2008</b>	2007
<b>Changes in non-cash working capital</b>		
Accounts receivable	\$ 18,204	\$ (2,831,168)
Prepaid expenses	(42,025)	16,835
Accounts payable and accrued liabilities	(407,863)	(198,724)
	<u>\$ (431,684)</u>	<u>\$ (3,013,057)</u>

### 12. FINANCIAL INSTRUMENTS

The Company is exposed to a variety of financial instrument related risks. Management approves and monitors the risk management processes. The types of risk exposure and the way in which such exposures are managed are as follows:

**Market Risk:** The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to the short term nature of these instruments.

The fair value of financial instruments as at September 30, 2008 is summarized as follows:

	Financial assets held for trading	Loans and receivables	Other financial liabilities	Total carrying value
Cash and cash equivalents	\$ 2,648,824	\$ -	\$ -	\$ 2,648,824
Accounts receivable	-	38,858	-	38,858
Accounts payable and accrued liabilities	-	-	518,827	518,827
	<u>\$ 2,648,824</u>	<u>\$ 38,858</u>	<u>\$ 518,827</u>	<u>\$ 3,206,509</u>

## Notes to Consolidated Financial Statements

For the Nine Months Ended September 30, 2008



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Currency Risk: The Company's capital funds are received and maintained in Canadian dollars. Foreign operations are conducted in the Philippines and operating expenditures are primarily made in Philippine pesos. However, a portion of operating materials, supplies, services and equipment purchases are in United States dollars. Accordingly the results of the Company's operations are subject to foreign currency transaction risk and translation risk. The fluctuations of the Philippine peso and the United States dollar in relation to the Canadian dollar will consequently have an impact upon the consolidated balance sheets, the statements of loss and deficit and the statements of cash flows. The Company does not hedge its exposure to fluctuations in the related foreign exchange rate.

The following significant exchange rates applied for the nine months ended September 30, 2008 and the year ended December 31, 2007:

	Average rate		Spot rate	
	Nine months ended September 30, 2008	Year ended December 31, 2007	Nine months ended September 30, 2008	Year ended December 31, 2007
US Dollar	1.0186	1.0740	1.0599	0.9913
Philippine Peso	0.0237	0.0233	0.0224	0.0237

Credit Risk: The Company's credit risk is primarily attributable to its liquid financial assets. The Company limits exposure to credit risk through maintaining its cash and cash equivalents with high-credit quality financial institutions.

Liquidity Risk: The Company ensures that there is sufficient capital in order to meet short term business requirements after taking into account the Company's holdings of cash and cash equivalents. There is no established source of revenue and all operations have been funded by equity subscriptions.

Interest Rate Risk: With cash and cash equivalents, the Company invests cash at fixed rates of interest and for relatively short terms, usually 90 days or less. This approach achieves a satisfactory return for shareholders. Fluctuations in interest rates therefore impact the value of cash and cash equivalents.

### 13. COMPARATIVE FIGURES

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

### 14. CAPITAL DISCLOSURE

The Company manages its capital structure and makes adjustments to it in light of the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may undertake a private placement or any other activity deemed appropriate under the specific circumstances. The Board of Directors of the Company reviews and approves any material transactions out of the ordinary course of business, including proposals on joint ventures, acquisitions or other major investments or divestitures, as well as capital and operating budgets.

## Notes to Consolidated Financial Statements

For the Nine Months Ended September 30, 2008



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### 15. SUBSEQUENT EVENTS

On October 28, 2008 the Company completed an Amending Agreement to the January 1997 Memorandum of Agreement between the Company and Minimax Mineral Exploration (Minimax). The Amending Agreement extends the deadline for the Phase three expenditure requirement of 15,000,000 PP on the Pan de Azucar property to October 27, 2010 from January 4, 2004. As consideration for the extension provided therein, the Company will pay Minimax U.S. \$25,000 upon signing the Amending Agreement and U.S.\$15,000 one year after the signing.

On November 3, 2008 the Company announced the appointment of an advisor to its advisory board, granting incentive stock options. Mr. John Tosney was granted 50,000 options to purchase Common shares at an exercise price of \$0.13 per share for a five year term. These options will vest over one year with one half of the options vesting in each six month period following the date of issue.