MINDORO

2003 FINANCIAL REPORT

MINDORO RESOURCES LTD.
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The following discussion should be read in conjunction with the accompanying financial statements and related notes.

OVERVIEW

Mindoro Resources Ltd., ("Mindoro" or "the Company") is a Canadian-based mineral exploration and development company holding interests in the Philippines. The primary corporate objective is the acquisition, exploration and, when successful, development and production of gold and gold-copper properties in the Asia-Pacific region. There is no commercial production from any mineral property in which Mindoro has an interest. There is no established source of revenue and the Company presently operates at a loss. All operations have been funded by equity sub-scriptions. Revenue for the current period was derived from interest income. All project expenditures are capitalized in deferred exploration where, upon development of an operating mine, these expenses can be recovered against income from operations. If the Company chooses to discontinue exploration activities on a particular property then the to-date expenses are written off against income.

OPERATING RESULTS

Interest income for the year ended December 31, 2003, was $101 down from $552 for the year ended December 31, 2002. Net loss of $310,229 was higher than the net loss of $241,588 in 2002; primarily attributable to increased general and administrative expenses and greater foreign exchange loss during 2003. Foreign exchange loss was $38,727 for the year, compared to just $5,489 in 2002.

Mindoro incurred $271,603 in general and administrative expenses in 2003, compared to $221,175 in 2002. The most significant increase occurred with consulting and professional fees, with $54,048 in 2003, representing an increase of $34,742 over 2002 fees of $19,306. Additional increases occurred in advertising and promotion, at $27,449 for the year, compared to $22,260 in 2002; conferences and trade show related expenses of $12,387 were up from $5,469 in 2002; listing fees and shareholder communications increased to $17,527 from $12,993 in 2002; and administrative related expenses increased by $6,937 to $24,502 in 2003, from $17,565 in 2002. Increases in general and administrative expenses, excluding professional and consulting fees, were primarily related to increased marketing activities. Rent for 2003 dropped to $10,068 from $14,322 in 2002, as the Company was still responsible in 2002 for partial payment of the lease of its former office. Travel expenses were $8,136 in 2003, an approximate 60% drop from 2002 travel expenses of $19,879 which was primarily related to less international travel during the year.

LIQUIDITY AND CASH RESERVES

The Company continues to rely on raising capital in order to fund its ongoing operations. As of December 31, 2003, Mindoro's cash position was $296,772; accounts receivable increased to $61,698 from $27,626 as of December 31, 2002; while Accounts Payable remained relatively unchanged, at $146,023, compared to $147,374 as of December 31, 2002.

The Company issued 61,922 Common Shares in January 2003, based on the market price of $0.11 per share, to one director to settle an outstanding $6,811 consulting fee payable liability. In July 2003, the Company further issued 272,726 Common Shares to two officers of the Company to settle a $95,000 outstanding wages payable liability. The Common Shares were recorded at the market price of $0.22 per share, for a total recorded value of $60,000. The officers agreed to waive the remaining $35,000 payable and this amount was included in the contributed surplus.

The Company completed one private placement on March 27, 2003, issuing 1,100,000 Units at a price of $0.15 per share, for gross proceeds of $150,000. Each Unit consisted of one Common Share and one-half Common Share Purchase Warrant. Each whole Purchase Warrant entitles the holder to acquire one Common Share at a price of $0.30 until March 27, 2004, and thereafter at $0.50 until expiry on March 27, 2005. During the year, 3,780,680 Common Share Purchase Warrants were exercised for proceeds of $562,872.

Subsequent to December 31, 2003, the Company issued 500,000 Units at a price of $0.30 per Unit for total proceeds of $150,000. Each Unit consisted of one Common Share and one-half

Common Share Purchase Warrant. Each whole Common Share Purchase Warrant entitles the holder to acquire one Common Share at a price of $0.60 until January 11, 2005. The Company paid the agent a 10% cash commission and 50,000 agent's warrants. The agent's warrants entitle the agent to acquire Units at $0.30 per Unit until January 11, 2006.

In 2003, the net amount of $378,292 was expended on Investing Activities, with $372,148 spent on Exploration Activities in the Philippines. The majority of activity was on the Lobo Project, with $281,574 in expenditures. Total amount of deferred exploration on existing properties as at December 31, 2003, is $3,048,411.

OUTLOOK

Abbreviations	
grams per tonne	g/t
meters	m
kilometers	km
feet	ft
ounces	oz

Lobo Project

Work on Lobo this past year was highly encouraging. A successful 2,000 m drill program on Lobo's South West Breccia prospect outlined a significant high-grade, near-surface gold zone. Drilling returned impressively high gold grades over good intersections, such as 9 g/t gold over 20 m (65 ft); and 5 g/t gold over 15 m (45 ft) These are true width intercepts and from fairly shallow drill holes. In all, 23 of 27 drill holes returned significant gold intercepts.

An independent resource calculation has been commissioned, and results will be reported when the calculation is complete.

South West Breccia comprises just a small part of the 7 km of mineralized vein breccia trends that Mindoro has identified so far on surface. We are optimistic that many more zones similar to South West Breccia will be identified during the coming year. The drill rig has been moved north of South West Breccia, into the West Drift area, and drilling is once again underway. Several strong porphyry targets have also been identified on Lobo and plans are being made to drill test these as well.

Archangel Project

An independent resource estimate calculated an inferred resource of 370,000 oz gold, at 0.68 g/t and 1,300,000 oz silver at Archangel's Kay Tanda prospect; this is completely open to extension. Preliminary metallurgical tests were encouraging, warranting additional metallurgical testing. However, Kay Tanda is just a small part of a significantly larger gold-silver system; more recent work has extended the system to over 5 km along strike by 1 km wide. Plans are to expand the current inferred resource with additional drilling over the coming year. At lower elevations on Archangel, strong indications of a large underlying porphyry copper-gold system have also been identified. Additional work is still required to advance these porphyry targets, but they also comprise a high-priority drill target.

Surigao Gold District Projects

Mindoro is in the final stages of concluding a joint venture agreement with Panoro Minerals Ltd., whereby Panoro will fund $2 million in exploration expenditures to earn 40% in all Mindoro's Surigao Projects. The Surigao Projects are comprised of the Tapian San Francisco, Tapian Main, Agata and Mat-I Projects, encompassing 24,000 ha. The Surigao Gold District has recently seen increased exploration activity, as Anglo-American has identified two large porphyry copper-gold discoveries in the Gold District and Australian junior Red5 is currently drilling another potentially significant porphyry copper-gold target located near the border of Red5 and Mindoro's Tapian Extension. Mindoro's own Tapian San Francisco also hosts a strong porphyry copper-gold prospect, and, upon signing of the Mindoro-Panoro joint venture agreement, an aggressive field program, leading to drilling, will commence.

Looking Forward

The Company's financial future continues to be dependent on new investment, but the outlook for exploration in the Philippines has never looked better. A supportive government regime, recent exploration successes leading to new gold and gold-copper discoveries, plus the growing demand for metals by China, Japan and Korea, are all culminating in a climate of anticipation and excitement not seen by the Pacific Ring of Fire's mining community for many years. Mindoro is well-positioned to take advantage of the emerging role the Philippines is poised to assume, as an important supplier of gold, copper and other base metals to the rest of the world.

Mindoro trades on the TSX Venture Exchange under the symbol MIO

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Auditors' Report

To the Shareholders
Mindoro Resources Ltd.

We have audited the consolidated balance sheets of Mindoro Resources Ltd. as at December 31, 2003 and 2002 and the consolidated statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "Collins Barrow Calgary LLP"

CHARTERED ACCOUNTANTS

Calgary, Alberta
March 5, 2004

Mindoro Resources Ltd.
Consolidated Balance Sheets
December 31, 2003 and 2002

	2003	2002
Assets		
Current assets		
Cash	$ 296,772	$ 158,301
Accounts receivable	61,698	27,626
Prepaid expenses	13,627	9,567
	372,097	195,494
Royalty deposits (note 3)	25,110	28,086
Mineral properties and deferred costs (note 4)	3,048,411	2,423,263
Property and equipment (note 5)	12,115	19,572
	$ 3,457,733	$ 2,666,415
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 146,023	$ 147,374
Shareholders' Equity		
Share capital (note 6)	9,292,564	8,219,877
Contributed surplus (note 7)	147,511	117,300
Deficit	(6,128,365)	(5,818,136)
	3,311,710	2,519,041
	$ 3,457,733	$ 2,666,415

Approved by the Board,

"Roger D. Morton" , Director

"Norman R. Toreson" , Director

Mindoro Resources Ltd.

Consolidated Statements of Loss and Deficit

Years Ended December 31, 2003 and 2002

	2003	2002
Revenue		
Interest	$ 101	$ 552
Expenses		
Administration	2,011	1,878
Advertising and promotion	27,449	22,260
Communications	5,678	4,485
Conferences and trade shows	12,387	5,469
Consulting and professional fees	54,048	19,306
Listing fees and shareholder communications	17,527	12,993
Office	24,502	17,565
Printing	8,947	4,101
Rent	10,068	14,322
Salaries and benefits	87,249	89,350
Travel	8,136	19,879
Amortization	13,601	9,567
	271,603	221,175
Loss before other expenses	(271,502)	(220,623)
Other expenses		
Foreign exchange loss	(38,727)	(5,489)
Loss on disposition of subsidiaries (note 11)	-	(15,476)
	(38,727)	(20,965)
Net loss	(310,229)	(241,588)
Deficit, beginning of year	(5,818,136)	(5,576,548)
Deficit, end of year	$ (6,128,365)	$ (5,818,136)
Net loss per share (note 6[e])		
Basic and diluted	$ (0.01)	$ (0.01)

Mindoro Resources Ltd.
Consolidated Statements of Cash Flows
Years Ended December 31, 2003 and 2002

	2003	2002
Operating activities		
Net loss	$ (310,229)	$ (241,588)
Items not affecting cash		
Amortization	13,601	9,567
Loss on disposition of subsidiaries (note 11)	-	15,476
	(296,628)	(216,545)
Decrease (increase) in royalty deposits	2,976	(9,594)
Changes in non-cash working capital	62,328	105,908
	(231,324)	(120,231)
Financing activity		
Issuance of share capital, net of issuance costs	748,087	368,950
Investing activities		
Expenditures on mineral properties and deferred costs	(372,148)	(295,986)
Acquisition of property and equipment	(6,144)	(2,430)
Proceeds on disposition of subsidiaries (note 11)	-	30,550
	(378,292)	(267,866)
Cash inflow (outflow)	138,471	(19,147)
Cash, beginning of year	158,301	177,448
Cash, end of year	$ 296,772	$ 158,301

Supplemental cash flows information (note 9)

1. Nature of operations and going concern

The Company was incorporated as Bond Resources Inc. under the Business Corporations Act of Alberta on July 12, 1994. On March 25, 1996, the Company changed its name to Mindoro Resources Ltd. The Company's principal activity is the acquisition, exploration and development of mineral properties in the Philippines. To date, no mineral development projects have been completed and commercial production has not commenced.

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

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

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

2. Significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, MRL Gold Phils., Inc.

(b) Mineral properties and deferred costs

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

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

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

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

(c) Property and equipment

Property and equipment are depreciated using the declining balance method at annual rates of 20% to 30% per annum.

(d) Income taxes

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

(e) Diluted loss per share

Diluted loss per share is calculated using the treasury stock method, whereby it is assumed that proceeds from the exercise of stock options and warrants are used by the Company to repurchase Company shares at the weighted average market price during the year.

(f) Stock-based compensation

The Company has a stock-based compensation plan as described in note 6[d].

Stock options and warrants granted to non-employees are accounted for using the fair value method whereby compensation expense is recorded based on the estimated fair value of the options or warrants at the grant date. Compensation expense is recorded as stock-based compensation expense with a corresponding increase in contributed surplus.

Stock options granted to employees, officers, and directors are accounted for using the intrinsic value method, whereby no amount is recorded for stock options that have an exercise price equal to or greater than the fair value of the stock at the date options are granted. However, the pro forma effect of accounting for stock options granted, had the fair value-based method been used, is disclosed in the financial statements. Any consideration paid on the exercise of stock options will be credited to share capital.

(g) Foreign currency translation

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

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

(h) Measurement uncertainty

The valuation of mineral properties and deferred costs are based on management's best estimate of the future recoverability of these assets. The amounts computed with respect to stock-based compensation are based on estimates of the expected lives of the options and warrants, expected dividends, and other relevant assumptions.

By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

3. Royalty deposits

The Company has arrangements with various Philippine landowners to conduct exploration and development activities for several mineral projects (note 4). Under these arrangements, the Company has advanced royalty deposits to these landowners which will be applied against royalties payable on future production, if any, from the related properties. If the Company abandons a mineral project, the related royalty deposit will be charged against income.

4. Mineral properties and deferred costs

	Balance, December 31, 2001	**Expenditures**	**Balance, December 31, 2002**	**Expenditures**	**Balance, December 31, 2003**
Agata*	$ 1,069,649	$ 16,783	$ 1,086,432	$ 47,401	$ 1,133,833
Tapian*	509,114	8,747	517,861	45,038	562,899
Lahuy*	103,361	-	103,361	-	103,361
Mat-I*	-	-	-	27,000	27,000
Pan de Azucar*	414,857	210,075	624,932	40,522	665,454
Lobo**	15,122	50,330	65,452	399,074	464,526
Archangel**	15,174	10,051	25,225	66,113	91,338
	$ 2,127,277	$ 295,986	$ 2,423,263	$ 625,148	$ 3,048,411

* Governed by a Memorandum of Agreement (note 4[a]).
** Governed by a Letter Agreement (note 4[b]).

During the year ended December 31, 2003, the Company capitalized $92,500 (2002 - $90,500) of a total of $179,749 (2002 - $179,850) in salaries and benefits expenses.

(a) Pursuant to a Memorandum of Agreement ("MOA") effective March 7, 1997 with Minimax Mineral Exploration Corporation ("Minimax"), the Company was granted the option to earn up to a 75% working interest in five mineral properties located in the Philippines. Under the terms of the MOA, the Company may earn working interests of 10%, 30% and 35% in each of the properties by completing phases one, two and three, respectively, as follows:

(i) Phase one - incurring an aggregate of 20,000,000 Philippine Pesos ("PP") in eligible mining expenditures allocated to the properties as defined in the MOA.

(ii) Phase two - incurring an aggregate of 75,000,000 PP in eligible mining expenditures allocated to the properties as defined in the MOA.

(iii) Phase three - incurring an aggregate of 75,000,000 PP in eligible mining expenditures allocated to the properties as defined in the MOA.

Once a phase expenditure requirement has been met on a property, the Company has the option to enter the next phase of the project by issuing 50,000 and 100,000 Common shares to Minimax for each phase two and phase three entered into, respectively.

As at December 31, 2003, the Company has met phase one expenditure requirements on all properties under this agreement, with the exception of Lahuy, and phase two expenditure requirements on the Agata and Pan de Azucar properties by incurring the required minimum eligible expenditures. In accordance with the MOA, 300,000 Common shares of the Company have been issued to Minimax to December 31, 2002. An additional 100,000 Common shares were committed to be issued in 2003 as the Company elected to enter into phase three on the Pan de Azucar property. As these shares were not issued prior to year-end, an obligation to issue shares was recorded at December 31, 2003 at the fair value of the shares to be issued, being $27,000, on the date the Company exercised its option.

The Company must incur expenditures in relation to each phase within time periods specified in the MOA. During the year ended December 31, 2003, the Company reached agreements with Minimax to issue an additional 100,000 Common shares as consideration for extending certain phase expenditure deadlines on the Agata, Tapian and Mat-I properties. The obligation to issue shares was recorded at December 31, 2003 at the fair value of the shares to be issued, being $27,000, on the date the Company executed the extensions.

The Company had until January 4, 2004 to meet phase three expenditure requirements on the Pan de Azucar property. Although the Company did not meet these requirements, the Company is currently negotiating an extension to this deadline. The time periods to complete expenditure requirements for the remaining Tapian, Lahuy and Mat-I properties commence once a Mineral Production Sharing Agreement ("MPSA") is received for each property. The application for these MPSA's is in progress.

Pursuant to a letter of intent dated September 18, 2003, the Company is negotiating to enter into a farm-in arrangement on the Agata, Tapian and Mat-I properties whereby an arms-length company may earn a 40% working interest in these properties by spending $2,000,000 on the properties over a four-year period. The Company is currently finalizing the agreement.

Pursuant to an agreement dated November 4, 2003, the Company was granted an option to earn to an additional 10% working interest in Agata, Tapian and Mat-I properties from Minimax. The Company may exercise its option on each property by making a payment to Minimax equivalent to 0.5% of the gross value of each mining reserve with a minimum of $5,000,000 US per mining reserve. The agreement also requires the Company to issue 200,000 Common shares to Minimax as additional consideration for granting the option. The obligation to issue these shares was recorded at December 31, 2003 at the fair value of the shares, being $54,000, to be issued on November 11, 2003, the date the Company executed the option agreement.

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

(i) Phase one - incurring an aggregate of $1,500,000 US in eligible mining expenditures on the mineral properties. The Company is required to meet the expenditure requirements for this phase by December 1, 2005.

(ii) Phase two - completing a feasibility study and obtaining the necessary financing to commence commercial drilling and production on the mineral properties.

Pursuant to the terms of the Agreement the Company issued 500,000 Common shares to Egerton with a fair value of $55,000 upon receipt of the related MPSA's on the properties.

Once the phase one expenditure requirement has been met on the properties, the Company has the option to enter into phase two by issuing an additional 500,000 Common shares to Egerton.

Upon completion of phase two, the Company must issue an additional 500,000 Common shares to Egerton. At this point, Egerton will have the option to convert its 25% working interest into a 2% gross smelter royalty.

Pursuant to the terms of each MPSA, the Company is required to spend certain minimum amounts on eligible expenditures to maintain the MPSA in good standing, and these minimum requirements have been met as at December 31, 2003.

(c) Pursuant to an agreement dated October 28, 2002 with East West Drilling Limited ("EWDL"), the Company agreed to issue 600,000 Common shares as consideration for EWDL providing $90,000 worth of drilling services on the mining projects described in note 4(b). The drilling services were completed during the year ended December 31, 2003, however, the related Common shares were issued subsequent to year-end, and as such, the transaction was recorded as an obligation to issue Common shares (note 6[b]). EWDL has exercised its option to provide additional drilling services for the Company by October 28, 2004 under similar terms.

5. Property and equipment

	2003			2002		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer hardware	$ 47,806	$ 43,036	$ 4,770	$ 44,777	$ 37,302	$ 7,475
Computer software	40,445	38,222	2,223	37,830	33,222	4,608
Office furniture and equipment	29,724	24,602	5,122	29,224	21,735	7,489
Leasehold improvements	16,517	16,517	-	16,517	16,517	-
	$ 134,492	$ 122,377	$ 12,115	$ 128,348	$ 108,776	$ 19,572

6. Share capital

(a) Authorized

Unlimited number of Common shares
Unlimited number of Preferred shares

(b) Issued - Common shares

	Number	Stated Value
Balance, December 31, 2001	20,467,529	$ 7,873,227
Pursuant to a Private Placement (note 6[b][i])	1,500,000	150,000
Pursuant to a Short Form Offering Document (note 6[b][ii])	2,535,900	196,650
Balance, December 31, 2002	24,503,429	8,219,877
For mineral properties (note 4[b])	500,000	54,682
For services rendered (note 6[b][iii])	334,648	65,954
Pursuant to a Private Placement (note 6[b][iv])	1,100,000	163,575
On exercise of purchase warrants (note 6[c][i])	3,780,680	567,661
On exercise of stock options (note 6[d][i])	138,000	22,815
Balance, December 31, 2003	30,356,757	9,094,564
Obligation to issue Common shares (note 4)	1,000,000	198,000
		$ 9,292,564

(i) Pursuant to a Private Placement, the Company issued 1,500,000 Units at a price of $0.10 per Unit for proceeds of $150,000. Each Unit consisted of one Common share and one Common share purchase warrant. Each warrant is exercisable into one Common share of the Company at a price of $0.15 until July 10, 2003 and thereafter at $0.30 until expiry on July 10, 2004.

(ii) Pursuant to a Short Form Offering Document, the Company issued 2,535,900 Units at a price of $0.11 per Unit for proceeds of $196,650, net of issuance costs of $82,299. Each Unit consisted of one Common share and one Common share purchase warrant. Warrants totalling $2,114,900 are exercisable into one Common share of the Company at a price of $0.15 until September 9, 2003 and thereafter at $0.30 until expiry on September 9, 2004. The remaining 421,000 warrants are exercisable into one Common share of the Company at a price of $0.15 until October 4, 2003 and thereafter at $0.30 until expiry on October 4, 2004.

The Company paid the agent a 10% cash commission on the gross proceeds of $278,949 and granted 253,590 agent's warrants. 211,490 and 42,100 agent's warrants are exercisable into one Common share of the Company at a price of $0.11 until expiry on September 9, 2004 and October 4, 2004, respectively. The fair value of the agent's warrants was estimated to be $22,300 using the Black-Scholes option pricing model with the following assumptions, expected option life of two years, expected volatility of 178%, risk-free rate of 3%, and a zero dividend yield. This amount has been recorded as a share issuance cost with a corresponding increase in contributed surplus.

(iii) On January 13, 2003, the Company issued 61,922 Common shares to settle a consulting fee payable to a director in the amount of $6,811. The transaction has been recorded at the exchange amount based on the market price of $0.11 per Common share when the payable was settled.

On July 9, 2003, the Company issued 272,726 Common shares to settle salaries payable to certain officers in the amount of $95,000. The transaction has been recorded at the exchange amount of $60,000 based on the market price of $0.22 per Common share when the liability was settled. The officers have agreed to waive the remaining $35,000 of the payable and as such this amount has been included in contributed surplus.

The above two issuances have been recorded net of issuance costs of $857.

(iv) Pursuant to a Private Placement, the Company issued 1,100,000 Units at a price of $0.15 per Unit for proceeds of $163,575, net of issuance costs of $1,425. Each Unit consisted of one Common share and one-half Common share purchase warrant. Each whole Common share purchase warrant entitles the holder to acquire one Common share at a price of $0.30 until March 27, 2004, and thereafter at $0.50 until expiry on March 27, 2005.

(v) Subsequent to December 31, 2003, the Company issued 500,000 Units at a price of $0.30 per Unit for total proceeds of $150,000. Each Unit consisted of one Common share and one-half Common share purchase warrant. Each whole Common share purchase warrant entitles the holder to acquire one Common share at a price of $0.60 until January 11, 2006. The Company paid the agent a 10% cash commission on the gross proceeds and granted 50,000 agent's warrants to the agent. The agent's warrants entitle the agent to acquire Units at $0.30 per Unit until January 11, 2006.

(c) A summary of the Company's Common share purchase warrants as at December 31, 2003 and 2002 and changes during the years then ended are as follows:

	Number
Balance, December 31, 2001	2,453,436
Issued with a Private Placement (note 6[b][i])	1,500,000
Issued with a Short Form Offering Document (note 6[b][ii])	2,789,490
Balance, December 31, 2002	6,742,926
Issued with a Private Placement (note 6[b][iv])	550,000
Exercised (note 6[c][i])	(3,780,680)
Expired	(1,881,163)
Balance, December 31, 2003	1,631,083

(i) During the year, 3,780,680 Common share purchase warrants were exercised for proceeds of $562,872. Stock-based compensation costs, totalling $4,789, originally recorded as an increase to contributed surplus during 2002 (note 6[b][ii]) on the issuance of agent's warrants has been reclassified to share capital upon the exercise of these warrants.

(ii) The following table summarizes information about Common share purchase warrants outstanding and exercisable at December 31, 2003:

Number of Warrants	Exercise Price	Expiry Date
282,900	$ 0.30	September 2004
160,810	$ 0.11	September 2004
38,000	$ 0.30	October 2004
42,100	$ 0.11	October 2004
557,273	$ 0.50	August 2004
	$ 1.00	August 2005
550,000	$ 0.30	March 2004
	$ 0.50	March 2005
1,631,083		

(d) Stock option plan

(i) The Company has a stock option plan under which directors, officers, consultants and employees of the Company are eligible to receive stock options. The maximum number of shares reserved for issuance upon exercise of all options granted under the plan may not exceed 10% of the issued and outstanding Common shares. The Board of Directors shall determine the terms and provisions of the options at the time of grant. Options under the plan generally have a term of five years and vest immediately, however, pursuant to shareholder approval received on July 3, 2003, the maximum term has been increased to ten years. 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.

A summary of the status of the Company's stock option plan as at December 31, 2003 and 2002 and changes during the years then ended are as follows:

	2003		2002	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,894,000	$ 0.16	1,839,000	$ 0.32
Granted	560,000	0.15	840,000	0.13
Exercised	(138,000)	0.17	-	-
Expired or cancelled	(270,000)	0.30	(785,000)	(0.52)
Outstanding and exercisable, end of year	2,046,000	$ 0.14	1,894,000	$ 0.16

The following table summarizes information about stock options outstanding and exercisable at December 31, 2003:

Range of Exercise Prices	Number	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
$0.10 - $0.14	1,235,000	3.15	$ 0.12
$0.15 - $0.23	811,000	3.25	$ 0.17
	2,046,000		$ 0.14

On February 11, 2004, the Company granted 880,000 stock options to directors, officers and employees which are exercisable at a price of $0.36 per option expiring February 11, 2014.

(ii) Stock-based compensation

On a pro forma basis, had the Company adopted the fair value based method of accounting for stock-based compensation for stock options granted under its stock option plan, the compensation costs, net loss and net loss per share would be as follows:

		2003	2002
Compensation costs		$ 78,400	$ 105,800
Net loss	As reported	$ (310,229)	$ (241,588)
	Pro forma	$ (388,629)	$ (347,388)
Net loss per share - basic and diluted			
	As reported	$ (0.01)	$ (0.01)
	Pro forma	$ (0.01)	$ (0.02)

The estimated fair value of options granted were calculated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions as follows:

	2003	2002
Risk-free interest rate	5.0%	5.0%
Expected hold period prior to exercise (years)	5	5
Expected volatility	150%	185%
Dividend yield per share	-	-
Grant date fair value per option	$0.14	$0.13

(iii) During the year ended December 31, 2002, the Company settled wages payable to certain officers in the amount of $95,000 by issuing 205,000 stock options. These options have a five-year term and an exercise price of $0.05 per option. This settlement has been recorded as an increase in contributed surplus.

(e) Net loss per share

Net loss per share is calculated on the basic weighted average number of Common shares outstanding during the year of 27,677,032 (2002 - 21,978,740). The exercise of stock options and Common share purchase warrants would be anti-dilutive in 2003 and 2002. The Common shares the Company is obligated to issue (note 6[b]) have been included in the weighted average number of Common shares in calculating the net loss per share.

7. Contributed surplus

As summary of contributed surplus as at December 31, 2003 and 2002 and changes during the years then ended are as follows:

Balance, December 31, 2001	$ -
On issuance of agent's warrants (note 6[b][ii])	22,300
Settlement of salaries payable (note 6[d][iii])	95,000
Balance, December 31, 2002	117,300
Settlement of accounts payable (note 6[b][iii])	35,000
Exercise of agent's warrants (note 6[c][i])	(4,789)
Balance, December 31, 2003	$ 147,511

8. Income taxes

(a) Significant components of the Company's future tax asset include the following:

	2003	**2002**
Tax values in excess of net book value of mineral properties and deferred costs and property and equipment	$ 201,000	$ 246,000
Share issue costs	15,000	26,000
Loss carryforwards	1,075,000	1,350,000
Valuation allowance	(1,291,000)	(1,622,000)
	$ -	$ -

(b) Income tax recovery differs from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 40.62% (2002 - 42.12%) to the net loss as follows:

	2003	**2002**
Expected income tax recovery	$ (126,015)	$ (101,757)
Decrease (increase) resulting from:		
Change in future tax asset resulting from changes in tax rates	326,184	18,450
Expiry of non-capital loss carryforwards	116,660	113,163
Future income tax expense not recognized	(332,531)	(53,708)
Settlement of salaries payable (note 6[d][iii])	-	40,014
Other	15,702	(16,162)
	$ -	$ -

(c) At December 31, 2003, the Company has Canadian non-capital losses of approximately $2,952,000 for which no benefit has been recognized in the consolidated financial statements. These losses expire as follows:

Year of Expiry	**Amount**
2004	$ 837,000
2005	528,000
2006	614,000
2007	349,000
2008	206,000
2009	137,000
2010	281,000
	$ 2,952,000

9. Supplemental cash flow information

The following non-cash transactions have been excluded from the statements of cash flows:

	2003	**2002**
Stock-based compensation costs (notes 6[b][ii] and 6[c][i])	-	22,300
Issuance of stock options and Common shares to settle accounts payable (notes 6[b][iii] and 6[d][iii])	101,811	95,000
Mineral property costs to be settled by share issuances (notes 4[a] and 4[b])	253,000	-

10. Financial instruments

(a) Fair values

The fair values of all financial instruments approximate their carrying values due to their short-term nature.

(b) Currency risk

The Company is exposed to currency price risk to the extent of its foreign operations conducted in the Philippines. The Company does not hedge its exposure to fluctuations in the related foreign exchange rate.

11. Disposition of Mindoro Tiris Ltd. and PT Mindoro Tiris Emas

Pursuant to a Purchase and Sale Agreement dated May 29, 2002 (“the Agreement”), the Company sold all of the outstanding Common shares of its wholly-owned subsidiaries, Mindoro Tiris Ltd. (“Tiris”) and PT Mindoro Tiris Emas (“Emas”). Tiris and Emas previously held all Indonesian assets and operations of the Company and were inactive during the period January 1, 2002 to May 29, 2002.

The proceeds of sale were allocated to the following combined assets and liabilities of Tiris and Emas as follows:

Cash proceeds	$ 30,550
Working capital	6,211
Security deposit - Department of Mines and Energy (Indonesia)	39,815
	46,026
Loss on disposition of subsidiaries	$ (15,476)

Pursuant to the Agreement, the Company has retained a net smelter production royalty ranging from 0.5% to 1.5% of future production, if any, that the purchaser may obtain from bringing the related Indonesian mineral properties into commercial production.

CORPORATE DIRECTORY

MANAGEMENT

Tony Climie, P.Geol., President & CEO
Penny Gould, Executive Vice President
and Corporate Secretary

DIRECTORS

Roger D. Morton, Ph.D., P.Geol., Chairman
Tony Climie, B.Sc., (Hons.), P.Geol.
Gerhard F. Kirchner, Ph.D., P.Eng
Oscar S. Reyes, M.B.A
N. Reid Toreson, B.Comm.

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ANNUAL MEETING

The annual meeting of the shareholders will be held:

DATE: June 24, 2004, at 10:00 am

PLACE: Ebony 1 Room, Best Western
Westwood Inn,
18035 Stony Plain Road
Edmonton, Alberta, Canada

Shares Listed

TSX Venture Exchange

Trading Symbol

MIO

For additional corporate and project
Information, visit the Mindoro website:
HTTP://WWW.MINDORO.COM