



MINDORO  
RESOURCES LTD

## Condensed Consolidated Interim Financial Statements

Six Months Ended June30, 2011

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

*(Unaudited)*

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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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## Management's Discussion and Analysis

### Six Months Ended June 30, 2011



#### 1. GENERAL

This discussion and analysis of financial position and results of operations of Mindoro Resources Ltd (the "Company" or "Mindoro") is prepared as at August 8, 2011, and should be read in conjunction with the unaudited consolidated financial statements for the six months ended June 30, 2011. The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") - Interim Financial Reporting. A reconciliation of the previously disclosed comparative period's financial statements prepared in accordance with Canadian generally accepted accounting principles is set out in Note 10 to the condensed financial statements. All amounts are expressed in thousands of Canadian dollars, unless otherwise indicated.

Additional information related to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website [www.mindoro.com](http://www.mindoro.com).

#### 2. CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

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

#### 3. NATURE OF OPERATIONS

The Company's principal activity is the acquisition, exploration and development of mineral properties in the Philippines.

The Company 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 Suite 2200, 10235 – 101 Street NW, Edmonton, Alberta, Canada, T5J 3G1. The Company's executive office is Level 2 10-16 Queen Street, Melbourne, Victoria, Australia, 3000

#### 4. OVERVIEW FOR QUARTER ENDED JUNE 30, 2011

##### *FINANCE*

As of June 30, 2011, the Company's cash position was \$8.0 million compared with \$11.0 million as at March 31, 2011. Working capital at June 30, 2011, was \$7.4 million as compared to \$10.6 million at March 31, 2011.

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

The company is progressing a two stage development strategy including a thermally upgraded shipping ore operation followed by a low operating-cost nickel processing operation based on established acid leaching technology.

### **Agata Nickel Project Stage 2 Pre-Feasibility Study**

On April 21, 2011 the Company announced that it had commenced the Agata Nickel Project Pre-Feasibility study. The study will be based on the Preliminary Economic Assessment (PEA) released on March 29 2011 that indicated lowest quartile operating cost potential of US\$2.64/Ni lb or US\$1.65/Ni lb with cobalt and power credits. The PEA also showed after tax cash flow of US\$173 million per annum and a robust Net Present Value (NPV) of US\$386 million, calculated at 10% discount rate and US\$10/lb nickel price.

The project model for the pre-feasibility study is based on a high pressure acid leach (HPAL)-atmospheric leach-saprolite neutralization flow sheet processing 1.8 million tonnes of ore which, in turn, produces 18,000 tonnes of nickel in an intermediate nickel product per annum for 15 years.

Ausenco Services Pty Ltd (Ausenco) was awarded the contract to complete the process plant and utilities engineering study and Ausenco-Vector, also part of the Ausenco group, was awarded the infrastructure and environment part of the study.

Mindoro also made two key appointments to support and manage the pre-feasibility study: Boyd Willis of Boyd Willis Hydromet Consulting was been appointed to the position of Agata Nickel Project Study Manager and Jake Foronda was appointed to the position of the Philippines based Agata Nickel Project Manager. Both Mr Willis and Mr Foronda have over 30 years of relevant experience.

### **Agata Nickel Project Stage 1 Thermal Upgrading Test Results and Scoping Study**

The company is also examining the potential for a Stage 1 development based on thermal upgrading of the lateritic ores.

Stage 1 was initially based on direct shipping of ore (DSO) only, as announced in the results of the Preliminary Economic Assessment on March 29, 2011. Thermal upgrading has been identified as having the potential to significantly enhance the economics of Stage 1 and mitigate the current market uncertainty for unprocessed DSO material.

On July 28 2011 the Company announced positive results with significant iron and nickel upgrades from bench scale tests conducted at SGS-Lakefield laboratories in Perth, as well as results from a further, larger scale (250kg samples) testing program at a Mines and Geosciences Bureau (MGB) based testing facility in the Philippines (non ISO accredited). The focus of the tests was sintering and partial reduction, which involves heating the lateritic material in a furnace to in excess of 1000 degrees Celsius (°C) in the presence of a reductant such as coal. This has the effect of driving off all moisture, including water within the clay minerals, and also reducing oxygen content by reaction with coal. A reduced iron-nickel "sinter" has no moisture, much improved blending properties and importantly, a dramatically reduced shipping cost, which results in added-value over direct shipping of unprocessed lateritic ores. At the sintering-partial reduction stage an upgrade of over 25% (1.25 times) on a dry basis for both nickel and iron was achieved, while the best recoveries were greater than 95% for both nickel and iron.

The Agata laterite has a layer at the top of the profile termed the "Ferruginous Laterite" that is iron-rich (Fe) but has lower nickel (Ni) grades (>45% Fe, <0.9% Ni). Recent drilling at Agata South included thicker intersections of this material including in ASL001: 4.7m of 50% Fe, 0.59% Ni and 0.11% Co from surface (see release dated July 6, 2011). Discussions with potential off-takers indicate this material is in demand as a DSO product for the Chinese steel-making market. Mindoro is investigating the potential market for an upgraded iron-nickel sinter based on this near surface material that would otherwise be sub-grade "overburden" for the Stage 2 acid-leach processing operation.

## Management's Discussion and Analysis

### Six Months Ended June 30, 2011



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On the basis of the encouraging thermal-upgrade test results the Company has commenced a scoping study and preliminary economic analysis for two scales of its thermal upgrading project, one producing 120,000 tonnes of iron-nickel sinter per annum and the second producing 600,000 tonnes of iron-nickel sinter per annum. The scoping study will examine capital and operating costs, supporting infrastructure and marketing the final product. The scoping study is scheduled for completion by September 2011.

The scoping study will provide the necessary information upon which the Company can upgrade permitting and progress the Stage 1 iron-nickel sinter project to feasibility.

*Both the PEA and the scoping study are preliminary in nature, they include inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary assessment will be realized. The Company's processing and production objectives are intended to provide an indication of management's current expectations and are still conceptual in nature. It is uncertain that sufficient resources will be established and if established that these resources will be converted into economically viable mining reserves. Until a feasibility study has been completed, there is no certainty that these objectives will be met.*

#### **Surigao Regional Nickel Exploration Target Drilling Program**

A drilling program to convert a significant proportion of the regional Exploration Target to mineral resources continued during the quarter ended June 30, 2011. The company has drilled a total of 695 holes for 7,800 meters from the 7,000 meter to 10,000 meter program systematically testing regional nickel targets. 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 indicated resource estimation.

During the quarter the Company continued to release encouraging results from the nickel regional exploration. At Bolobolo the completion of 50m x 50m infill drilling generated results including BBL-157: 13.75m @ 1.36% Ni; BBL-115: 12.10m @ 1.12% Ni and BBL-129: 15.0m @ 1.03% Ni, all from surface. At Agata South results from the first 41 drill holes included ASL-1: 12.1m @ 0.96% Ni including 4.7m @ 0.59% Ni, 0.11% Co, 50% Fe; ASL-3: 17.05m @ 1.02% Ni and ASL-4: 10.50m @ 1.06% Ni, all from surface.

Further results are awaited from 50m x 50m infill drilling at Agata South before the next resource estimate is prepared. Indications from initial resource modeling show that the mineralized areas drilled to date are not as thick or as continuous as had been supposed by the original Exploration Target for those areas (see release January 11, 2010). The Exploration Target will be reviewed and updated at the same time as the resource estimate, with a report due in the third quarter of 2011.

Drilling is planned and will continue at San Jose, Tapian MAMATFA, Tapian Complex, Villariza and Mat-I subject to gaining land clearance and access where applicable.

#### **COPPER GOLD EXPLORATION**

##### **Pan de Azucar (75% economic interest)**

At Pan de Azucar prospect located near Panay Island, central Philippines, the company continued a drilling program 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.

Drilling is testing the shallow northerly plunging massive sulphide body on 50m to 100m spaced drill sections to shallow depth. Encouraging results from drilling completed during the quarter ended June 30, 2011 include: PDA-28: 3.9 m @ 5.3% copper, 0.78 g/t gold, 55.7 g/t silver, 5.11% zinc from 9.2 m and 54.8 m of 1.17% copper, 0.77 g/t gold, 11.52 g/t silver from 20.75 m and PDA-25: 76.0 meters of 0.64 g/t gold and 0.38% copper from 11.1 meters, including a gold-silver zone of 8.8 meters of 1.65 g/t gold, 23.5 g/t silver from 11.1 meters; a copper zone of 16.9m of 1.01% copper, 0.59 g/t gold from 23.1 meters.

**Management's Discussion and Analysis**  
**Six Months Ended June 30, 2011**



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Mindoro has completed 14 drill holes over 1,683 metres in the current Phase 3 drill program at Pan de Azucar. The program is expected to be completed by August and a NI 43-101 resource estimate on the sulphide sulphur-iron resource prepared. As shown in the table below, intersections reported to date include a wide range of gold and copper grades and it is likely that further drilling will be needed to define the higher-grade areas before upgrading the resource estimate to include a copper-gold resource estimate in addition to sulphur and iron.

One hole will also drilled as part of the current program for metallurgical testing to determine potential suitability for production of a copper-gold concentrate and potential acid generation for nickel laterite processing.

The massive pyritic sulphide body remains open and there is strong evidence, including the intersection of porphyry mineralisation in PDA-27, supporting a porphyry copper-gold system nearby.

The most significant results from the Phase 3 drill program are summarized in the following table:

HOLE NO.	FROM (m)	TO (m)	RUN (m)	Au g/t	Cu %	Ag g/t	Zn %	Fe %	S %
PDA-18	35.6	94.9	59.3	0.90	0.45	3.45	0.45	38	39
Including	35.6	61.2	25.6	1.26	0.58	3.79	0.14	46	47
PDA-19	71.0	94.0	23.0	0.43	0.10	1.85	-	35	36
PDA-20	1.6	33.3	31.7	1.15	0.48	6.12	-	32	28
Including	1.6	17.7	16.1	2.11	0.78	7.89	-	39	29
PDA-21	2.8	42.0	39.2	1.00	1.89	15.71	2.02	40	38
Including	18.1	35.1	17.0	0.94	3.16	24.39	4.17	40	42
PDA-22	10.0	23.0	13.0	0.62	2.53	8.61	0.58	40	40
Including	38.1	85.6	47.5	0.75	-	1.01	-	44	41
PDA-23	81.7	119.0	37.3	0.27	-	1.00	-	41	40
PDA-24	132.8	144.5	11.7	-	-	-	-	29	24
PDA-25	11.1	87.1	76.0	0.64	0.38	4.54	0.13	39	34
Including	11.1	19.9	8.8	1.65	0.26	23.48	-	32	-
Including	23.1	40.0	16.9	0.59	1.01	3.06	0.42	37	36
PDA-26	93.8	96.0	2.2	0.29	-	1.29	-	41	39
PDA-27	146.3	151.0	4.7	0.04	0.26	-	-	-	-
Including	150.1	151	0.9	-	1.03	2.70	-	-	-
PDA-28	9.2	13.1	3.9	0.78	5.30	55.31	5.11	38	39
PDA-28	20.75	75.55	54.8	0.77	1.17	11.52	0.68	40	34
Including	20.75	34.75	14.0	1.14	2.60	20.14	0.93	45	35

Further information on the Pan de Azucar project and the current drill program is available in Mindoro's news releases from March 1, 28, May 5 and 16 and July 20.

**Batangas – Archangel, Lobo, El Paso and Talahib (100% economic interest)**

At Batangas, Luzon, under a joint venture farm-in arrangement with Mindoro, Gold Fields Ltd carried out reconnaissance drilling on two of the Batangas Projects, El Paso and Lobo, consisting of 4,296 meters in 16 drill holes. All results have now been received and are posted on Mindoro's website. Highlights of the drilling program included, from the El Paso copper-gold prospect EPDD001: 42 m @ 0.50 % copper from 6.0 m and EPDD002: 19.85 m @ 0.29 % copper from 43.45 m and from Lobo gold and copper-gold prospect LBDD001: 7.7 m @ 1.93 g/t gold from 201.3 meters and LBDD006: 7.2 m @ 0.50 % copper and 0.74 g/t gold from 50.3 meters.

Gold Fields Ltd withdrew from the joint venture effective August 1 2011, which now allows Mindoro to prioritize expanding the SWB gold resource (see below), testing other targets within the five kilometer strike of mapped epithermal veins at Lobo, in addition to evaluating other porphyry copper-gold prospects at Lobo, Calo, Talahib and the El Paso porphyry copper-gold prospects.

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

Previous drilling on the Lobo project resulted in the definition of a modest, high grade, resource estimate, reported by Mindoro in 2004. Drilling results at SWB included 17.4 m @ 9.6 g/t gold from surface and 32.2 m @ 9.5 g/t gold from 50 meters depth and the high-grade shoot remains open down-plunge and to the south-west.

SWB is located on the Camo Trend, part of a greater than five km system of mapped epithermal vein-breccia trends, of which only a small fraction has been drill tested. There remains high potential to expand the SWB resource and to locate additional resources within remaining trends of epithermal veins. Mindoro plans to carry out in-fill and extension drilling during the third quarter of 2011 with the objective of upgrading the resource and for metallurgical testing. In addition 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)**

Mindoro has outlined a cluster of epithermal gold-silver and porphyry copper-gold prospects along a six km trend on the Archangel Project. The initial focus was the near-surface Kay Tanda epithermal gold-silver resource, which comprises just a small part of the overall six km mineralized trend.

On March 2010, Mindoro released the following NI 43-101-compliant resource estimate for Kay Tanda, based on more than 200 drill holes and using a cut-off of 0.3 g/t gold for oxide and 0.5 g/t gold for transition and sulphide material:

- **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 61 meters at 5.12 g/t gold from 3 meters in KTDH-20, 64 meters at 3.45 g/t gold from 96 meters in KTRC-55 and 26 meters at 4.03 g/t gold and 179.16 g/t silver from surface in PLRC-23. These structures are not included in the resource estimates above due to insufficient drill definition.

During the third quarter of 2011 Mindoro will evaluate the potential of these interpreted higher-grade feeder zones prior to further drill targeting and exploration for additional such vein systems.

## Management's Discussion and Analysis

### Six Months Ended June 30, 2011



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#### **MILESTONES TARGETED FOR 2011**

Agata Nickel Development Project:

- Agata-Surigao regional resource upgrade stage 1, based on results of drilling to July 2011.
- Agata Stage 1: Scoping Study and Preliminary Economic Assessment of nickel-iron sinter project.
- Agata Stage 2: Pre-feasibility study on the low operating-cost hydrometallurgical processing project.

Copper Gold Exploration:

- Pan de Azucar: Maiden resource for sulphur-iron, then copper-gold and preliminary metallurgy.
- Batangas; Lobo (SWB) and Archangel: initial drilling to define and extend high-grade gold resources.

*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 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 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, and a competent person as defined by the JORC Code, has reviewed and verified the disclosure of a development 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.*

## **5. RESULTS OF OPERATIONS**

### **Selected Financial Information**

(Unaudited)	3 months to June 30 2011	3 months to June 30 2010	6 months to June 30, 2011	6 months to June 30, 2010
	\$000	\$000	\$000	\$000
Loss for the period	(802)	(584)	(1,630)	(1,209)
Operating cash flow	(594)	(411)	(1,440)	(1,199)
Investing activities	2,420	951	3,998	1,268
Cash balance			8,031	1,841

*Results for the three months ended June 30, 2011 vs. 2010*

Interest revenue for the second quarter of 2011 was \$86,000 compared to interest revenue of \$3,000 in 2010. The Company had considerably higher cash balances in the current quarter, from financings, than in 2010.

## Management's Discussion and Analysis

### Six Months Ended June 30, 2011



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The net loss for the second quarter of 2011 was \$802,000 compared to a loss of \$584,000 in 2010. The current quarter reflects the changes made in the Company in the second half of 2010 and the related higher level of corporate activity with advancing the Agata nickel project and recommencing copper gold exploration at Pan de Azucar. The higher expenditures are associated with employee benefits expenses discussed below and, corporate costs associated with marketing of the Company to an expanding shareholder base.

Employee benefits expense in the second quarter of 2011 is \$393,000 compared to \$248,000 in 2010, resulting from the appointment of Australia-based executives as well as annual increases in salaries to reflect market conditions. In line with the increased level of activity in the Company, Directors' fees of \$30,000 were also expensed in the current quarter, compared to nil Directors' fee expense in 2010.

Investing activities for the second quarter of 2011 were \$2,420,000, compared to \$951,000 in 2010, reflecting the advancement of the Agata nickel project into pre-feasibility, exploration activities on regional targets and the recommencement of exploration on the Pan de Azucar project.

#### *Results for the six months ended June 30, 2011 vs. 2010*

Interest revenue for the first half of 2011 was \$171,000 compared to interest revenue of \$4,000 in 2010. The Company had considerably higher cash balances in the current period, from financings, than in 2010.

The net loss for the period was \$1,630,000 compared to a loss of \$1,209,000 in 2010. The current period reflects the changes made in the Company in the second half of 2010 and the related higher level of corporate activity with advancing the Agata nickel project and recommencing copper gold exploration at Pan de Azucar. The higher expenditures are associated with employee benefits expenses discussed below and, corporate costs associated with marketing of the Company to an expanding shareholder base.

Employee benefits expense in the first half of 2011 is \$710,000 compared to \$402,000 in 2010, resulting from the appointment of Australia-based executives as well as annual increases in salaries to reflect market conditions. In line with the increased level of activity in the Company, Directors' fees of \$71,000 were also expensed in the current period, compared to nil Directors' fee expense in 2010.

Investing activities for the half of 2011 were \$3,998,000, compared to \$1,268,000 in 2010, reflecting the advancement of the Agata nickel project into pre-feasibility, exploration activities on regional targets and the recommencement of exploration on the Pan de Azucar project.

The higher cash balance at June 30, 2011 of \$8,031,000 compared to June 30, 2010 is a result of the equity raising in the second half of 2010 and the exercise of purchase warrants in March 2011.

**Management's Discussion and Analysis**  
**Six Months Ended June 30, 2011**



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**6. CAPITAL STRUCTURE**

Authorized:

Unlimited number of Common Shares

Unlimited number of Preferred Shares

<b>Issued - Common shares</b>	<i>Note</i>	<b>Number</b>
Balance, December 31, 2010		206,289,497
Issued pursuant to private placements		
Issued upon exercise of stock options	<i>b</i>	200,000
Issued upon exercise of purchase warrants	<i>c,d</i>	22,566,381
<b>Balance, June 30, 2011</b>		<b>229,055,878</b>
<b>Common share purchase warrants</b>		
Balance, December 31, 2010		50,935,989
Exercised	<i>c,d</i>	(22,566,381)
Forfeited/expired	<i>e</i>	(3,106,883)
<b>Balance, June 30, 2011</b>		<b>25,262,725</b>
<b>Stock options</b>		
Balance, December 31, 2010		14,547,000
Issued	<i>a</i>	400,000
Exercised	<i>b</i>	(200,000)
Forfeited/expired		
<b>Balance, June 30, 2011</b>		<b>14,747,000</b>

- (a) 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.
- (b) 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.
- (c) 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.
- (d) 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.
- (e) A total of 3,105,233 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.

**Management's Discussion and Analysis**  
**Six Months Ended June 30, 2011**



The following table summarizes information about the warrants outstanding and exercisable as at June 30, 2011:

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
6,208,000	\$0.30	August 25, 2011
7,500	\$0.31	July 9, 2012
19,047,225	\$0.31	July 22, 2012
<b>25,262,725</b>		

The following table summarizes the information about Stock Options outstanding at June 30, 2011:

Range of Exercise Prices	Outstanding			Exercisable		
	Outstanding	Weighted Average Years Remaining	Weighted Average Exercise Price	Exercisable	Weighted Average Years Remaining	Weighted Average Exercise Price
\$0.00 to \$0.19	4,165,000	3.31	\$ 0.15	4,165,000	3.56	\$ 0.15
\$0.20 to \$0.39	8,630,000	2.13	0.26	7,955,000	2.35	0.26
\$0.60 to \$0.79	300,000	0.15	0.60	300,000	0.40	0.60
\$0.80 to \$1.00	1,652,000	0.94	0.84	1,652,000	1.19	0.84
<b>Total</b>	<b>14,747,000</b>	<b>2.29</b>	<b>\$ 0.30</b>	<b>14,072,000</b>	<b>2.53</b>	<b>\$ 0.30</b>

*Share Data as of August 8, 2011*

A total of 229,055,878 Common Shares was issued and outstanding as of August 8, 2011.

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**7. SCHEDULE OF DEFERRED EXPLORATION EXPENDITURES**

(Shown in Thousands of Dollars)

	<b>Surigao</b>		<b>Batangas</b>				<b>Pan de Azucar</b>	<b>Royalty Deposits</b>	<b>Total</b>
	<b>Agata</b>	<b>Tapián &amp; Regional</b>	<b>El Paso</b>	<b>Lobo</b>	<b>Talahib</b>	<b>Archangel</b>			
<b>January 1, 2010</b>	<b>\$ 5,657</b>	<b>\$ 2,542</b>	<b>\$ 1,816</b>	<b>\$ 4,451</b>	<b>\$ 250</b>	<b>\$ 6,802</b>	<b>\$ 479</b>	<b>\$ 200</b>	<b>\$ 22,197</b>
General Exploration	39	(150)	23	(3)	12	16	17	-	(46)
Salaries & Benefits	73	179	18	1	5	9	42	-	327
Consulting & Professional Fees	1,263	59	13	-	4	3	18	-	1,360
Legal & Accounting	36	-	-	-	-	1	-	-	37
JV Partner's Share in Costs	223	8	-	-	-	-	-	-	231
Camp & Road Construction	35	29	14	-	5	-	11	-	94
Travel	131	30	19	-	13	3	11	-	207
Geology, Geophysics	289	77	141	-	38	-	-	-	545
Drilling	234	248	66	-	-	-	12	-	560
Mapping, Sampling	25	12	9	-	-	-	-	-	46
Acquisition Costs	56	547	39	-	15	-	15	-	672
Community & Environmental	109	47	9	-	3	6	8	-	182
Unrealized Exchange Gain(Loss)	107	47	26	54	3	90	7	3	337
Royalty Deposits Paid	-	-	-	-	-	-	-	11	11
<b>December 31, 2010</b>	<b>\$ 8,277</b>	<b>\$ 3,675</b>	<b>\$ 2,193</b>	<b>\$ 4,503</b>	<b>\$ 348</b>	<b>\$ 6,930</b>	<b>\$ 620</b>	<b>\$ 214</b>	<b>\$ 26,760</b>
General Exploration	117	36	-	(4)	(1)	6	37	-	191
Salaries & Benefits	116	105	7	-	2	9	78	-	317
Consulting & Professional Fees	1,501	60	-	-	-	-	39	-	1,600
Legal & Accounting	8	61	-	-	-	-	-	-	69
Camp & Road Construction	32	10	2	-	-	-	5	-	49
Travel	133	11	5	-	2	1	46	-	198
Geology, Geophysics	156	120	32	-	5	-	52	-	365
Drilling	199	209	-	-	-	-	288	-	696
Mapping, Sampling	43	11	3	-	-	-	1	-	58
Acquisition Costs	210	(144)	17	-	9	-	4	-	96
Community & Environmental	100	58	4	-	-	4	37	-	203
Unrealized Exchange Gain(Loss)	(217)	(89)	(48)	(97)	(7)	(159)	(18)	(4)	(639)
<b>June 30, 2011</b>	<b>\$ 10,675</b>	<b>\$ 4,123</b>	<b>\$ 2,215</b>	<b>\$ 4,402</b>	<b>\$ 358</b>	<b>\$ 6,791</b>	<b>\$ 1,189</b>	<b>\$ 210</b>	<b>\$ 29,963</b>

**Management's Discussion and Analysis**  
**Six Months Ended June 30, 2011**



**8. FINANCIAL INSTRUMENTS**

*Fair value*

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

*Risk management*

The Company may be exposed to risks of varying degrees associated with its financial instruments. The Company has not used derivative instruments, nor has it designated any hedging relationships to manage these risks. There has been no change to how the Company manages each of the below risks from the prior period. The principal risks to which the company is exposed are described below.

*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 \$8.0 million in cash at June 30, 2011, on which it earns variable rates of interest, and is therefore subject to a certain amount of interest rate risk. The majority of the Company's cash is in Australian dollars where the consensus forecasts for interest rates are neutral to increases.

*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 accounts receivable.

The majority of the Company's cash is held with major financial institutions in Australia, Canada and the Philippines. A significant portion of the Company's Canadian and Australian accounts receivable are due 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.

*Foreign currency 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 June 30, 2011 and December 31, 2010, the Company is exposed to currency risk through the following assets and liabilities in Philippine Pesos and Australian Dollars. The Company has not hedged its exposure to currency fluctuations, although there is a natural hedge for expenditure commitments in both currencies:

	<b>June 30, 2011</b>		<b>December 31, 2010</b>	
	Philippine Pesos	Australian Dollar	Philippine Pesos	Australian Dollar
Cash	18,690	5,059	10,084	7,326
Amounts receivable	4,213	111	3,250	71
Accounts payable	(27,565)	(276)	(14,093)	(164)
<b>Net exposure</b>	<b>(4,662)</b>	<b>4,894</b>	<b>(759)</b>	<b>7,233</b>
Exchange rate (CAD/FCU)	0.02225	1.03480	0.02345	1.01800
<b>Exposure in thousands of Canadian Dollars</b>	<b>(104)</b>	<b>5,064</b>	<b>(18)</b>	<b>7,363</b>

## Management's Discussion and Analysis

### Six Months Ended June 30, 2011



Based on net exposures as at June 30, 2011, and assuming all other variables remain constant, a 1% fluctuation in the exchange rate between the Canadian dollar and the Philippine peso would affect Mindoro's net loss by \$1,000. A 1% fluctuation in the exchange rate between the Canadian dollar and Australian dollar would affect the Company's net loss by \$51,000.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due.

The Company's working capital (current assets less current liabilities) at June 30, 2011 is \$7.4 million. The Company manages liquidity risk through management of its capital as disclosed in Section 9. The financial statements have been prepared on the basis of going concern. 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 will seek to raise additional capital to expand its exploration operations and further develop its existing assets in an appropriate timeframe.

#### **9. CAPITAL DISCLOSURE & MANAGEMENT OF CAPITAL RISK**

The Company's objectives in managing its capital are to maintain adequate levels of funding to support development and exploration activities on its mineral projects. In order to maintain or adjust its capital, the Company, upon approval from its Board of Directors, may undertake a private placement or any other activity deemed appropriate under the specific circumstances. The Board of Directors of the Company reviews and approves any material transactions out of the ordinary course of business, including proposals on joint ventures, acquisitions or other major investments or divestitures, as well as capital and operating budgets. There can be no assurance that the Company will be able to obtain sufficient capital in the case of operating cash deficits.

The Company may, from time to time, invest in short-term and liquid financial instruments held with major financial institutions.

#### **10. OFF-BALANCE SHEET ARRANGEMENTS**

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the company.

#### **11. EVENTS SUBSEQUENT TO JUNE 30, 2011**

Subsequent to June 30, 2011 the Company received notification on July 21, 2011 from the JV Partner to withdraw from the JV agreement on the El Paso, Lobo, and Talahib projects. The Company plans to recommence exploration on the epithermal gold veins on the Lobo project – South West Breccia.

#### **12. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

With effect from January 1, 2011 the Company adopted International Financial Reporting Standards ("IFRS"). The balance sheet was converted as at 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 2011 financial statements. The impact of the adoption and reporting of IFRS is disclosed in the June 30, 2011 unaudited interim consolidated financial statements.

*Critical Accounting 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.

Mining 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. 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. 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.

### **13. RISK 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.

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.

In 2011, industry participants are observing continued strong demand for base metals based on sustained levels of GDP growth in China and other developing countries. As a result, there is upward pressure on prices for base metals like copper and nickel as well as for precious metals such as gold and silver.

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.

#### **14. INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. There have been no changes in internal controls over financial reporting in the second quarter of 2011 that have materially affected, or are reasonably likely to materially affect the financial statements. Further, as a result of losing TSX Venture Issuer reporting status as a result of becoming dual listed on the ASX, the Company has formally adopted and implemented the COSO (Committee of Sponsoring Organizations) internal control framework, including a risk assessment and the mapping of existing key internal controls to the framework. However, it should be noted that any system of internal control over financial reporting, no matter how well designed, has inherent limitations. As a result, even those systems determined to be effective can only provide reasonable assurance regarding the preparation and presentation of the Company's financial statements.

#### **15. 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 June 30, 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 June 30, 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.

#### **16. TRENDS**

Trends in the industry can materially affect how well any junior exploration company is performing. Growth in the demand for metals in developed economies such as Europe and North America has declined but has increased markedly in developing Asian countries such as China and to a lesser extent India. Under current economic conditions, the Company's future development highly depends on its ability to continue to raise the financing necessary to complete the exploration and development of those projects and the existence of economically recoverable reserves within its projects. The use of metals in China and India may have a positive impact on overall world demand. This overall trend may continue for some time.

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited - expressed in thousands of Canadian Dollars)



**MINDORO**  
RESOURCES LTD

	<i>Note</i>	<b>June 30, 2011</b>	December 31, 2010	January 1, 2010
		\$	\$	\$
<b>Assets</b>				
Current assets				
Cash and cash equivalents	4	<b>8,031</b>	9,974	1,024
Accounts receivable		<b>224</b>	162	134
Prepaid expenses and other current assets		<b>91</b>	77	32
		<b>8,346</b>	10,213	1,190
Non-current assets				
Mining assets	5	<b>29,963</b>	26,760	22,197
Property and equipment	6	<b>413</b>	315	189
		<b>38,722</b>	37,288	23,576
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities		<b>986</b>	794	765
		<b>986</b>	794	765
Non-current liabilities				
Defined benefit retirement obligation		<b>116</b>	119	86
Deferred tax liabilities		-	-	186
Deferred capital subscription funding	11	<b>1,533</b>	1,468	1,159
		<b>2,635</b>	2,381	2,196
<b>Shareholders equity</b>				
Share capital	7	<b>49,804</b>	45,057	32,381
Reserves		<b>10,644</b>	12,581	8,399
Accumulated losses		<b>(24,361)</b>	(22,731)	(19,400)
		<b>36,087</b>	34,907	21,380
		<b>38,722</b>	37,288	23,576

Going concern (Note 1)

Subsequent events (Note 11)

These interim consolidated financial statements were approved for issue by the Audit Committee on August 8, 2011 and are signed on its behalf by:

"signed" A. Robson Garden  
Director

"signed" Doug Frondall  
Director

**Condensed Consolidated Interim Statements of Comprehensive Loss**  
(Unaudited - expressed in thousands of Canadian Dollars, except per share amounts)



**MINDORO**  
RESOURCES LTD

	Note	Quarter Ended June 30,		Six Months Ended June 30,	
		2011	2010	2011	2010
		\$	\$	\$	\$
Expenses					
General and administration expenses		(511)	(322)	(936)	(511)
Employee benefits expense		(393)	(223)	(710)	(377)
Stock based compensation		(38)	(10)	(53)	(270)
Depreciation and amortization		(20)	(12)	(57)	(23)
Expenses		(962)	(567)	(1,756)	(1,181)
Finance income		86	3	171	4
Foreign exchange gain (loss)		74	(20)	(45)	(32)
Loss before income tax		(802)	(584)	(1,630)	(1,209)
Income tax benefit (expense)		-	-	-	-
Loss for the period		(802)	(584)	(1,630)	(1,209)
Exchange differences on translation of foreign operations		(267)	490	(670)	357
Total comprehensive loss for the period		(1,069)	(94)	(2,300)	(852)
Basic and diluted net loss per share		(0.004)	(0.004)	(0.007)	(0.010)
Weighted average number of common shares outstanding (thousands)		229,056	132,858	221,399	124,367

## Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited - expressed in thousands of Canadian Dollars)



**MINDORO**  
RESOURCES LTD

	<i>Note</i>	<b>Share capital</b>	<b>Employee benefit reserve</b>	<b>Warrants reserve</b>	<b>Currency reserve</b>	<b>Accumulated Loss</b>	<b>Shareholders' equity</b>
		\$	\$	\$	\$	\$	\$
<b>Balance, January 1, 2010</b>		<b>32,381</b>	<b>4,067</b>	<b>4,332</b>	<b>-</b>	<b>(19,400)</b>	<b>21,380</b>
Common shares issued for:							
Private placements		889	-	1,526	-	-	2,415
Exercise of stock options		12	(5)	-	-	-	7
Exercise of warrants		20	-	(6)	-	-	14
Stock-based compensation		-	270	-	-	-	270
Comprehensive loss		-	-	-	357	(1,209)	(852)
<b>Balance, June 30, 2010</b>		<b>33,302</b>	<b>4,332</b>	<b>5,852</b>	<b>357</b>	<b>(20,609)</b>	<b>23,234</b>
<b>Balance, December 31, 2010</b>		<b>45,057</b>	<b>5,052</b>	<b>7,274</b>	<b>255</b>	<b>(22,731)</b>	<b>34,907</b>
Common shares issued for:	8						
Exercise of stock options		47	(21)	-	-	-	26
Exercise of warrants		4,700	-	(1,313)	-	-	3,387
Stock-based compensation		-	67	-	-	-	67
Comprehensive loss		-	-	-	(670)	(1,630)	(2,300)
<b>Balance, June 30, 2011</b>		<b>49,804</b>	<b>5,098</b>	<b>5,961</b>	<b>(415)</b>	<b>(24,361)</b>	<b>36,087</b>

## Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - expressed in thousands of Canadian Dollars)



**MINDORO**  
RESOURCES LTD

	Note	Quarter Ended June 30,		Six Months Ended June 30,	
		2011	2010	2011	2010
		\$	\$	\$	\$
<b>Cash provided by (used in)</b>					
<b>Operating activities</b>					
Loss for the period		(802)	(584)	(1,630)	(1,209)
Items not affecting cash					
Stock-based compensation		38	10	53	270
Depreciation and amortization		20	12	57	23
Unrealized exchange differences		(72)	129	(35)	(21)
Other		-	(17)	(1)	(13)
Net change in non-cash working capital items		222	39	116	(249)
		(594)	(411)	(1,440)	(1,199)
<b>Investing activities</b>					
Payments for mining assets		(2,241)	(901)	(3,796)	(1,212)
Purchases of equipment		(179)	(50)	(202)	(56)
		(2,420)	(951)	(3,998)	(1,268)
<b>Financing activities</b>					
Issue of share capital, net of issuance costs		-	13	3,413	2,437
Deposits held for private placement		-	636	-	636
Cash received for deferred capital subscription funding		-	163	139	475
Cash returned from deferred capital subscription funding		(16)	(265)	(74)	(265)
		(16)	547	3,478	3,283
<b>Increase (decrease) in cash and cash equivalents</b>		<b>(3,030)</b>	<b>(815)</b>	<b>(1,960)</b>	<b>816</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>10</b>	<b>5</b>	<b>17</b>	<b>1</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>11,051</b>	<b>2,651</b>	<b>9,974</b>	<b>1,024</b>
<b>Cash and cash equivalents at end of period</b>		<b>8,031</b>	<b>1,841</b>	<b>8,031</b>	<b>1,841</b>
<b>Supplemental information</b>					
Cash interest received		86	2	171	4

## **1. GOING CONCERN**

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

The consolidated entity has incurred a net loss of \$1,630 (December 31, 2010 - \$1,209) and operating cash outflows of \$1,440 (December 31, 2010 - \$1,119). At June 30, 2011 the consolidated entity has net current assets of \$7,360 (December 31, 2010 - \$9,419). 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 will seek to raise additional capital to expand its exploration operations and further develop its existing assets in an appropriate timeframe. 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 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 June 30, 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.

## **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. Comparative figures for the three and six month period ended June 30, 2010 have not been reviewed or audited by an external auditor.

### **(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 interim consolidated financial statements ("financial statements"). In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* 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 June 30, 2011, as required; and
- applied certain optional exemptions and certain mandatory exemption as applicable for first time IFRS adopters.

Note 10 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, June 30, 2010 and January 1, 2010, and the statement of operations for the six month period ended June 30, 2010 and 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 2(N).

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 condensed consolidated interim 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 June 30, 2011 the Company had no cash equivalents (December 31, 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) MINERAL 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.

Amortisation 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 mining assets (including exploration and evaluation expenditure) 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 share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of the options granted is recognized as a share-based payment expense with a corresponding increase in equity. 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.

The fair value 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 the options granted is measured 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.

#### **Mining 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.

#### **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 12 Income Taxes, amendments regarding Deferred Tax: Recovery of Underlying Assets
- IAS 19 Employee Benefits, amendments regarding deferral of actuarial gains and losses

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

**4. RESTRICTED CASH**

Cash and cash equivalents includes includes \$20 (December 31, 2010 - \$66, June 30, 2010 - \$443) in amounts advanced by a joint venture partner to two wholly owned subsidiaries of MRL Gold Phils., Inc. The cash is 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.

**5. MINING ASSETS**

	<b>Surigao</b>		<b>Batangas</b>				<b>Pan de Azucar</b>	<b>Royalty Deposits</b>	<b>Total</b>
	<b>Agata</b>	<b>Tapian &amp; Regional</b>	<b>El Paso</b>	<b>Lobo</b>	<b>Talahib</b>	<b>Archangel</b>			
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>January 1, 2010</b>	<b>5,657</b>	<b>2,542</b>	<b>1,816</b>	<b>4,451</b>	<b>250</b>	<b>6,802</b>	<b>479</b>	<b>200</b>	<b>22,197</b>
Property acquisition	56	547	39	-	15	-	15	-	<b>672</b>
Exploration	2,457	539	312	(2)	80	38	119	-	<b>3,543</b>
Royalty deposits	-	-	-	-	-	-	-	11	<b>11</b>
Currency translation	107	47	26	54	3	90	7	3	<b>337</b>
<b>December 31, 2010</b>	<b>8,277</b>	<b>3,675</b>	<b>2,193</b>	<b>4,503</b>	<b>348</b>	<b>6,930</b>	<b>620</b>	<b>214</b>	<b>26,760</b>
Property acquisition	210	(144)	17	-	9	-	4	-	<b>96</b>
Exploration	2,405	681	53	(4)	8	20	583	-	<b>3,746</b>
Currency translation	(217)	(89)	(48)	(97)	(7)	(159)	(18)	(4)	<b>(639)</b>
<b>June 30, 2011</b>	<b>10,675</b>	<b>4,123</b>	<b>2,215</b>	<b>4,402</b>	<b>358</b>	<b>6,791</b>	<b>1,189</b>	<b>210</b>	<b>29,963</b>

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The following table summarizes Mindoro’s earned mineral property interests and future commitments at June 30, 2011:

<i>Region</i>	<i>Project(s)</i>	<i>Interest Earned</i>	<i>Terms for Further Earn-In And Potential Future Commitments</i>
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 2010) 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%
Batangas	El Paso, Lobo and Talahib	100%	Joint venture (“JV”) agreement in effect whereby JV partner may earn up to a 75% direct and indirect interest in the separate JV projects in Batangas by sole funding exploration and completing a feasibility study for each project. 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 (includes Archangel Project, below).
Batangas	Archangel	100%	One time payment to tenement holders at the start of production, as per terms set out above for the other Batangas projects.
Panay	Pan de Azucar	75%	The Company has no outstanding commitments on Pan de Azucar.

*Royalty Payments*

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 the first six months of 2011, royalty payments amounted to \$Nil (2010 - \$11,000).

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.



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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 \$34,000). 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 \$640,000).

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.

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.

### 6. PROPERTY AND EQUIPMENT

	Computer software & hardware \$	Vehicles \$	Field equipment \$	Office equipment & furnishings \$	Leasehold improvements \$	Total \$
<i>Cost</i>						
<b>January 1, 2010</b>	227	109	39	74	78	527
Additions	30	95	30	44	10	209
Translation adjustment	2	1	-	1	1	5
<b>December 31, 2010</b>	259	205	69	119	89	741
Additions	20	23	45	12	102	202
Disposals	(25)	-	(1)	-	-	(26)
Translation adjustment	(4)	(5)	(2)	(1)	(3)	(15)
<b>June 30, 2011</b>	<b>250</b>	<b>223</b>	<b>111</b>	<b>130</b>	<b>188</b>	<b>902</b>
<i>Accumulated depreciation</i>						
<b>January 1, 2010</b>	147	43	26	45	77	338
Depreciation	28	27	13	11	4	83
Translation adjustment	2	1	1	-	1	5
<b>December 31, 2010</b>	177	71	40	56	82	426
Depreciation	34	27	9	21	7	98
Disposals	(25)	-	(1)	-	-	(26)
Translation adjustment	(4)	(2)	(1)	-	(2)	(9)
<b>June 30, 2011</b>	<b>182</b>	<b>96</b>	<b>47</b>	<b>77</b>	<b>87</b>	<b>489</b>
<i>Net book value at:</i>						
January 1, 2010	80	66	13	29	1	189
December 31, 2010	82	134	29	63	7	315
<b>June 30, 2011</b>	<b>68</b>	<b>127</b>	<b>64</b>	<b>53</b>	<b>101</b>	<b>413</b>

### 7. SHARE CAPITAL

At June 30, 2011, 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.

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**8. WARRANTS**

The following table summarizes information about Common share purchase warrants outstanding and exercisable as at June 30, 2011:

Expiry date	Exercise price \$	Dec 31, 2010	Granted	Exercised	Expired/ cancelled	June 30, 2011
Feb 13, 2011	0.300	<b>3,105,233</b>	-	-	(3,105,233)	-
Feb 13, 2011	0.180	<b>71,350</b>	-	(69,700)	(1,650)	-
Mar 03, 2011	0.150	<b>21,000,000</b>	-	(21,000,000)	-	-
Mar 03, 2011	0.150	<b>1,496,681</b>	-	(1,496,681)	-	-
Aug 25, 2011	0.300	<b>6,208,000</b>	-	-	-	<b>6,208,000</b>
Jul 09, 2012	0.310	<b>7,500</b>	-	-	-	<b>7,500</b>
Jul 09, 2015	0.310	<b>5,881,632</b>	-	-	-	<b>5,881,632</b>
Jul 22, 2015	0.310	<b>13,165,593</b>	-	-	-	<b>13,165,593</b>
		<b>50,935,989</b>	-	(22,566,381)	(3,106,883)	<b>25,262,725</b>
Weighted average exercise price (\$)		<b>0.237</b>	-	0.150	0.300	<b>0.308</b>

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

	2010
Risk Free Interest Rate	1.19%
Expected Life	1.00 years
Expected Volatility	137%
Expected Dividend	-

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**9. OPTIONS**

Expiry date	Exercise price \$	Dec 31, 2010	Vested	Granted	Expired/ Exercised cancelled	Mar 31, 2011
Aug 23, 2011	0.600	<b>300,000</b>	-	-	-	<b>300,000</b>
Sep 18, 2011	0.260	<b>150,000</b>	-	-	-	<b>150,000</b>
Jun 07, 2012	0.840	<b>1,652,000</b>	-	-	-	<b>1,652,000</b>
Jul 03, 2013	0.290	<b>2,080,000</b>	-	-	-	<b>2,080,000</b>
Jul 28, 2013	0.208	<b>4,000,000</b>	-	-	-	<b>4,000,000</b>
Sep 22, 2013	0.310	<b>700,000</b>	-	-	-	<b>700,000</b>
Oct 04, 2013	0.300	-	250,000	-	-	<b>250,000</b>
Oct 04, 2013	0.340	<b>150,000</b>	-	-	-	<b>150,000</b>
Oct 30, 2013	0.130	<b>50,000</b>	-	-	-	<b>50,000</b>
Dec 26, 2013	0.290	-	-	100,000	-	<b>100,000</b>
Jan 13, 2014	0.180	<b>100,000</b>	-	-	-	<b>100,000</b>
Feb 11, 2014	0.360	<b>650,000</b>	-	-	-	<b>650,000</b>
Apr 20, 2011	0.260	-	-	300,000	-	<b>300,000</b>
Aug 04, 2014	0.130	<b>2,565,000</b>	-	-	(200,000)	<b>2,365,000</b>
Jan 12, 2015	0.125	<b>200,000</b>	-	-	-	<b>200,000</b>
Mar 15, 2015	0.190	<b>1,450,000</b>	-	-	-	<b>1,450,000</b>
Options exercisable		<b>14,047,000</b>	250,000	400,000	(200,000)	<b>14,497,000</b>
Unvested options						-
Oct 04, 2013	0.300	<b>500,000</b>	(250,000)			<b>250,000</b>
Options outstanding		<b>14,547,000</b>	-	400,000	(200,000)	<b>14,747,000</b>
Weighted average exercise price (\$)		<b>0.299</b>	-	0.268	0.130	<b>0.301</b>

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

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

The weighted average fair value of options issued in the first six months of 2011 on the date of grant was \$0.14 per stock option (2010 - \$0.15). The fair value of stock option is estimated at the grant date using the Black-Scholes option pricing model based on the following ranges of assumptions:

	2011	2010
Risk Free Interest Rate	1.72%	2.29%
Expected Life	3.00 years	5.00 years
Expected Volatility	132%	122%
Expected Dividend	-	-
Expected Forfeitures	-	-

## **10. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

As stated in Note 2, these condensed consolidated financial statements include the effects of the Company's adoption of IFRS standards.

The accounting policies in Note 2 have been applied as follows:

- in preparing the condensed consolidated interim financial statements for the six months ended June 30, 2011;
- the comparative information for the three months ended June 30, 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 six months ended June 30, 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, \$4.031 million relates to “Employee benefit reserve”, and \$4.332 million relates to “Warrants reserve”.

As a result, the Company believes that a reclassification would be necessary in the equity section between “Contributed surplus” and the various reserve accounts totalling \$8.363 million.

For comparatives, as at March 31, 2010, \$10.142 million “contributed surplus” account was reclassified into \$4.286 million “Employee benefit reserve” and \$5.857 million “Warrants reserve”.

Furthermore, as at December 31, 2010, \$12.261 million “contributed surplus” account was broken down into \$4.987 million “Employee benefit reserve” and \$7.274 million “Warrants reserve”.



**Notes to the Condensed Consolidated Interim Financial Statements**  
For the Six Months Ended June 30, 2011  
(Unaudited – expressed in thousands of Canadian Dollars unless otherwise noted)

**Reconciliation of Assets, Liabilities and Equity**

Expressed in thousands of Canadian Dollars

	As at January 1, 2010			As at June 30, 2010			As at December 31, 2010			
	Note	Effects of transition to		GAAP	Effects of transition to		GAAP	Effects of transition to		
		GAAP	IFRS		IFRS	IFRS		IFRS		
		\$	\$	\$	\$	\$	\$	\$	\$	
<b>Assets</b>										
Current assets										
Cash and cash equivalents		1,024	-	1,024	1,841	-	1,841	9,974	-	9,974
Accounts receivable		134	-	134	202	-	202	162	-	162
Prepaid expenses and other current assets	(a)	47	(15)	32	57	(8)	49	84	(7)	77
		1,205	(15)	1,190	2,100	(8)	2,092	10,220	(7)	10,213
Non-current assets										
Mining assets	(a)	23,683	(1,486)	22,197	24,907	(1,105)	23,802	27,996	(1,236)	26,760
Property and equipment	(a)	195	(6)	189	216	(6)	210	320	(5)	315
		25,083	(1,507)	23,576	27,223	(1,119)	26,104	38,536	(1,248)	37,288



**Notes to the Condensed Consolidated Interim Financial Statements**  
For the Six Months Ended June 30, 2011  
(Unaudited – expressed in thousands of Canadian Dollars unless otherwise noted)

**Reconciliation of Assets, Liabilities and Equity**

Expressed in thousands of Canadian Dollars

	As at January 1, 2010			As at June 30, 2010			As at December 31, 2010			
	Note	Effects of transition to		GAAP	Effects of transition to		GAAP	Effects of transition to		
		GAAP	IFRS		IFRS	IFRS		IFRS	IFRS	
		\$	\$	\$	\$	\$	\$	\$	\$	
<b>Liabilities</b>										
Current liabilities										
Accounts payable and accrued liabilities		764	1	765	576	-	576	792	2	794
		764	1	765	576	-	576	792	2	794
Non-current liabilities										
Defined benefit retirement plan		86	-	86	88	-	88	119	-	119
Deferred tax liabilities		186	-	186	190	-	190	-	-	-
Deferred capital subscription funding	(a)	1,165	(6)	1,159	1,350	19	1,369	1,459	9	1,468
		2,201	(5)	2,196	2,204	19	2,223	2,370	11	2,381
<b>Shareholders equity</b>										
Share capital		32,381	-	32,381	33,303	-	33,303	45,057	-	45,057
Share obligation		-	-	-	636	-	636	-	-	-
Reserves	(a, b)	8,363	36	8,399	10,142	409	10,551	12,260	321	12,581
Accumulated loss	(a, b)	(17,862)	(1,538)	(19,400)	(19,062)	(1,547)	(20,609)	(21,151)	(1,580)	(22,731)
		22,882	(1,502)	21,380	25,019	(1,138)	23,881	36,166	(1,259)	34,907
		25,083	(1,507)	23,576	27,223	(1,119)	26,104	38,536	(1,248)	37,288



**Notes to the Condensed Consolidated Interim Financial Statements**  
For the Six Months Ended June 30, 2011  
(Unaudited – expressed in thousands of Canadian Dollars unless otherwise noted)

**MINDORO**  
RESOURCES LTD

**Reconciliation of Loss and Comprehensive Loss**

Expressed in thousands of Canadian Dollars

	Six months ended June 30, 2010			Year ended December 31, 2010			
	Note	GAAP \$	Effects of transition to IFRS \$	IFRS \$	GAAP \$	Effects of transition to IFRS \$	IFRS \$
<b>Expenses</b>							
General and administration expenses		(505)	(6)	(511)	(1,415)	(14)	(1,429)
Employee benefits expense		(377)	-	(377)	(1,218)	-	(1,218)
Stock based compensation	(b)	(267)	(3)	(270)	(975)	(28)	(1,003)
Depreciation and amortization		(23)	-	(23)	(54)	-	(54)
<b>Total Expenses</b>		<b>(1,172)</b>	<b>(9)</b>	<b>(1,181)</b>	<b>(3,662)</b>	<b>(42)</b>	<b>(3,704)</b>
Finance income		4	-	4	38	-	38
Foreign exchange gain (loss)		(32)	-	(32)	148	-	148
<b>Loss before income tax</b>		<b>(1,200)</b>	<b>(9)</b>	<b>(1,209)</b>	<b>(3,476)</b>	<b>(42)</b>	<b>(3,518)</b>
Income tax benefit (expense)		-	-	-	187	-	187
<b>Loss for the period</b>		<b>(1,200)</b>	<b>(9)</b>	<b>(1,209)</b>	<b>(3,289)</b>	<b>(42)</b>	<b>(3,331)</b>
Exchange differences on translation of foreign operations	(a)	-	357	357	-	255	255
<b>Total comprehensive loss for the period</b>		<b>(1,200)</b>	<b>348</b>	<b>(852)</b>	<b>(3,289)</b>	<b>213</b>	<b>(3,076)</b>

**Notes to the Condensed Consolidated Interim Financial Statements**  
For the Six Months Ended June 30, 2011  
(Unaudited – expressed in thousands of Canadian Dollars unless otherwise noted)



**MINDORO**  
RESOURCES LTD

**Reconciliation of Cash Flows**

Expressed in thousands of Canadian Dollars

	Six months ended June 30, 2010			Year ended December 31, 2010		
	Note	Effects of transition		GAAP	Effects of transition	
		GAAP	to IFRS		to IFRS	IFRS
	\$	\$	\$	\$	\$	\$
<b>Cash provided by (used in)</b>						
<b>Operating activities</b>						
Loss for the year	(1,200)	(9)	(1,209)	(3,289)	(42)	(3,331)
Items not affecting cash						
Stock-based compensation	(b) 267	3	270	975	28	1,003
Depreciation and amortization	23	-	23	54	-	54
Unrealized exchange differences	(a) (1)	(20)	(21)	-	(3)	(3)
Other	(20)	7	(13)	(211)	14	(197)
Net change in non cash working capital items	(a) (241)	(8)	(249)	21	(7)	14
	(1,172)	(27)	(1,199)	(2,450)	(10)	(2,460)
<b>Investing activities</b>						
Payment for mining assets	(1,212)	-	(1,212)	(4,271)	-	(4,271)
Purchases of equipment	(56)	-	(56)	(209)	-	(209)
	(1,268)	-	(1,268)	(4,480)	-	(4,480)
<b>Financing activities</b>						
Issue of share capital, net of issuance costs	2,435	2	2,437	15,586	-	15,586
Deposits held for private placement	636	-	636	-	-	-
Cash received for deferred capital subscription funding	(a) 451	24	475	719	15	734
Cash returned from deferred capital subscription funding	(265)	-	(265)	(425)	-	(425)
	3,257	26	3,283	15,880	15	15,895
<b>Effect of exchange rate changes on cash</b>	-	1	1	-	(5)	(5)
<b>Increase (decrease) in cash</b>	817	-	817	8,950	-	8,950
<b>Cash at beginning of period</b>	1,024	-	1,024	1,024	-	1,024
<b>Cash at end of period</b>	1,841	-	1,841	9,974	-	9,974

**Notes to the Condensed Consolidated Interim Financial Statements**  
 For the Six Months Ended June 30, 2011  
 (Unaudited – expressed in thousands of Canadian Dollars unless otherwise noted)



**MINDORO**  
 RESOURCES LTD

**Reconciliation of Deficit**

Expressed in thousands of Canadian Dollars

	<i>Note</i>	January 1, 2010 \$	June 30, 2010 \$	December 31, 2010 \$
Deficit under GAAP		(17,862)	(19,062)	(21,151)
Cummulative translation differences	<i>(a)</i>	(1,461)	(1,466)	(1,471)
Share based payments	<i>(b)</i>	(36)	(39)	(64)
Other		(41)	(42)	(45)
<b>Deficit under IFRS</b>		<b>(19,400)</b>	<b>(20,609)</b>	<b>(22,731)</b>

**Reconciliation of Comprehensive Loss**

Expressed in thousands of Canadian Dollars

	<i>Note</i>	June 30, 2010 \$	December 31, 2010 \$
Comprehensive loss under GAAP		(1,200)	(3,289)
Cummulative translation differences	<i>(a)</i>	357	255
Share based payments	<i>(b)</i>	(3)	(28)
Other		(6)	(14)
<b>Comprehensive loss under IFRS</b>		<b>(852)</b>	<b>(3,076)</b>



**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 \$1.46 million 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	June 30, 2010	December 31, 2010
<b>Current assets</b>			
Prepaid expenses and other current assets	(15)	(8)	(7)
	(15)	(8)	(7)
<b>Non-current assets</b>			
Mining Assets	(1,384)	(1,006)	(1,126)
Property and Equipment	(6)	(6)	(5)
	(1,390)	(1,012)	(1,131)
	(1,405)	(1,020)	(1,138)
<b>Non-current liabilities</b>			
Deferred capital subscription funding	(6)	19	9
	(6)	19	9
<b>Shareholders' equity</b>			
Reserves	-	357	255
Accumulated losses	(1,461)	(1,466)	(1,471)
	(1,461)	(1,109)	(1,216)
	(1,467)	(1,090)	(1,207)

The effects on net and comprehensive loss are as follows:

	June 30, 2010	December 31, 2010
Currency translation differences	357	255
Increase (decrease) to comprehensive loss	357	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.

## **11. SUBSEQUENT EVENTS**

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. The Company intends to continue with the exploration of these projects and therefore the Company will recognize a gain in the amount of \$1.5 million on the reversal of the related provision for future capital subscriptions.