MINDORO
RESOURCES LTD

Consolidated Financial Statements
&
Management's Discussion and Analysis

For the year ended December 31, 2011

(Expressed in Canadian Dollars)

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Mindoro trades on the TSX Venture Exchange under the symbol MIO;
on the Australian Securities Exchange under the symbol MDO;
on the Frankfurt Stock Exchange under the symbol OLM

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RESOURCES LTD

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For the three months and year ended December 31, 2011

As reported on February 27, 2012

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CAUTION FORWARD LOOKING INFORMATION

This Management Discussion & Analysis contains certain forward-looking statements relating to, but not limited to, Mindoro's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward- looking words such as 'anticipate', 'believe', 'expect', 'goal', 'plan', 'intend', 'estimate', 'may' and 'will' or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future outcomes, or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects, and timing of commencement of operations and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from those expressed or implied.

Shareholders and potential investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Mindoro undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

Statements relating to mineral reserve and resource estimates are expressions of judgment, based on knowledge and experience and may require revision based on actual production experience. Such estimates are necessarily imprecise and depend to some extent on statistical inferences and other assumptions, such as metal prices, cut-off grades and operating costs, which may prove to be inaccurate. Information provided relating to projected costs, capital expenditure, production profiles and timelines are expressions of judgment only and no assurances can be given that actual costs, production profiles or timelines will not differ materially from the estimates contained in this announcement.

TECHNICAL DISCLOSURES

Mindoro's exploration programs are prepared and/or designed and carried out under the supervision of Tony Climie, P.Geo., who is a qualified person as defined by National Instrument 43-101 (Canada) and is a competent person as defined by the JORC Code (Australia), and who has reviewed and verified the pertinent disclosure of exploration related technical information contained in this document. Mr. Climie is an executive and a director of Mindoro and is a member of the Alberta Professional Engineers, Geologists and Geophysicists Association. Mr. Climie has more than five years of experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he has undertaken. Mr. Climie has consented to the release of the exploration related technical information in the form and context in which it appears.

Boyd Willis, FAusIMM (pending), who is a qualified person as defined by National Instrument 43-101 (Canada), and a competent person as defined by the JORC Code (Australia), has reviewed and verified the disclosure of a development and processing nature contained in this document. Mr. Willis has more than five years of experience which is relevant to the activity which he has undertaken and he has consented to the release of the development related technical information in the form and context in which it appears.

COMPANY PROFILE AND STRATEGY

During the quarter ended December 31, 2011 (the 'quarter'), Mindoro Resources Ltd. ('Mindoro' or the 'Company') continued activities with the objective of advancing base and precious metals exploration and development projects in the Philippines.

The main strategies of the company are:

- To advance the Agata nickel project by pursuing feasibility and permitting of direct shipping ore production ('DSO') and pilot scale thermal-upgrading prior to advancing hydrometallurgical processing options to pilot-scale testing and a feasibility study. In order to progress these options the company is seeking a strategic partner.

- To drill-test and grow the resource base on the Lobo and Archangel gold projects at Batangas, and advance key porphyry copper-gold projects within the company's portfolio .

This Management's Discussion and Analysis ('MD&A') presents the operating results and financial status of the company for the quarter, as well as a summary for the year ended December 31, 2011, and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2011. The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and are presented in Canadian Dollars.

The Company trades on the TSX Venture Exchange, ASX, and Frankfurt Exchange as MIO, MDO, and OLM respectively. Additional information related to the Company is available in the Company's Annual Information Form ('AIF'), on SEDAR at www.sedar.com, and on the Company's website at www.mindoro.com.

OVERVIEW FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2011

- **Agata Nickel Project**
  - ✓ Completed thermal upgrade scoping study which indicates that, for a capital cost of US$88 million, 600,000 tonnes per annum (tpa) of thermally upgraded high-iron sinter product could be produced at a cash operating cost of approximately US$31.50 per tonne of upgraded product (excluding mining costs). The study also highlighted the potential to produce a high-value nickel-iron concentrate via magnetic separation as a possible nickel-pig-iron substitute. The marketing section of the scoping study highlighted a strengthened DSO market, including the emergence of the high-iron laterite as an iron-ore substitute and increased pricing for both limonite and high-grade saprolite for nickel pig-iron production (refer to press release dated November2, 2011 for further details and assumptions).
  - ✓ Completed Pre-Feasibility Study ('PFS') on hydrometallurgical processing project confirming a low operating cost, long life, high value project as summarised:
    - Proven and Probable Mineral Reserve: 35.4 million tonnes at 1.03% nickel, 0.06% cobalt
    - Minimum 20 year mine life, 1.8 million tonnes processed per annum producing 17,200 Ni tpa in mixed hydroxide product
    - Initial capital, including a 14% estimation contingency and no project contingency: $940 million
    - Cash operating cost including cobalt and power generation credit of $2.60/nickel lb
    - Post tax and 8% discounted NPV at a base case nickel price of $10/lb of $384 million

- ✓ Results of the above two studies indicate a two stage development strategy as the way forward for the Agata project.
  - Stage 1 – direct and thermally upgraded shipping ore operation to produce early project cash flow
  - Stage 2 – low operating cost nickel processing operation based on established acid leaching technology
- ✓ Commenced process to secure a strategic partner to advance and finance the development of the Agata project with Deloitte Corporate Finance acting as advisor to the process.

- **Gold and Copper-Gold Exploration**
  - ✓ Pan de Azucar – Work undertaken on modelling drill data to produce an Exploration Target for the massive pyritic sulphide ore body as well as a preliminary metallurgical testing program for metals recovery and production of sulphuric acid. Results of both pieces of work were subsequently announced on February 8, 2012 and have potential positive implications for acid leach processing of Agata nickel laterite ore.
  - ✓ Lobo, Batangas – Completed initial 368 metres drilling program to infill and extend the SWB high-grade gold shoot and provide sample for metallurgical testing. Several high-grade gold intercepts were achieved and reported in Table 3 in the Projects section below.
  - ✓ Archangel, Batangas – Completed a 335 metres drilling program to define the geometry and thickness of interpreted hydrothermal breccis "feeder structure" under the Kay Tanda- Pulang Lupa resources. Drilling intersected at least five steeply-dipping, higher grade "feeder" zones with detailed results reported in the Projects section below.

- **Financial**
  - ✓ After tax losses of $0.9 million represents a decrease from third quarter losses of $1.3 million. The third quarter loss contained one-off costs of $0.35 million associated with the closure of the Edmonton office, including employee severance and relocation costs.
  - ✓ Raised $2.7 million from private placements with $1.2 million received in 2011 and a further $1.5 million in January 2012.
  - ✓ At December 31, 2011 the cash balance was $2.1 million and working capital was $1.3 million compared with $3.9 million and $2.8 million respectively at September 30, 2011.
  - ✓ The conclusion of work on the Agata Nickel project studies also completed a number of associated corporate activities. This combined with the cost savings from closing the Edmonton office is expected to decrease the levels of quarterly expenditure substantially in 2012.

Activities summary for the twelve months ended 31 December 2011

January	Agata Nickel – retains specialist to consult on project
	Agata Nickel – strong nickel intersections of potential economic interest
	Agata Nickel –advanced metallurgy tests, exceptional leaching rates and recoveries
	Agata Nickel – drills strong nickel intersections from Bolobolo, acquires new area
February	Pan de Azucar – strong gold-copper drill results at massive sulphide project
March	Financial Results and Management Discussion for 2010
	Receives $3.3 million funds from exercised warrants
	Agata Nickel – drills further strong nickel intersections from Bolobolo
	Pan de Azucar – reports high grade gold and copper intersections
	Agata Nickel – receives favourable preliminary economic assessment
April	Agata Nickel – commences Pre-Feasibility Study and makes key appointments
May	Pan de Azucar – high grade copper intersections and thick extensions to the massive sulphide
	Agata Nickel – final strong nickel intersections from Bolobolo
June	Results of AGM
July	Agata Nickel – intersects strong nickel and iron grades at Agata South
	Pan De Azucar – intersects high grade copper
	Agata Nickel – receives positive thermal upgrade test results from Agata, commences Stage 1 iron-nickel production scoping study
	Makes organizational changes to position Company for key growth phase
August	Issues incentive options to senior staff and enters program to improve liquidity on the TSX-V
	Pan de Azucar – produces thick gold-copper intercept from metallurgical hole
September	Agata Nickel – significantly increases Agata Nickel Resources
	Lobo – hits high-grade gold intercept at Southwest Breccia
October	Lobo – high-grade gold intercepts in two more Southwest Breccia drill holes
November	Agata Nickel – Stage 1 Scoping study & Pre-Feasibility Study underpins strategy for two-stage development and near term cash flow. Company seeks strategic partner, advised by Deloitte.
	Receives top three awards for environment and safety programs in the Philippines
	Lobo – final three gold intersections from Southwest Breccia
	Arranges private placement to raise up to $4 million for gold program
December	Completes first closing of private placement raising C$1.2 million
	Archangel – update on gold drilling program, results from first hole
	Agata Nickel – filing of Technical Reports

MILESTONES TARGETED FOR 2012

Agata Nickel Development Project (subject to strategic partner financing):

- Stage 1: establish feasibility and permitting for the DSO project
- Stage 1a: complete pilot scale testing on thermal upgrading, prior to a pre-feasibility study (PFS)
- Stage 2: drill regional targets and access other properties to substantially increase resources
- Stage 2: advance hydrometallurgical processing to pilot testing, prior to a feasibility study
- Stage 2: Pan de Azucar, complete additional drilling to define S-Cu-Au resources and upgrade metallurgical testing for sulphuric acid production and copper-gold by product leach recovery

Copper Gold Exploration:

- Batangas, Archangel: initial drilling to define and extend high-grade gold resources and test underlying porphyry copper-gold targets
- Batangas, Lobo: further drilling to locate and define high-grade epithermal gold shoot targets within the 5km mapped vein trends.
- Batangas and Surigao porphyry copper-gold targets: either sole funding or through joint venture define and drill priority copper-gold targets on the Batangas and Surigao properties.

SELECTED FINANCIAL INFORMATION AND SUMMARY OF QUARTERLY RESULTS

SELECTED FINANCIAL INFORMATION (TABLE 1)

For the years ended December 31,	2011	2010	2009*
Revenue ($000)	-	-	-
Loss for the period ($000)	3,860	3,331	1,273
Loss per share ($)	0.017	0.023	0.012
Total assets ($000)	37,007	38,668	24,015
Non-current liabilities ($000)	155	2,967	1,870
Working capital ($000)	1,315	9,419	425

** Mindoro adopted International Financial Reporting Standards (IFRS) on January 1, 2010. Amounts for the year ended December 31, 2009 have not been adjusted to reflect the adoption of IFRS and are reported under the previous Canadian Generally Accepted Accounting Principles ('GAAP').*

SUMMARY OF QUARTERLY RESULTS – (TABLE 2)

	2010-Q1 $000	2010-Q2 $000	2010-Q3 $000	2010-Q4 $000	2011-Q1 $000	2011-Q2 $000	2011-Q3 $000	2011-Q4 $000
Total revenue	-	-	-	-	-	-	-	-
General and administrative expenses	(189)	(322)	(645)	(273)	(427)	(511)	(692)	(674)
Employee benefits expenses	(154)	(223)	(355)	(486)	(317)	(393)	(699)	(293)
Stock based compensation	(260)	(10)	(658)	(75)	(15)	(38)	(151)	65
Depreciation and amortization	(11)	(12)	(17)	(14)	(37)	(20)	(33)	(53)
Operating Expenses	(614)	(567)	(1,675)	(848)	(796)	(962)	(1,575)	(955)
Interest income	1	3	5	29	85	86	60	26
Foreign exchange	(12)	(20)	(51)	231	(119)	74	43	(9)
Loss on disposal of equipment	-	-	-	-	-	-	(26)	(2)
Extinguishment of deferred capital subscription funding	-	-	-	-	-	-	3,171	-
Impairment of exploration and evaluation assets	-	-	-	-	-	-	(2,951)	-
Loss before income taxes	(625)	(584)	(1,721)	(588)	(830)	(802)	(1,278)	(940)
Income taxes	-	-	-	187	-	-	-	(10)
Loss for the period	(625)	(584)	(1,721)	(401)	(830)	(802)	(1,278)	(950)
Loss per share ($)	(0.005)	(0.004)	(0.012)	(0.002)	(0.004)	(0.004)	(0.006)	(0.004)

LOSSES

The increase in annual losses from 2009 to 2011 reflects the increase in corporate activity associated with progressing the Company's projects, primarily the Agata Nickel Project, towards development. During 2009 and the first three months of 2010, the Company was operating at a low level of activity due to the difficulty in securing funding from capital markets during the global economic downturn. In 2010, the Company appointed a new President and CEO and established an executive office in Melbourne, Australia in conjunction with accessing the Australian capital market by a dual listing on the Australian Securities Exchange ("ASX"). Corporate expenses in 2011 were driven by three main factors:

- development strategy on the Agata nickel project and pursuing options for financing the development of a large scale nickel processing operation;
- investor relations and promotion of the Company's strategy after the period of low activity in 2009 and listing on the ASX in 2010; and
- closure of the Edmonton office to achieve operating efficiencies and rationalising the cost structure for the future which incurred a one-time costs of $350,000 for employee severance and office closure and relocation to Melbourne.

The breakdown of losses on a quarterly basis reflects the timing of specific events noted above:

- Changes in key management in the first quarter of 2010, third quarter of 2010, and third quarter of 2011;

- Executive office established in Melbourne Australia in the third quarter of 2010; and
- The closure of the Edmonton, Canada office, and the relocation of associated functions to Melbourne, Australia and Manila, Philippines in the third quarter of 2011;

Further commentary on operating expenses in the fourth quarter and full year with respective comparatives:

- In the fourth quarter of 2011, operating expenses were higher ($955,000) compared to the same period in 2010 ($848,000). Consulting fees and travel costs were higher in the fourth quarter of 2011 as corporate activity was focussed on the process of securing a strategic partner for the Agata Nickel project. In the fourth quarter of 2010, the Company was primarily focused on the IPO on the ASX and associated activities were eligible to be recorded directly to equity as issuance costs.

- Both the Australian dollar and Philippine Peso have strengthened relative to the Canadian Dollar over the last twelve months, resulting in higher costs incurred in those currencies. These trends continued in the fourth quarter of 2011. Management expects to see a decline in general and administrative costs in the first two quarters of 2012 as the Company realizes efficiency gains from the organizational changes in 2011 and decreases corporate activities.

- Employee benefit expenses have increased as a result of changes to key management personnel noted above and adjustments in salaries to reflect market rates have resulted in an increased employee benefits expenses over the past eight quarters. The decline in the fourth quarter of 2011 reflects efficiencies gained by the closure of the Edmonton, Canada office.

- Stock based compensation declined in 2011 versus 2010 is due to the Company issuing fewer options with shorter terms and exercisable at higher premiums. The gain in the fourth quarter of 2011 is a result of the fair value of cash settled options declining since September 30, 2011. This is a result of a decline in the share price from $0.150 to $0.105 in the fourth quarter.

- Variations in interest income and foreign exchange over the last eight quarters have largely been due to changes in the Company's cash balances, which was $1.0 million at January 1, 2010 rising to $10.0 million following the financing in December 2010, and subsequently drawing down to $2.0 million at the end of the fourth quarter of 2011. Foreign exchange gains and losses also reflect the strengthened Australian Dollar and Philippine Peso relative to the Canadian dollar noted above.

GOING CONCERN

At December 31, 2011 the Company had a cash balance of $2,089,000 ($9,974,000 at December 31, 2010) and a working capital balance of $1,315,000 ($9,419,000 at December 31, 2010). The reduction in cash and working capital over 2011 is a reflection of the significant amount of exploration and development work conducted to pursue the Company's strategy.

On February 1, 2012 the Company received additional funds of $1,329,000 pursuant to the private placement announced on November 22, 2011. The total funds raised under the private placement of $2,718,000 are adequate to pursue the first stages of the milestones set for 2012. The Company is engaged in active discussions aimed at securing a strategic partner to develop the Agata Nickel project and is currently planning the next drilling program to build additional resources on its Batangas projects (Archangel and Lobo).

However, the ability of the Company to continue as a going concern and achieve strategic milestones for 2012 is dependent on obtaining additional funding. In addition to bringing in a strategic partner to develop the Agata Nickel project, the Company is actively pursuing a number of options to finance the development of its gold and copper-gold projects. Until this occurs there is significant uncertainty as to whether the consolidated entity will be able to continue as a going concern and therefore, whether it will realize its assets and settle its liabilities and commitments in the normal course of business.

The Company has minimum project expenditure commitments and tenement costs to June 2012 of $237,000 on its portfolio of projects to maintain the mineral permits in good standing.

CASH FLOWS

In 2011, the Company used $3,511,000 for operating activities compared to $2,460,000 in 2010. This reflects higher corporate and employee benefit expenses noted above and an increase in non-cash working capital.

The Company invested $8,868,000 in exploration activities in 2011 compared to $4,271,000 in 2010. Most of the expenditure in 2011 ($6,702,000) relates to expanding the Surigao Nickel resource and completing the Agata Nickel Pre-Feasibility Study and Thermal Upgrade Scoping Studies released on November 2, 2011.

The Company raised $4,669,000 through the exercise of warrants and options and a private placement in 2011 compared to $15,586,000 in 2010.

The Company raised a further $1,329,000 in February 2012 under the private placement announced on November 22, 2011

DISCUSSION OF PROJECTS

AGATA NICKEL PROJECT (75% ECONOMIC INTEREST, OPTIONS FOR 100%)

The Company is advancing a two stage development strategy including a direct shipping ore and thermally upgraded nickel iron concentrate operation, followed by a low operating-cost nickel processing operation based on established acid leaching technology. On November 2, 2011, the Company announced the results from the stage 1 development scoping and marketing study and stage 2 development PFS, both completed during October 2011. Further, the Company announced the engagement of Deloitte Corporate Finance as an advisor to coordinate the process to secure a strategic partner to advance and finance the development of the Agata project.

NICKEL REGIONAL EXPLORATION TARGET DRILLING AND RESOURCE ESTIMATE UPGRADE

The drilling program to systematically test regional nickel targets was suspended during the quarter pending access to key targets San Jose and Tapian Central. The company drilled a total of 748 holes for 8,428 meters during the 2010/2011 program. Five target areas, of a total ten identified targets, have been tested to date: Tapian (East), Canaga, Bolobolo, Karihatag and Agata South. Infill drilling has been completed at Bolobolo, Karihatag and Agata South targets to 50m x 50m centers, sufficient drilling density for resource estimation.

During the previous quarter, on September 16, 2011, the Company announced an increased Measured and Indicated Resource estimate of 42.76 million tonnes @ 1.10% nickel, representing an increase of 10.1 million tonnes or 31% compared to the September 2010 resource estimate. In addition, the total Inferred Resource increased by 0.75 million tonnes to 2.435 million tonnes @ 0.99% nickel.

Mapped laterite exploration targets not yet drill-tested include San Jose, Tapian Central, Tapian West, Villariza and Mat-I. Drilling will continue as access to these areas is improved. The remaining Exploration Target for these areas is under review and subject to initial drilling to determine thickness and continuity.

Further information is available in the press release dated September 16, 2011, which is available on SEDAR and Mindoro's website.

AGATA NICKEL PROJECT STAGE 1 DIRECT SHIPPING ORE AND THERMAL UPGRADING SCOPING STUDY

The stage 1 development of the Agata nickel project is based on DSO production and the potential to produce a high-value, thermally upgraded nickel-iron concentrate. On November 2, 2011 a thermal upgrading scoping and marketing study was released, based on the results of thermal upgrading testing conducted by SGS Lakefield Oretest Pty Ltd in Perth as released by Mindoro on July 28, 2011.

The scoping study indicates that, for a capital cost of US$88 million, 600,000 tonnes per annum (tpa) of thermally upgraded high-iron sinter product could be produced at a cash operating cost of approximately US$31.50 per tonne of upgraded product (excluding mining costs). The study also highlighted potential to produce a high-value nickel-iron concentrate via magnetic separation as a possible nickel-pig-iron substitute.

The marketing section of the scoping study highlighted a strengthened DSO market, including the emergence of the high-iron laterite as an iron-ore substitute and increased pricing for both limonite and high-grade saprolite for nickel pig-iron production. The improved market and pricing for DSO products should result in enhanced DSO economics relative to the Agata Nickel Preliminary Economic Assessment ('PEA') released March 29, 2011 (US$8 million capital cost).

On the basis of the study's positive results Mindoro plans to pursue feasibility and permitting of DSO and pilot scale thermal-upgrading prior to advancing hydrometallurgical processing options to pilot-scale testing and feasibility study, subject to strategic partner financing.

Mindoro completed the Thermal Upgrading Scoping Study based on the results of testwork carried out at SGS laboratories in Perth. Dr. John Reid (FAusIMM), an independently qualified person as defined by National Instrument 43-101 (Canada), and a competent person as defined by the JORC Code (Australia) have reviewed the study.

Further details on the scoping study are available in the press release dated November 2, 2011, which is available on Mindoro's website, and the Technical Report filed on SEDAR December 22, 2011.

AGATA NICKEL PROJECT STAGE 2 PROCESSING PFS

On November 2, 2011, the Company announced that it had completed a PFS and economic assessment of the stage 2 Agata hydrometallurgical processing project. The PFS confirms a low operating cost, long-life, high-value project as summarized below (currency is US dollars):

- Proven and Probable Mineral Reserve: 35.4 million tonnes at 1.03% nickel, 0.06% cobalt
- Minimum 20 year mine life, 1.8 million tonnes processed per annum producing 17,200 Ni tpa in mixed hydroxide product
- Initial capital, including an overall 14% contingency, and no project contingency: $940 million
- Cash operating cost including cobalt and power generation credit of $2.60/nickel lb
- Post tax and 8% discounted NPV at a $10/lb base case nickel price of $384 million

The PFS was produced by Ausenco Services Pty Ltd and Ausenco Vector under the direction of Ruth Sherrit, an independent qualified person as defined by National Instrument 43-101 (Canada). Ms. Sherrit has 19 years of experience as a Metallurgist.

The Mineral Reserves estimate was produced following a review of PFS processing and administration operating costs and metallurgical recoveries, and geotechnical considerations, and is based on open pit optimizations and designs by Dallas Cox of Crystal Sun Consulting Limited (CSC), an accredited AusIMM Chartered Professional (CP) under the Discipline of Mining, reflecting the economic parameters in the PFS.

Mindoro Resources has prepared the economic assessment included in this release. Deloitte Touche Tohmatsu has independently tested the economic assessment model for mathematical integrity.

The company has continued a process aimed at securing a strategic financing partner for the Agata nickel project. Subject to finalizing a strategic financing partnership, the Company plans to advance hydrometallurgical processing options to pilot-scale testing and feasibility study.

Further details on the PFS are available in the press release dated November 2, 2011, which is available on Mindoro's website and the Technical Report filed on SEDAR December 22, 2011.

COPPER GOLD EXPLORATION

Mindoro's exploration programs described below are prepared and/or designed and carried out under the supervision of Tony Climie, P.Geo., who is a qualified person as defined by National Instrument 43-101 and is a competent person as defined by the JORC Code, and who has reviewed and verified the pertinent disclosure of exploration related technical information contained in this release.

PAN DE AZUCAR (75% ECONOMIC INTEREST)

Pan de Azucar Drilling Program and Exploration Target

At the Pan de Azucar prospect located near Panay Island, central Philippines, the Company completed a drilling program during the third quarter to further evaluate the potential of the Valderama massive pyritic sulphide body where promising gold, copper, silver and zinc values were intersected by Mindoro in two previous drill programs. A total of 16 drill holes were completed during this program for 1,804 metres.

A total of 30 drill holes in three drilling programs (2001/2002; 2003; March to August 2011) have partially defined a body of nearly pure pyrite containing from 36% to 42% sulphur, 150 to 200 metres wide by 1 kilometre (km) long and typically between 10 to 40 metres thick. The mineralization is open to the north and east and geophysical conductivity measurements indicate potential extensions for a further 200-300 metres, to the Mineral Production Sharing Agreement ('MPSA') property boundary.

During the quarter drilling data was modelled to produce an Exploration Target. The Exploration Target, released February 8, 2011, includes a range of 8 million to 12.7 million dry metric tonnes (DMT) in a grade range of 35% to 40% sulphur (70% to 90% pyrite), 0.4% to 0.6% copper, and 0.5 g/t to 0.7 g/t gold. The grades were calculated using Inverse Distance (ID) estimation. Drilling intersections reported to date include a wide range of gold and copper grades and further drilling will be needed to define the higher-grade areas before upgrading the resource estimate to include a copper-gold resource in addition to sulphur and iron.

The reader is cautioned that the Valderama massive sulphide mineralization, located on the Pan de Azucar MPSA, is currently an Exploration Target only. Detailed drilling will be required to convert the Exploration Target into NI 43-101-compliant resources. There is no guarantee 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.

Pan de Azucar Metallurgical Testing Program

One of the drill holes recently completed, PDA-33, provided metallurgical samples for a metallurgical testing program including flotation copper-zinc concentration tests as well as roasting tests for sulphuric acid production and subsequent leaching tests to extract copper, gold and other base and precious metals.

On 8 February 2012 the company released the results of the preliminary metallurgical testing program conducted by Minercon in the Philippines (a non NATA accredited laboratory). The testing program indicates potential for pyrite thermal-oxidation sulphuric acid production of up to 1.3 tonnes of acid per tonne of ore feed; subsequent acid-leach/solvent extraction-electrowinning (SX-EW) copper recoveries of 93% to 97% and gold leach recovery after copper removal of up to 95% and potential for power generation using high pressure steam from excess heat produced during the pyrite thermal-oxidation stage of up to 1.5 tonnes of high pressure steam per tonne of pyrite concentrate feed (>90% pyrite / 50% sulphur), enabling the production of up to 240 kWh of electricity per tonne.

The preliminary metallurgical results indicate strong synergies with the proposed Agata nickel acid-leach processing project located 200 nautical miles to the southeast. The Agata nickel project PFS, released November 2, 2011, is based on processing 1.8 million tonnes of nickel laterite ore per annum. Based on the potential acid production rates above, the Pan de Azucar Exploration Target defined to date potentially contains enough sulphur for 10 to 15 years of sulphuric acid supply for the Agata project.

Further metallurgical testing, in particular continuous thermal-oxidation testwork, is required to confirm the results of the initial work described in this release.

Further details on the Pan de Azucar Exploration Target and preliminary metallurgical testing results are available in the press release dated February 8, 2012, which is available on Mindoro's website.

BATANGAS – ARCHANGEL, LOBO, EL PASO AND TALAHIB (100% ECONOMIC INTEREST)

At Batangas, Luzon, the company completed a drilling program testing the Southwest Breccia (SWB) shoot on the Lobo MPSA and interpreted feeder structures under the Kay Tanda resource on the Archangel MPSA.

Lobo Project – SWB Gold Resource (100% economic interest)

The Company completed a total of 8 holes for 368.2 metres at Lobo in order to infill and extend the SWB high-grade gold shoot and provide samples for metallurgical testing. SWB is located on the Camo Trend, part of a greater than five kilometres (km) system of mapped epithermal vein-breccia trends, of which only a small fraction has been drill tested. Previous drilling on the Lobo project resulted in the definition of a modest, high grade, resource estimate, reported by Mindoro in January 2005.

(Expressed in Canadian Dollars)

**LOBO RECENT DRILLING PROGRAM RESULTS (TABLE 3)
(RELEASED SEPTEMBER 26, OCTOBER 6, NOVEMBER 8, AND NOVEMBER 16, 2011)**

Hole No.	FROM (m)	TO (m)	RUN (m)	Au g/t
LB58-11	17.8	26.85	9.05	6.56
LB59-11	1.50	3.00	1.50	6.55
LB60-11	28.80	37.80	9.00	2.14
LB61-11	35.90	42.60	6.70	10.7
LB62-11	3.50	9.50	6.00	8.82
LB62-11	15.20	22.65	7.45	12.4
LB63-11	91.95	110.3	18.35	1.52
LB64-11	4.80	9.70	4.90	11.1
LB65-11	0.00	7.75	7.75	4.67

Data from the drilling program and previous data on the five km Lobo epithermal vein trends will be compiled for further drill targeting.

Archangel Project - Kay Tanda Gold Resource (Batangas, Luzon) (100% economic interest)
During the fourth quarter of 2011, the Company completed a three-hole program for 335.2 metres, with the purpose of defining the geometry and thickness of interpreted hydrothermal breccia "feeder structures" under the Kay Tanda-Pulang Lupa resources.

Mindoro has outlined a cluster of epithermal gold-silver and porphyry copper-gold prospects at Archangel along a 6km x 2km zone of gold anomalies, extensive porphyry related alteration and strong chargeability induced-polarization geophysical anomalies at depth (map available on Mindoro's website).

In March 2010, Mindoro released NI 43-101-compliant resource estimates for a low-intermediate sulphidation gold zone at Kay Tanda including a Measured and Indicated: 9.879 million tonnes at 1.06 g/t gold and 4.50 g/t silver containing 337,500 ounces gold and 1,427,800 ounces silver; and Inferred: 3.74 million tonnes at 0.81 g/t gold and 1.75 g/t silver containing 97,200 ounces gold and 210,800 ounces silver.

Drilling below the shallow resource encountered at least five steeply-dipping, higher-grade "feeder" zones including intercepts of 61m at 5.12 g/t gold from 3m in KTDH-20, 64m at 3.45 g/t gold from 96m in KTRC-55 and 26m at 4.03 g/t gold and 179.2 g/t silver from surface in PLRC-23. These structures are not included in the resource estimates above due to insufficient drill definition.

The results of the program in the fourth quarter at Pulang Lupa included the initial drillhole, PL-188, that intersected a near surface stockwork zone and produced an intersection of 26.7m @ 2.19 g/t gold from 19m down-hole depth, including 6.7m @ 7.7 g/t gold from 22.3m, and provided important information as to the orientation of high-grade hydrothermal breccia veins eg 1.25m @ 10.73 g/t Au, 130.6 g/t Ag from 24.5m.

The second drill hole, PL-189, cut a near surface stockwork zone and produced an intersection of 12.3m @ 2.58 g/t gold and 18.7 g/t silver from 16.7m down-hole depth, including a high-grade vein intersection of 1.75m @ 13.5 g/t gold and 60.6 g/t silver from 26.25m.

The third drill hole, PL-190, intersected a 48m down-hole thickness of hydrothermal breccia mineralisation from 1.9m. Significant intersections include 34.3m of 1.01 g/t gold and 14.1 g/t silver from 13.8m down-hole depth, including 2.7m of 5.55 g/t gold and 74.7 g/t silver from 44.4m. Further down-hole, it intersected 10.45m of 3.09 g/t gold and 2.09 g/t silver from 69.4m, including a high-grade vein intersection of 0.60m of 46.0 g/t gold and 22.5 g/t silver from 69.4m depth.

PL-190 was drilled in a different orientation targeting northwest-southeast trending structures on the basis of the information gathered from PL-188. PL-190 subsequently intersected a 48m down-hole thickness of hydrothermal breccia mineralisation from 1.9m and it appears that this drill direction may be optimal for intersecting the steeply-dipping hydrothermal breccia "feeder" structure phase of mineralization, including discrete high-grade veins that may represent underground mining targets.

Further drilling is being planned to further test the "feeder" structures and define additional resources.

TRANSACTIONS BETWEEN RELATED PARTIES

In 2011, the Company recorded $31,000 (2010 – $15,000) as exploration and evaluation assets for consulting services provided by a firm whose managing director is also a non-executive director of the Company.

	2011 **$000**	2010 $000
Salaries and directors fees	1,378	1,023
Stock based compensation	183	910
Key management compensation	**1,561**	1,933

SIGNIFICANT ACCOUNTING POLICIES

The Company adopted International Financial Reporting Standards ("IFRS") on January 1, 2010. The balance sheet was revised for January 1, 2010 to establish opening balances to support the comparative information as at and for the period ended December 31, 2010 included in the December 31, 2011 consolidated financial statements. The impact of the adoption and reporting of IFRS is disclosed in note 18 of the December 31, 2011 audited consolidated financial statements.

Critical Accounting Estimates

The Company continually evaluates its estimates and judgements based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Exploration and evaluation assets

The future recoverability of capitalized exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related tenements itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices and foreign exchange rates.

To the extent that capitalized exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalized if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalized expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

Accounting policies effective for future periods

IFRS 1 - "Exemption for severe hyperinflation and removal of fixed dates"

Amended to create additional exemptions (i) for when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRS, and (ii) to eliminate references to fixed dates for one exception and one exemption, both dealing with financial assets and liabilities. Effective for annual periods beginning on or after July 1, 2011. This standard is not expected to have an impact on the Company.

IFRS 7 – "Financial instruments" – disclosures

Amended to require additional disclosures in respect of risk exposures arising from transferred financial assets. Effective for annual periods beginning on/after July 1, 2011. This standard is not expected to have a material effect on the Company.

IAS12 – "Deferred tax accounting for investment property at fair value"

Amended to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. Effective for annual periods beginning on or after January 1, 2012. This standard is not expected to have an impact on the Company as there are no investment properties.

IFRS 9 – "Financial instruments - classification and measurement"

This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. Effective for years beginning on/after January 1, 2013. The company has not assessed the impact of this new standard.

IFRS 9 – "Financial instruments – classification and measurement"

Updated to include guidance on financial liabilities and derecognition of financial instruments. Effective for years beginning on/after January 1, 2013. The company has not assessed the impact of this new standard.

(Expressed in Canadian Dollars)

OUTSTANDING SHARE DATA

Issued - Common shares	Common Shares	Stock Options	Purchase Warrants
December 31, 2010	206,289,497	14,547,000	50,935,989
Issued pursuant to private placements	10,017,482		
Stock options issued		950,000	
Exercise of stock options	200,000	(200,000)	
Exercise of purchase warrants	22,566,381		(22,566,381)
Forfeited/expired		(450,000)	(9,314,883)
December 31, 2011	239,073,360	14,847,000	19,054,725

In December 2011, pursuant to a private placement the Company issued 10,017,482 Common Shares at a price of $0.12 for gross proceeds of $1,203,449 less agents' commissions of $72,207.

In January 2011, the Company approved the grant of 100,000 Stock Options exercisable at $0.29 per share to a project consultant. In April 2011 the Company approved the grants of 300,000 Stock Options to two project consultants exercisable at $0.26 per share. In August 2011, the Company approved the grant of 550,000 Stock Options to employees of the Company and its subsidiary exercisable at $0.25 per share.

In February 2011, 200,000 Stock Options were exercised at an exercise price of $0.13 per option. The Company issued 200,000 Common Shares for net proceeds of $26,000. Stock-based compensation costs amounting to $21,422 were re-classified to share capital upon exercise of these options.

In February 2011, 69,700 Agent's Warrants were exercised at an exercise price of $0.18 per warrant. The Company issued 69,700 Common Shares for net proceeds of $12,546. The fair value of the Agent's Warrants, in the amount of $6,915 was also credited to share capital.

In March 2011, 21,000,000 Purchase Warrants were exercised at an exercise price of $0.15 per warrant. The Company issued 21,000,000 Common Shares for net proceeds of $3,149,512. The fair value of the Purchase Warrants, in the amount of $1,138,314, was also credited to share capital. In March 2011, 1,496,681 Agent's Warrants were exercised at an exercise price of $0.15 per warrant. The Company issued 1,496,681 Common Shares for net proceeds of $224,502. The fair value of the Agent's Warrants, in the amount of $167,613, was also credited to share capital.

A total of 9,313,233 Purchase Warrants expired during the period with an exercise price of $0.30 per warrant; a total of 1,650 Agent's Warrants expired with an exercise price of $0.18 per warrant.

A total of 300,000 Stock Options exercisable at $0.60 per option and 150,000 Stock Options exercisable at $0.26 per option expired in the period.

RISKS AND UNCERTAINTIES

The Company is engaged in the exploration and development of mineral properties. These activities involve a high degree of risk which, even with a combination of experience, knowledge and careful evaluation, may not be overcome. Consequently, no assurance can be given that commercial quantities of minerals will be successfully found or produced.

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many common risks to new and developing enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a positive return on shareholders' investment.

The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties or the Company no longer being able to operate.

The Company is currently engaged in a process to secure a strategic partner to advance the Agata Nickel project. Whilst the Company is considering a number of alternatives for strategic partner investment that are value accretive to existing shareholders, there are risks associated with a cornerstone strategic partner, including the potential for future dilution and changes in management.

The Company's principal operations are located in the Philippines and are subject to the risks associated with operating in a developing country. These risks include, but not are not limited; economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, resource rent taxes, repatriation of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

The Company's property interests are located in relatively remote, less developed areas and the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost, cannot be assured. These are integral requirements for exploration, development and production facilities on mineral properties. Power may need to be generated on site.

Continued strong market conditions for resource commodities over the past year has seen an increased global demand for mining professionals, equipment and related goods and services needed by the mining community.

The mineral industry is intensely competitive in all its phases. The Company competes with many other mineral exploration companies who have greater financial resources and technical capacity.

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

DISCLOSURE CONTROLS AND PROCEDURES

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information.

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2011. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2011 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Chief Executive Office and Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting as of December 31, 2011. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that they were effective at a reasonable assurance level.

The Company's management, including the Chief Executive Officer and Chief Financial Officer does not expect that its disclosure controls and internal controls over financial reporting will prevent all errors and fraud. A cost effective system of internal controls, no matter how well designed or operated, can provide only reasonable not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

MINDORO
RESOURCES LTD

Consolidated Financial Statements
For the year ended December 31, 2011

(Expressed in Canadian Dollars)

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Mindoro trades on the TSX Venture Exchange under the symbol MIO;
on the Australian Securities Exchange under the symbol MDO;
on the Frankfurt Stock Exchange under the symbol OLM

Independent Auditor's Report

To the Shareholders of Mindoro Resources Ltd

We have audited the accompanying consolidated financial statements of Mindoro Resource Ltd and its subsidiaries (the "consolidated entity"), which comprise the consolidated statements of financial position and statements of changes in equity as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of comprehensive loss and statements of cash flow for the years ended December 31, 2011 and 2010 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the consolidated entity as at December 31, 2011, December 31, 2010 and January 1, 2010 and their financial performance and their cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

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pwc

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

PricewaterhouseCoopers

Chartered Accountants

28 February 2012

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	**December 31, 2011 $000**	December 31, 2010 $000 (Note 18)	January 1, 2010 $000 (Note 18)
Assets				
Current assets				
Cash and cash equivalents	*5*	**2,089**	9,974	1,024
Accounts receivable		**257**	162	134
Prepaid expenses and other current assets		**81**	77	32
		2,427	10,213	1,190
Non-current assets				
Exploration and evaluation assets	*6*	**34,163**	28,140	22,636
Property and equipment	*8*	**417**	315	189
		37,007	38,668	24,015
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		**1,034**	794	765
Share based liability	*14*	**78**	-	-
		1,112	794	765
Non-current liabilities				
Defined benefit retirement obligation	*10*	**155**	119	86
Deferred tax liabilities	*15*	**-**	-	186
Deferred capital subscription funding	*7*	**-**	2,848	1,598
		1,267	3,761	2,635
Shareholders equity				
Share capital	*11*	**50,925**	45,057	32,381
Share obligation	*17*	**135**	-	-
Reserves		**11,271**	12,581	8,399
Accumulated losses		**(26,591)**	(22,731)	(19,400)
		35,740	34,907	21,380
		37,007	38,668	24,015

Going concern (Note 1)
Subsequent events (Note 17)

These annual consolidated financial statements were approved for issue by the Board of Directors on February 27, 2012 and are signed on their behalf by:

"signed" A. Robson Garden
Chairman of the board

"signed" Lawrence Jonathon Dugdale
President, CEO and Director

Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

	Note	Year Ended December 31, 2011 $000	2010 $000 (Note 18)
Expenses			
General and administration expenses		**(2,304)**	(1,429)
Employee benefits expense		**(1,702)**	(1,218)
Stock based compensation	*13, 14*	**(139)**	(1,003)
Depreciation and amortization		**(143)**	(54)
Expenses		**(4,288)**	(3,704)
Finance income		**257**	38
Foreign exchange gain (loss)		**(11)**	148
Loss on disposal of property and equipment		**(28)**	-
Extinguishment of deferred capital subscription funding	*7*	**3,171**	-
Impairment of exploration and evaluation assets	*7*	**(2,951)**	-
Loss before income tax		**(3,850)**	(3,518)
Income tax benefit (expense)	*15*	**(10)**	187
Loss for the year		**(3,860)**	(3,331)
Exchange differences on translation of foreign operations		**(101)**	255
Total comprehensive loss for the year		**(3,961)**	(3,076)
Basic and diluted net loss per share		**$ (0.017)**	$ (0.023)
Weighted average number of common shares outstanding (thousands)		**226,137**	143,022

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Note	Share capital $000	Share obligation $000	Employee benefit reserve $000	Warrants reserve $000	Currency reserve $000	Accumulated losses $000	Shareholders' equity $000
January 1, 2010	*18*	32,381	-	4,067	4,332	-	(19,400)	21,380
Common shares issued for:								
Private placements	*11*	5,053	-	-	3,172	-	-	8,225
Prospectus offering	*11*	6,693	-	-	-	-	-	6,693
Exercise of stock options	*13*	73	-	(32)	-	-	-	41
Exercise of warrants	*12*	857	-	-	(230)	-	-	627
Stock-based compensation	*13*	-	-	1,017	-	-	-	1,017
Comprehensive loss		-	-	-	-	255	(3,331)	(3,076)
December 31, 2010	*18*	45,057	-	5,052	7,274	255	(22,731)	34,907
December 31, 2010		45,057	-	5,052	7,274	255	(22,731)	34,907
Common shares issued for:	*11*							
Private placements	*11*	1,121	135	-	-	-	-	1,256
Exercise of stock options	*13*	47	-	(21)	-	-	-	26
Exercise of warrants	*12*	4,700	-	-	(1,313)	-	-	3,387
Stock-based compensation	*13*	-	-	125	-	-	-	125
Comprehensive loss		-	-	-	-	(101)	(3,860)	(3,961)
December 31, 2011		50,925	135	5,156	5,961	154	(26,591)	35,740

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Note	Year Ended December 31, 2011 $000	2010 $000 (Note 18)
Cash provided by (used in)			
Operating activities			
Loss for the year		**(3,860)**	(3,331)
Items not affecting cash			
Stock based compensation	*13, 14*	**139**	1,003
Depreciation and amortization		**143**	54
Unrealized exchange differences		**6**	(3)
Loss on disposal of property and equipment		**28**	-
Extinguishment of deferred capital subscription funding	*7*	**(3,171)**	-
Impairment of exploration and evaluation assets	*7*	**2,951**	-
Other		**34**	(197)
Net change in non-cash working capital items		**219**	14
		(3,511)	(2,460)
Investing activities			
Expenditure on exploration and evaluation assets	*6*	**(8,868)**	(5,212)
Proceeds from disposal of equipment		**18**	-
Purchases of equipment		**(407)**	(209)
		(9,257)	(5,421)
Financing activities			
Issue of share capital, net of issuance costs	*11*	**4,534**	15,586
Deposits held for private placement		**135**	-
Cash received for deferred capital subscription funding		**286**	1,675
Cash returned from deferred capital subscription funding		**(77)**	(425)
		4,878	16,836
Increase (decrease) in cash and cash equivalents		**(7,890)**	8,955
Effects of exchange rate changes on cash and cash equivalents		**5**	(5)
Cash and cash equivalents at beginning of year		**9,974**	1,024
Cash and cash equivalents at end of year		**2,089**	9,974
Supplemental information			
Cash interest received		**257**	38

1. GOING CONCERN

The financial statements have been prepared on a going concern basis.

The consolidated entity has incurred a net loss of $3,860,000 (December 31, 2010 - $3,331,000) and operating cash outflows of $3,511,000 (December 31, 2010 – $2,460,000). At December 31, 2011 the consolidated entity has net current assets of $1,315,000 (December 31, 2010 - $9,419,000, January 1, 2010 - $425,000). Mining and exploration licences held by the consolidated entity have annual expenditure obligations to maintain their 'good standing' status. The consolidated entity also has sufficient funds to meet these requirements and to meet corporate expenditure requirements to maintain its operations.

The ability of the consolidated entity to continue as a going concern is dependent on obtaining additional funding to finance ongoing exploration activities. Plans to obtain further financing include seeking parties interested in joint venture activities to develop the consolidated entity's exploration assets, raising additional funds through equity raisings and placements to existing or new key investors. The Company intends to be proactive over the upcoming period to seek to raise additional capital to expand its exploration operations and further develop its existing assets in an appropriate time frame. Until this occurs there is significant uncertainty as to whether the consolidated entity will be able to continue as a going concern and therefore, whether it will realize its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the consolidated financial statements.

The directors consider the consolidated entity is a going concern, but recognize that it is dependent on the raising of additional funds, the sale of interests in or relinquishment of, mining tenements held by the consolidated entity and ultimately the future profitability of the consolidated entity. The directors are of the opinion that no asset is likely to be realized for an amount less than the amount at which it is recorded in the financial statements at December 31, 2011, and that the going concern basis is appropriate. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern with the exception of the property write down summarized within note 7.

2. NATURE OF OPERATIONS

Mindoro Resources Ltd.'s (the "Company" or "Mindoro") principal activities are the acquisition, exploration and development of mineral properties in the Philippines.

Mindoro Resources Ltd is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of Alberta. The Company's shares are listed on the TSX Venture Exchange, Australian Securities Exchange, and Frankfurt Stock Exchange.

The Company's registered office is 2200, 10235 – 101 Street NW, Edmonton, Alberta, Canada, T5J 3G1.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Mindoro and its subsidiaries

(A) BASIS OF PRESENTATION AND CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company prepares its financial statements in accordance with Canadian general accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the company is reporting on this basis in these consolidated financial statements ("financial statements"). In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

The consolidated financial statements have been prepared in accordance with IAS 1, *Presentation of Financial Statements*, as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein. The Company adopted IFRS in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards*. The first date at which IFRS was applied was January 1, 2010. In accordance with IFRS, the Company has:

- provided comparative financial information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied all effective IFRS standards as of December 31, 2011, as required; and
- applied certain optional exemptions and certain mandatory exemption as applicable for first time IFRS adopters.

Note 17 contains reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, loss and comprehensive loss along with line-by-line reconciliations of the statement of financial position as at December 31, 2010 and January 1, 2010, and the statement of loss and comprehensive loss for the year ended December 31, 2010.

The policies applied in these financial statements are based on IFRS issued and outstanding as of the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the company's annual consolidated financial statements for the year ending December 31, 2011, could result in restatement of these financial statements, including the transition adjustments recognized on change-over to IFRS.

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are described in Note 3(R).

The financial statements should be read in conjunction with the company's Canadian GAAP annual financial statements for the year ended December 31, 2010 which provide further information on the Company's transition to IFRS.

(B) BASIS OF CONSOLIDATION

These consolidated financial statements of Mindoro include the accounts of the Company; its wholly owned subsidiary, MRL Gold Phils., Inc., and the wholly-owned subsidiaries of MRL Gold Phils., Inc. All inter-company balances and transactions are eliminated on consolidation.

(C) FOREIGN CURRENCIES

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in Canadian dollars, which is Mindoro's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss, except when they are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts on deposit with financial institutions and amounts in term deposits with original terms to maturity of less than 90 days. At December 31, 2011 the Company had no cash equivalents (December 31, 2010 – $Nil, January 1, 2010 – $Nil).

(E) TRADE RECEIVABLES

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognized in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognized becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(F) EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation expenditure is stated at cost and is accumulated in respect of each identifiable area of interest. Such costs are only carried forward to the extent that they are expected to be recovered through the successful development of the area of interest (or alternatively by its sale), or where activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable resources, and where active work is continuing.

Accumulated costs in relation to an abandoned area are written off as impaired in profit or loss in the period in which the carrying amount may exceed the recoverable amount.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Amortization of capitalised costs, including the estimated future capital costs over the life of the area of interest, is provided on the units of production basis, proportional to the depletion of the mineral resource of each area of interest expected to be ultimately economically recoverable.

(G) 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.

Prior to January 1, 2011, property and equipment were amortized using the following annual rates and methods:

Computer Hardware & Software	30 percent declining balance
Vehicles	20 percent straight-line
Field Equipment	20 percent straight-line
Office Equipment & Furnishings	20 percent declining balance
Leasehold Improvements	straight-line over the lease term

Beginning in the first quarter of 2011, the Company made the following prospective changes to its amortization methods to better reflect the consumption of economic benefit derived from its property and equipment:

Computer Hardware & Software	30 percent straight line
Office Equipment & Furnishings	20 percent straight line

Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

(H) IMPAIRMENT OF ASSETS

Property and equipment and exploration and evaluation assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount in the statement of income for the period in which the impairment arises.

The company evaluates impairment losses for potential reversals where there are indicators that the circumstances that resulted in the impairment have reversed.

(I) TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are recognized initially at fair value and subsequently measured at amortized cost, and are classified as current liabilities if payment is due within one year or less. The amounts are unsecured and are usually paid within 60 days of recognition.

(J) PROVISIONS

Provisions for legal claims, service warranties and make good obligations are recognized when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of each reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

(K) EMPLOYEE BENEFITS

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of each reporting period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognized in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the reporting period in which the employees render the related service is recognized in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(L) CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(M) SHARE BASED PAYMENT TRANSACTIONS

The Company recognizes an increase in equity when it receives goods or services for an equity settled share based payment, and a liability when goods or services are received for a cash settled share based payment.

Options issued under the Share Option Plan, which allows the Company’s employees and consultants to acquire shares of the Company, are classified as equity settled share based payments. The fair value of the options granted are recognized as a stock based compensation expense with a corresponding increase in employee benefit reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Options issued under the Company’s incentive plan, which allows holders to receive a cash payment when exercised equal to any excess of the Company’s share price over the exercise price, are classified as cash settled share based payments. The fair value of the cash settled options granted are recognized as a stock based compensation expense with a corresponding increase in the share based liability. The fair value of the share based liability is remeasured at each balance sheet date with adjustments being recognized as stock based compensation.

The fair value of cash and equity settled options is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of equity settled options issued to consultants are remeasured at each balance sheet date until the options vest. The fair value of cash settled options is remeasured at each balance sheet date until the options expire. Fair value is estimated using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(N) INCOME TAXES

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(O) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President & CEO.

(P) LOSS PER SHARE

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(Q) DEFINED BENEFIT RETIREMENT OBLIGATION

The Company’s wholly-owned subsidiary, MRL Gold Phils., Inc., has an unfunded, defined benefit retirement obligation under Philippines employment legislation 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 obligation 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 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 obligation gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

(R) SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Exploration and evaluation assets

The future recoverability of capitalized exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related tenements itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices and foreign exchange rates.

To the extent that capitalized exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalized if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalized expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

Estimated useful life of property and equipment

The Company estimates the useful life and residual values of property and equipment and reviews these estimates at each financial year end. The Company also tests for impairment when a trigger event occurs.

(S) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the financial year ended December 31, 2011. The standards impacted that are applicable to the Company are as follows:

- IFRS 1 First-time Adoption of International Financial Reporting Standards, amendments regarding Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- IFRS 7 Financial Instruments: Disclosures, amendments regarding Disclosures — Transfers of Financial Assets
- IFRS 9 Financial Instruments (New; to replace IAS 39)
- IFRS 10 Consolidated Financial Statements (New; to replace IAS 27 and SIC 12)

- IFRS 11 Joint Arrangements (New; to replace IAS 31 and SIC 13)
- IFRS 12 Disclosure of Interest in Other Entities (New; to consolidate disclosure requirements in IAS 27, 28, and 31
- IFRS 13 Fair Value Measurement (New) provides consistent guidance on the disclosure related to fair value measurement
- IAS 1 Presentation of Financial Statements, amendments regarding Presentation of Items of Other Comprehensive Income
- IAS 19 Employee Benefits, amendments regarding deferral of actuarial gains and losses
- IAS 27 Separate Financial Statements (Amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (Amended in 2011)

The Company has yet to assess the impact of these new standards on its consolidated financial statements.

4. FINANCIAL RISK MANAGEMENT

Capital management

The Company defines its capital as shareholders' equity. The Company's objectives in managing capital are to meet annual expenditure requirements for the Companies mining and exploration licenses and to meet corporate expenditure requirements to maintain its operations.

The Company does not have any long-term debt and therefore proceeds raised from financing activities are used to meet these requirements.

The Board of Directors does not establish quantitative return on capital criteria for management. The Company also does not have any externally imposed capital requirements and does not currently pay dividends.

There has been no change with respect to the overall capital risk management strategy during the year ended December 31, 2011.

Foreign exchange risk

Business is transacted by the Company in three currencies. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction.

At December 31, 2011 and December 31, 2010, the Company is exposed to foreign exchange risk through the following assets and liabilities in Philippine Pesos and Australian Dollars. The Company has not hedged its exposure to currency fluctuations. Foreign exchange risk is managed by holding cash and cash equivalents in different currencies in line with the anticipated expenditure requirements of the Company.

	December 31, 2011		December 31, 2010	
	Philippine Pesos 000s	Australian Dollar 000s	Philippine Pesos 000s	Australian Dollar 000s
Cash	12,633	1,158	10,084	7,326
Amounts receivable	2,351	208	3,250	71
Accounts payable	(19,997)	(328)	(14,093)	(164)
Net exposure	**(5,013)**	**1,038**	(759)	7,233
Exchange rate (CAD/FCU)	0.02320	1.04240	0.02345	1.01800
Exposure in thousands of Canadian Dollars	**(116)**	**1,082**	(18)	7,363

Based on net exposures at December 31, 2011, and assuming all other variables remain constant, a 10% fluctuation in the exchange rate between the Canadian dollar and the Philippine peso would affect Mindoro’s net loss by $12,000 (2010 - $2,000). A 10% fluctuation in the exchange rate between the Canadian dollar and Australian dollar would affect the Company’s net loss by $108,000 (2010 - $736,000).

Credit risk

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations. The Company’s credit risk is primarily attributable to its cash and cash equivalents and accounts receivable.

The majority of the Company’s cash and cash equivalents are held with three major financial institutions in Canada, Australia, and the Philippines. A significant portion of the Company’s accounts receivable is owing from the Canadian and Australian governments for the reimbursement of sales taxes. The resulting credit risk exposure is deemed to be immaterial by management of the Company.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities are due within twelve months of the balance sheet date.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company had approximately $2,089,000 in cash and cash equivalents at December 31, 2011, on which it earns variable rates of interest, and is therefore subject to a certain amount of interest rate risk, deemed to be acceptable by the Company.

	December 31,			
	2011		2010	
	$000	Weighted average effective interest rate	$000	Weighted average effective interest rate
Financal assets				
Cash and cash equivalents	2,089	3.67%	9,974	1.05%
Accounts receivables	257	0.00%	162	0.00%
	2,346		10,136	
Financial Liabilities				
Accounts payable and accrued liabilities	1,034	0.00%	794	0.00%
	1,034		794	
Net Exposure	1,312		9,342	

At December 31, 2011 if interest rates had increased/decreased by 100 basis points from the year end rates with all other variables held constant, loss for the year would have been $20,000 (2010:$100,000) higher/lower, as a result of higher/lower interest income from cash and cash equivalents. The impact on other equity is nil for both 2011 and 2010.

5. RESTRICTED CASH

Cash and cash equivalents includes $Nil (December 31, 2010 - $66,000 , January 1, 2010 - $443,000) in amounts advanced by a joint venture partner to two wholly owned subsidiaries of MRL Gold Phils., Inc. The cash was restricted for use on exploration expenditures on the joint venture properties in the Batangas region during the earn-in phases of the joint venture agreements. Also included in cash and cash equivalents is $119,000 held in trust for a severance payment due to a former officer of the Company in the first quarter of 2012.

6. EXPLORATION AND EVALUATION ASSETS

	Surigao		Batangas						
	Agata $000	Tapian & Regional $000	El Paso $000	Lobo $000	Talahib $000	Archangel $000	**Pan de Azucar** $000	**Royalty Deposits** $000	**Total** $000
January 1, 2010	**5,657**	**2,542**	**1,816**	**4,890**	**250**	**6,802**	**479**	**200**	**22,636**
Property acquistion	56	547	39	-	15	-	15	-	**672**
Exploration	2,457	539	312	939	80	38	119	-	**4,484**
Royalty deposits	-	-	-	-	-	-	-	11	**11**
Currency translation	107	47	26	54	3	90	7	3	**337**
December 31, 2010	**8,277**	**3,675**	**2,193**	**5,883**	**348**	**6,930**	**620**	**214**	**28,140**
Property acquistion	267	(75)	38	68	3	1	5	-	**307**
Exploration	5,777	933	151	553	42	318	804	-	**8,578**
Royalty deposits	-	-	-	-	-	-	-	27	**27**
Impairment	-	-	(1,140)	(1,572)	(231)	-	-	(8)	**(2,951)**
Currency translation	242	77	(195)	(105)	(68)	92	22	(3)	**62**
December 31, 2011	**14,563**	**4,610**	**1,047**	**4,827**	**94**	**7,341**	**1,451**	**230**	**34,163**

The following table summarizes Mindoro's earned mineral property interests and future commitments at December 31, 2011:

Region	*Project(s)*	*Interest Earned*	*Terms for Further Earn-In And Potential Future Commitments*
Surigao	Agata, Tapian & Regional (except Mat-I project)	75%	(i) Option to earn additional 10%: pay 0.5% of mining reserve gross value with a minimum US$5 million payment per mining reserve. (ii) Option to earn additional 15% interest by issuing Common Shares (issued in 2006), making annual cash payments (US$ 125,000 in 2011) until production, making a cash payment of 0.75% of mining reserve gross value, with a minimum payment of US$ 7.5 million upon completion of a bankable feasibility study on mining reserve, and a 1% net smelter royalty.
Surigao	Mat-I	10%	(i) The Company can earn an additional 30% interest upon completion of expenditure requirement (15 million Pesos) within two years from the execution of the Mineral Production Sharing Agreement ("MPSA"); the MPSA has not yet been approved as of this date. (ii) The Company may earn an additional 35% upon completion of the expenditure requirement (15 million Pesos) within one year. (iii) Mat I is included in option agreements for the Surigao properties and the Company can earn up to 100%.

(Expressed in Canadian Dollars unless otherwise noted)

Region	*Project(s)*	*Interest Earned*	*Terms for Further Earn-In And Potential Future Commitments*
Batangas	Archangel, El Paso, Lobo and Talahib	100%	Payment due to tenement holders at the start of production will include a one-time amount of US$ 1 million applicable to the first mineral deposit to start production only, and will also be granted a 1% Net Smelter Royalty on all metals produced from the Batangas projects.
Panay	Pan de Azucar	75%	The Company has no outstanding commitments on Pan de Azucar.

Royalty payments are included in the mineral property and exploration costs. The payment amounts to the tenement holders and the related due dates are scheduled according to the terms of the executed royalty agreements. In 2011, royalty payments amounted to $27,000 (2010 - $11,000).

On a quarterly basis, management of the Company reviews exploration costs to ensure deferred expenditures included only costs and projects that are eligible for capitalization.

On January 7, 2011, an option agreement was signed with a Philippine company whereby the Company may acquire a 100% interest in an exploration permit application for 142 hectares adjacent to the Company's Tapian project. Upon confirmation the exploration permit is in good standing, the Philippine company will receive a cash payment of 1 million Philippine Pesos (approximately $23,000). Once the tenement is granted, the Philippine company will receive an additional payment of 2 million Philippine Pesos (approximately $46,000). The Philippine company will retain a 3% gross smelter royalty on payable nickel, cobalt and iron produced. One third of this royalty (1%) may be purchased by the Company for $US 5 million.

On February 15, 2011, an option agreement was signed with a second Philippine company whereby the Company may acquire a 100% interest in an exploration permit application for 230 hectares adjoining the above-referenced property adjacent to the Company's Tapian project. Upon confirmation the exploration permit is in good standing, the Philippine company will receive a cash payment of 1.5 million Philippine Pesos (approximately $35,000). Once the tenement is granted and the Company has completed a due diligence phase and exercises the option, the Philippine company will receive payment of 28 million Philippine Pesos (approximately $650,000).

On March 1, 2011, the Company announced that it had met the expenditure threshold to earn the right to a total 75% economic interest in the Pan de Azucar MPSA from a private Philippine company.

7. JOINT VENTURE PARTNER WITHDRAWAL

On July 28, 2011 the Company was informed by a joint venture partner on the El Paso, Lobo and Talahib projects that they intend to withdraw from the joint venture agreement. As a result of the joint venture partner's withdrawal, the Company has recognized a gain of $3,171,000 on the reversal of the related provision for deferred capital subscription funding since a legal liability to the joint venture partner no longer exists.

The Company intends to continue exploration on the El Paso, Lobo, and Talihib projects, but current plans do not include the exploration targets that were explored by the joint venture partner and therefore, the Company has written off $2,951,000 capitalized expenditures that had been financed by the joint venture partner. The Company has recorded a loss of $18,000 on sale of equipment with a net book value of $36,000 to the partner for proceeds of $28,000.

8. PROPERTY AND EQUIPMENT

	Office equipment & furnishings $000	Computer software & hardware $000	Vehicles $000	Field equipment $000	Building & Leasehold improvements $000	Total $000
Cost						
January 1, 2010	74	227	109	39	78	527
Additions	44	30	95	30	10	209
Translation adjustment	1	2	1	-	1	5
December 31, 2010	119	259	205	69	89	741
Additions	21	53	23	53	257	407
Disposals	(32)	(72)	(35)	(8)	-	(147)
Translation adjustment	1	5	4	2	5	17
December 31, 2011	**109**	**245**	**197**	**116**	**351**	**1,018**
Accumulated depreciation						
January 1, 2010	45	147	43	26	77	338
Depreciation	11	28	27	13	4	83
Translation adjustment	-	2	1	1	1	5
December 31, 2010	56	177	71	40	82	426
Depreciation	44	85	58	35	32	254
Disposals	(25)	(58)	(13)	(5)	-	(101)
Translation adjustment	3	9	4	2	4	22
December 31, 2011	**78**	**213**	**120**	**72**	**118**	**601**
Net book value at:						
January 1, 2010	29	80	66	13	1	189
December 31, 2010	63	82	134	29	7	315
December 31, 2011	**31**	**32**	**77**	**44**	**233**	**417**

9. CONTINGENT LIABILITY

Through the operation of its subsidiaries in the Philippines, the Company is subject to Documentary Stamp Taxes ('DST') as issued by the Bureau of Internal Revenue in the Philippines on advances granted from foreign affiliates to the Company's Philippine subsidiaries. The Company has not made an accrual as there is uncertainty surrounding the measurement and timing of the DST. The maximum potential impact on the Company is expected to be $180,000. Management does not believe that the final determination of the measurement and timing of the DST will have a material adverse effect on the financial position or results of operations of the company.

10. DEFINED RETIREMENT BENEFIT OBLIGATION

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 pension expense charged to the profit and loss account includes amortization of the amount of the accumulated unrecognized actuarial gains or losses at the beginning of the year to the extent that this amount falls outside a 10%

corridor. The amount is spread over the expected average remaining working lives of 13.35 years in 2011 (13.18 years in 2012) of the employees participating in the plan.

	December 31, 2011 $000	2010 $000
Current service cost	23	26
Interest cost	10	6
Foreign exchange gain (loss)	1	-
Expense charged to operations	34	32
Balance at January 1	128	75
Current service cost	22	26
Interest cost	10	6
Actuarial loss (gain)	181	20
Foreign exchange gain (loss)	6	1
Present value of defined benefit obligation	347	128
Present value of defined benefit obligation	347	128
Unrecognized actuarial gain (loss)	(190)	(9)
Foreign exchange gain (loss)	(2)	-
Recognized liability	155	119

The weighted average significant actuarial assumptions used to determine the accrued benefit obligation and the benefit cost are as follows:

	2011	2010
Discount rate	6.5%	8.0%
Rate of compensation increase	12.0%	10.0%

The Company does not expect to contribute to this pension plan in 2012

11. SHARE CAPITAL

The authorised share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid. As at December 31, 2011, the Company had 239,073,360 issued shares.

a) In December 2011, pursuant to a private placement the Company issued 10,017,482 Common Shares at a price of $0.12 for gross proceeds of $1,203,449 less agents' commissions of $72,207.

b) In January 2011, the Company approved the grant of 100,000 Stock Options exercisable at $0.29 per share to a project consultant. In April 2011 the Company approved the grants of 300,000 Stock Options to two project consultants exercisable at $0.26 per share. In August 2011, the Company approved the grant of 550,000 Stock Options to employees of the Company and its subsidiary exercisable at $0.25 per share.

c) In February 2011, 200,000 Stock Options were exercised at an exercise price of $0.13 per option. The Company issued 200,000 Common Shares for net proceeds of $26,000. Stock-based compensation costs amounting to $21,422 were re-classified to share capital upon exercise of these options.

d) In February 2011, 69,700 Agent's Warrants were exercised at an exercise price of $0.18 per warrant. The Company issued 69,700 Common Shares for net proceeds of $12,546. The fair value of the Agent's Warrants, in the amount of $6,915 was also credited to share capital.

e) In March 2011, 21,000,000 Purchase Warrants were exercised at an exercise price of $0.15 per warrant. The Company issued 21,000,000 Common Shares for net proceeds of $3,149,512. The fair value of the Purchase Warrants, in the amount of $1,138,314, was also credited to share capital. In March 2011, 1,496,681 Agent's Warrants were exercised at an exercise price of $0.15 per warrant. The Company issued 1,496,681 Common Shares for net proceeds of $224,502. The fair value of the Agent's Warrants, in the amount of $167,613, was also credited to share capital.

f) A total of 9,313,233 Purchase Warrants expired during 2011 with an exercise price of $0.30 per warrant; a total of 1,650 Agent's Warrants expired with an exercise price of $0.18 per warrant.

g) A total of 300,000 Stock Options exercisable at $0.60 per option and 150,000 Stock Options exercisable at $0.26 per option expired in 2011.

h) In March of 2010, pursuant to a Private Placement, the Company issued 25,000,000 Units at $0.105 per Unit for gross proceeds of $2,625,000 less finders' fees and other costs of $201,700. Each Unit consisted of one Common Share and one Purchase Warrant. Each Purchase Warrant allows the holder to purchase one additional Common Share at a price of $0.15 for a period of one year from the close of the Private Placement. A total of 25,000,000 Purchase Warrants and 1,516,665 Agent's Warrants were issued pursuant to this Private Placement. Each Agent's Warrant is exercisable at $0.15 for one Common Share. The relative fair value of Purchase Warrants issued in this Private Placement in the amount of $1,354,778 was charged to share capital. The fair value of Agent's Warrants issued, in the amount of $169,851, was also charged to share capital.

i) In July of 2010 and pursuant to a Private Placement, the Company issued 19,047,225 Units at $0.208 per Unit for gross proceeds of $3,965,870 less finders' fees and other costs of $152,605. Each Unit consisted of one Common Share and one Purchase Warrant. Each Purchase Warrant allows the holder to purchase one additional Common Share at a price of $0.31 for a period of five years from the close of the Private Placement. A total of 19,047,225 Purchase Warrants and 7,500 Agent's Warrants were issued pursuant to this Private Placement. Each Agent's Warrant is exercisable at $0.31 for one Common Share. The relative fair value of Purchase Warrants issued in this Private Placement in the amount of $1,646,067 was charged to share capital. The fair value of Agent's Warrants issued, in the amount of $843, was also charged to share capital.

j) In November of 2010 and pursuant to concurrent Prospectus and Private Placement offerings, the Company issued 50,000,000 Common Shares for combined gross proceeds of $9,858,401. Under the terms of the Prospectus, the Company issued 40,000,000 CHESS Depository Interests ("CDI"). Each CDI is equivalent to and exchangeable for one Common Share in the Company. As such, the Company issued 40,000,000 Common Shares and the shares were issued in Australia to the beneficial owners of the CDI units at a price of AUD 0.20 per CDI for gross proceeds of AUD 8,000,000 ($7,858,401). Trading of the CDI units on the Australian Stock Exchange began on December 7, 2010. Under the terms of the Private Placement, the Company issued 10,000,000 Common Shares at $0.20 per Common Share for gross proceeds of $2,000,000. Issue costs of $1,176,724 were recorded for these offerings.

(Expressed in Canadian Dollars unless otherwise noted)

12. WARRANTS

The following table summarizes information about Common share purchase warrants outstanding and exercisable as at December 31, 2011:

Expiry date	Exercise price $	**December 31, 2010**	Granted	Exercised	Expired/ cancelled	**December 31, 2011**
Feb 13, 2011	0.300	**3,105,233**	-	-	(3,105,233)	**-**
Feb 13, 2011	0.180	**71,350**	-	(69,700)	(1,650)	**-**
Mar 03, 2011	0.150	**21,000,000**	-	(21,000,000)	-	**-**
Mar 03, 2011	0.150	**1,496,681**	-	(1,496,681)	-	**-**
Aug 25, 2011	0.300	**6,208,000**	-	-	(6,208,000)	**-**
Jul 09, 2012	0.310	**7,500**	-	-	-	**7,500**
Jul 09, 2015	0.310	**5,881,632**	-	-	-	**5,881,632**
Jul 22, 2015	0.310	**13,165,593**	-	-	-	**13,165,593**
		50,935,989	-	(22,566,381)	(9,314,883)	**19,054,725**
Weighted average exercise price ($)		**0.237**	-	0.150	0.300	**0.310**

The grant date fair values of common share purchase warrants are recorded as an increase to warrants reserve and a decrease to share capital as an issue cost of each private placement. Fair value is estimated at the grant date using the Black-Scholes pricing model. There were no warrants issued in 2011. The warrants issued in 2010 were valued using the following weighted average assumptions:

	2010
Risk Free Interest Rate	1.61%
Expected Life	2.67 years
Expected Volatility	131%
Expected Dividend	-

(Expressed in Canadian Dollars unless otherwise noted)

13. EQUITY SETTLED OPTIONS

Expiry date	Exercise price $	**December 31, 2010**	Vested	Granted	Exercised	Expired/ cancelled	**December 31, 2011**
Aug 23, 2011	0.600	**300,000**	-	-	-	(300,000)	**-**
Sep 18, 2011	0.260	**150,000**	-	-	-	(150,000)	**-**
Jun 07, 2012	0.840	**1,652,000**	-	-	-	-	**1,652,000**
Jul 03, 2013	0.290	**2,080,000**	-	-	-	-	**2,080,000**
Jul 28, 2013	0.208	**4,000,000**	-	-	-	-	**4,000,000**
Sep 22, 2013	0.310	**700,000**	-	-	-	-	**700,000**
Oct 04, 2013	0.300	**-**	500,000	-	-	-	**500,000**
Oct 04, 2013	0.340	**150,000**	-	-	-	-	**150,000**
Oct 30, 2013	0.130	**50,000**	-	-	-	-	**50,000**
Dec 26, 2013	0.290	**-**	-	100,000	-	-	**100,000**
Jan 13, 2014	0.180	**100,000**	-	-	-	-	**100,000**
Feb 11, 2014	0.360	**650,000**	-	-	-	-	**650,000**
Apr 20, 2014	0.260	**-**	-	300,000		-	**300,000**
Aug 04, 2014	0.130	**2,565,000**	-	-	(200,000)	-	**2,365,000**
Aug 18, 2014	0.250	**-**	-	550,000	-	-	**550,000**
Jan 12, 2015	0.125	**200,000**	-	-	-	-	**200,000**
Mar 15, 2015	0.190	**1,450,000**	-	-	-	-	**1,450,000**
Options exercisable		**14,047,000**	500,000	950,000	(200,000)	(450,000)	**14,847,000**
Unvested options							**-**
Oct 04, 2013	0.300	**500,000**	(500,000)				**-**
Options outstanding		**14,547,000**	-	950,000	(200,000)	(450,000)	**14,847,000**
Weighted average exercise price ($)		**0.299**	-	0.257	0.130	0.487	**0.293**

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

The expiry date of the equity settled options granted may not exceed ten years from the date of grant. The exercise price of each equity settled option shall not be less than the price permitted by any stock exchange on which the common shares are then listed.

The weighted average fair value of equity settled options issued in 2011 on the date of grant was $0.12 per option (2010 - $0.15). The fair value of equity settled options is estimated at the grant date using the Black-Scholes option pricing model based on the following ranges of assumptions:

(Expressed in Canadian Dollars unless otherwise noted)

	2011	2010
Risk Free Interest Rate	1.56%	1.64%
Expected Life	3.00 years	3.52 years
Expected Volatility	133%	129%
Expected Dividend	-	-
Expected Forfeitures	-	-

14. CASH SETTLED OPTIONS

On August 5, 2011, the Board of Directors approved an incentive plan to issue cash settled options. Under the incentive plan, the Company will, upon request from the option holder, make a cash payment to the holder equal to any excess in the share price above the exercise price for the options held at the date of exercise. Subsequent to the approval of the incentive plan the Company issued the following cash settled options.

Expiry date	Exercise price $	**December 31, 2010**	Vested	Granted	Exercised	Expired/ cancelled	**December 31, 2011**
August 18, 2014	0.250	-	1,500,000	-	-		**1,500,000**
Options outstanding		-	1,500,000	-	-	-	**1,500,000**
Weighted average exercise price ($)		-	0.250	-	-	-	**0.250**

For the purposes of this incentive plan the share price is interpreted as the closing weighted average price for common shares in the Company traded on TSX-V during the five trading days prior to the relevant date.

The weighted average fair value of cash settled options issued subsequent to the approval of the incentive plan on the date of grant was $0.11 per option which is been recognized as a share based liability. The fair value of cash settled options is estimated at the grant date using the Black-Scholes option pricing model based on the following ranges of assumptions:

	2011
Risk Free Interest Rate	1.47%
Expected Life	3.00 years
Expected Volatility	133%
Expected Dividend	-
Expected Forfeitures	-

The fair value of outstanding cash settled options on the balance sheet date was $0.08 per option (2010 – $Nil). The fair value was estimated the using the Black-Scholes option pricing model based on the following assumptions:

	December 31, 2011
Risk Free Interest Rate	1.23%
Expected Life	2.88 years
Expected Volatility	126%
Expected Dividend	-
Expected Forfeitures	-

15. INCOME TAXES

	2011 $000	2010 $000
Current income tax expense (recovery)	10	-
Future income tax expense (recovery)	-	(187)
Income tax expense (recovery)	**10**	(187)

Income tax expense (recovery) differs from that which would be expected from applying the combined effective income tax rates of 26.5% (2010 – 28%) to the loss as follows:

	2011 $000	2010 $000
Loss before tax per consolidated financial statements	(3,850)	(3,518)
Expected income tax recovery	(1,032)	(994)
Unrealized foreign exchange loss of subsidiary	(44)	44
Effect of change in substantively enacted tax rates	56	200
Stock-based compensation	35	281
Share issuance costs	(28)	(405)
Expiration of non-capital losses carried forward	181	172
Change in valuation allowance	824	502
Other non-deductible amounts	8	13
	-	(187)

	December 31, 2011 $000	December 31, 2010 $000	January 1, 2010 $000
Tax values in excess of book value of exploration and evaluation assets and property and equipment	129	140	316
Retirement benefit	21	18	16
Share issue costs	251	349	87
Unrealized foreign exchange loss	45	53	126
Loss carry forwards	3,655	2,579	2,091
Deferred tax assets (Unrecognised)	**4,101**	3,139	2,636

At December 31, 2011, the Company has non-capital taxable losses of approximately $12.7 million (2010 - $9.0 million) available to reduce Canadian taxable income in future years that expire at various dates until 2031. The Company has other deductible tax pools of approximately $2.0 million (2010 – $3.1 million) for Canadian income tax purposes that are available to reduce taxable income of future years. The Company's subsidiaries in the Philippines have losses for income tax purposes of approximately $1.4 million (2010 – $1.1 million) which may be carried forward for three years from occurrence.

16. RELATED PARTY TRANSACTIONS

In 2011, the Company recorded $31,000 (2010 – $15,000) as exploration and evaluation assets for consulting services provided by a firm whose managing director is also a non-executive director of the Company. In 2010, the

Company recorded $59,000 in management and advisory fees to a firm for providing a Chief Financial Officer for the first nine months of 2010.

	2011	2010
	$000	$000
Salaries and directors fees	1,378	1,023
Stock based compensation	183	910
Key management compensation	**1,561**	1,933

17. SUBSEQUENT EVENTS

Subsequent to year end, the Company completed a private placement by issuing 1,534,783 common shares for gross proceeds of $186,000 on January 13, 2012 and 10,985,174 common shares for gross proceeds of $1,329,000 on February 1, 2012. Combined net proceeds were $1,507,000 after commissions of $8,000. Included in the gross proceeds is subscription deposits of $135,000 that were received prior to December 31, 2011.

18. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 3, these consolidated financial statements include the effects of the Company's adoption of IFRS standards.

The accounting policies in Note 3 have been applied as follows:

- in preparing the condensed consolidated financial statements for the year ended December 31, 2011;
- the comparative information for the year ended December 31, 2010;
- the statement of financial position as at December 31, 2010; and
- the preparation of an opening IFRS statement of financial position on the Transition Date, January 1, 2010.

In preparing the opening IFRS statement of financial position, comparative information for the year ended December 31, 2010 and the financial statements for the year ended December 31, 2010, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. In preparing these financial statements, the Company has elected to apply the following transitional arrangements:

Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before January 1, 2010 ("the date of transition"). The Company has elected to take advantage of this election and apply IFRS 3 to business combinations that occurred on or after January 1, 2010.

Estimates

IFRS 1 includes the mandatory exception which states that a first-time adopter must not use hindsight to create or revise estimates . The estimates made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Share-based payment transactions

IFRS 2 Share-based Payment has not been applied to equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested before January 1, 2010.

IAS 27 – Consolidated and Separate Financial Statements

In accordance with IFRS 1, if a company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively

Property, plant and equipment

IAS 16 Property, plant and equipment allows for property, plant and equipment to continue to be carried at cost less depreciation, which is the same as under Canadian GAAP.

Reclassification within Equity section

IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. The Company examined its “contributed surplus” account and concluded that as at the Transition Date, $4,067,000 relates to “Employee benefit reserve”, and $4,332,000 relates to “Warrants reserve”.

As a result, the Company believes that a reclassification is necessary in the equity section between “Contributed surplus” and the various reserve accounts totalling $8,363,000.

As at December 31, 2010, $12,261 “contributed surplus” account was broken down into $5,052,000 “Employee benefit reserve” and $7,274,000 “Warrants reserve”.

Reconciliation of statement of Financial Position
Expressed in Canadian Dollars

		As at January 1, 2010			As at December 31, 2010		
	Note	GAAP $000	Effects of transition to IFRS $000	IFRS $000	GAAP $000	Effects of transition to IFRS $000	IFRS $000
Assets							
Current assets							
Cash and cash equivalents		1,024	-	1,024	9,974	-	9,974
Accounts receivable		134	-	134	162	-	162
Prepaid expenses and other current assets	*(a)*	47	(15)	32	84	(7)	77
		1,205	(15)	1,190	10,220	(7)	10,213
Non-current assets							
Exploration and evaluation assets	*(a, c)*	23,683	(1,047)	22,636	27,996	144	28,140
Property and equipment	*(a)*	195	(6)	189	320	(5)	315
		25,083	(1,068)	24,015	38,536	132	38,668
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities		764	1	765	792	2	794
		764	1	765	792	2	794
Non-current liabilities							
Defined benefit retirement plan		86	-	86	119	-	119
Deferred tax liabilities		186	-	186	-	-	-
Deferred capital subscription funding	*(a, c)*	1,165	433	1,598	1,459	1,389	2,848
		2,201	434	2,635	2,370	1,391	3,761
Shareholders equity							
Share capital		32,381	-	32,381	45,057	-	45,057
Share obligation		-	-	-	-	-	-
Reserves	*(a, b)*	8,363	36	8,399	12,260	321	12,581
Accumulated losses	*(a, b)*	(17,862)	(1,538)	(19,400)	(21,151)	(1,580)	(22,731)
		22,882	(1,502)	21,380	36,166	(1,259)	34,907
		25,083	(1,068)	24,015	38,536	132	38,668

Reconciliation of Loss and Comprehensive Loss
Expressed in Canadian Dollars

	Note	Year ended December 31, 2010 GAAP $000	Effects of transition to IFRS $000	IFRS $000
Expenses				
General and administration expenses		(1,415)	(14)	(1,429)
Employee benefits expense		(1,218)	-	(1,218)
Stock based compensation	*(b)*	(975)	(28)	(1,003)
Depreciation and amortization		(54)	-	(54)
Total Expenses		(3,662)	(42)	(3,704)
Finance income		38	-	38
Foreign exchange gain (loss)		148	-	148
Loss before income tax		(3,476)	(42)	(3,518)
Income tax benefit (expense)		187	-	187
Loss for the year		(3,289)	(42)	(3,331)
Exchange differences on translation of foreign operations	*(a)*	-	255	255
Total comprehensive loss for the year		(3,289)	213	(3,076)

Reconciliation of accumulated loss
Expressed in Canadian Dollars

	Note	January 1, 2010 $000	December 31, 2010 $000
Accumulated loss under GAAP		(17,862)	(21,151)
Cummulative translation differences	*(a)*	(1,461)	(1,471)
Share based payments	*(b)*	(36)	(64)
Other		(41)	(45)
Accumulated loss under IFRS		(19,400)	(22,731)

Reconciliation of Comprehensive Loss
Expressed in thousands of Canadian Dollars

	Note	December 31, 2010 $
Comprehensive loss under GAAP		(3,289)
Cummulative translation differences	*(a)*	255
Share based payments	*(b)*	(28)
Other		(14)
Comprehensive loss under IFRS		(3,076)

Reconciliation of Cash Flows

Expressed in Canadian Dollars

	Note	GAAP	Effects of transition to IFRS	IFRS
		Year ended December 31, 2010		
		$000	$000	$000
Cash provided by (used in)				
Operating activities				
Loss for the year		(3,289)	(42)	(3,331)
Items not affecting cash				
Stock-based compensation	*(b)*	975	28	1,003
Depreciation and amortization		54	-	54
Unrealized exchange differences	*(a)*	-	(3)	(3)
Other		(211)	14	(197)
Net change in non cash working capital items	*(a)*	21	(7)	14
		(2,450)	(10)	(2,460)
Investing activities				
Payment for mining assets	*(c)*	(4,271)	(941)	(5,212)
Purchases of equipment		(209)	-	(209)
		(4,480)	(941)	(5,421)
Financing activities				
Issue of share capital, net of issuance costs		15,586	-	15,586
Cash received for deferrred capital subscription funding	*(a, c)*	719	956	1,675
Cash returned from deferrred capital subscription funding		(425)	-	(425)
		15,880	956	16,836
Increase (decrease) in cash		8,950	5	8,955
Effect of exchange rate changes on cash		-	(5)	(5)
Cash at beginning of year		1,024	-	1,024
Cash at end of year		9,974	-	9,974

NOTES TO RECONCILIATIONS

(a) Cumulative translation differences

IFRS requires that the functional currency of each entity of the Company be determined separately. The Company has determined that as at the transition date the Canadian Dollar was the functional currency of the parent, Mindoro Resources Ltd. The functional currency of MRL Gold Phils., Inc. and its subsidiaries at the transition date was the Philippine Peso. In accordance with IFRS 1 optional exemptions, the Company elected to transfer the cumulative translation differences, recognized as a separate component of equity, to accumulated losses at the transition date. Under Canadian GAAP, MRL Gold and its subsidiaries was defined as an integrated foreign operation from the date the entities were formed to the transition date and therefore no foreign exchange translation in equity was noted. Under IFRS, MRL Gold and its subsidiaries had a Philippine Peso functional currency since the entities were formed and therefore at the transition date a currency reserve of $1,460,000 had accumulated. In electing to take this IFRS 1 exemption, the Company has transferred this currency reserve at the translation date to accumulated losses. The impact of this difference was not significant on the statement of cash flows.

The effect on financial position accounts are as follows:

	January 1, 2010 $000	December 31, 2010 $000
Current assets		
Prepaid expenses and other current assets	(15)	(7)
	(15)	(7)
Non-current assets		
Mining Assets	(1,384)	(1,126)
Property and Equipment	(6)	(5)
	(1,390)	(1,131)
	(1,405)	(1,138)
Non-current liabilities		
Deferred capital subscription funding	(6)	9
	(6)	9
Shareholders' equity		
Reserves	-	255
Accumulated losses	(1,461)	(1,471)
	(1,461)	(1,216)
	(1,467)	(1,207)

The effects on net and comprehensive loss are as follows:

	December 31, 2010
Currency translation differences	255
Increase (decrease) to comprehensive loss	255

(b) Share-based payments

Under Canadian GAAP, the Company measured share-based payments related to stock options at fair value of the stock options granted using the Black-Scholes option pricing model and recognized this expense over the vesting period of the options. Canadian GAAP permits the expense related to stock options with multiple vesting provisions to be recognized evenly over the entire vesting period. The fair value of stock options granted to employees is measured on the date of grant. The fair value of stock options granted to consultants is measured on the date the services are completed. Forfeitures are recognized as they occur.

IFRS 2, similar to Canadian GAAP, requires the Company to measure share-based compensation related to stock options granted to employees at the fair value of the stock options on the date of grant and to recognize the expense over the vesting period of the options. For stock options granted to non-employees, IFRS requires that share-based compensation be measured at the fair value of the services received unless the fair value cannot be reliably measured. When a grant of stock options has multiple vesting provisions, IFRS 2 requires that the fair value of each tranche of stock options be determined separately and be expensed over its vesting period. The difference in how multiple vesting provisions are treated under IFRS has resulted in the expense for stock options issued to employees to be re-amortized over the vesting periods of each tranche. The fair value of stock options issued to consultants has been re-measured at the vesting date of each tranche of stock options. The impact of this difference was not significant on the statement of cash flows.

(c) Consolidation of Subsidiaries

The Company previously accounted for it's investments in two subsidiaries of MRL Gold as equity investments as the individual entity's were not considered to meet the definition of a business under Canadian GAAP. Under IFRS, the Company has determined that the individual entity's meet the definition of a business in addition to the Company being able to exert control over these investments. As a result, the Company has consolidated these entity's within the consolidated financial statements upon adoption of IFRS.

The effects of this IFRS transition adjustment on the Company's consolidated statement of financial position are as follows:

	January 1, 2010 $000	December 31, 2010 $000
Assets		
Exploration and evaluation assets	439	1,380
Liabilities		
Deferred capital subscription funding	439	1,380