MINDORO
RESOURCES LTD

Consolidated Year End Audited Financial Statements

December 31, 2006

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

1. GENERAL

This discussion and analysis of financial position and results of operation is prepared as at March 31, 2007, and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2006 and December 31, 2005, which have been prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars, unless otherwise indicated. Additional information related to the Company can be found on SEDAR at www.sedar.com.

2. FORWARD LOOKING INFORMATION

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

3. NATURE OF THE BUSINESS

Mindoro Resources Ltd. ("Mindoro" or "the Company") is a Canadian-based mineral exploration and development company holding interests in the Philippines. The primary corporate objective is the acquisition, exploration and, when successful, development and production of gold, copper-gold and nickel properties in the Asia-Pacific region. There is no commercial production from any mineral property in which Mindoro has an interest. There is no established source of revenue and the Company presently operates at a loss. All operations have been funded by equity subscriptions. Revenue for the current period was derived from interest income. All project expenditures are capitalized in 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.

4. OVERVIEW OF EXPLORATION ACTIVITIES

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

BATANGAS PROJECTS, LUZON

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

As of December 31, 2006, the Company had $6,549,323 in exploration expenditures on the Batangas Projects, including expenditures of $1,144,959 in the fourth quarter.

Kay Tanda-Pulang Lupa Epithermal Gold Prospects, Archangel Project
Drilling continued at Kay Tanda in the fourth quarter, where the Company has completed over 162 drill holes to date for a total of 21,000 meters of drilling. Full drill results are available on the Company's website.

Almost all holes have encountered near-surface, generally flat-lying to gently-dipping blanket-like low-grade mineralization, which is partially to strongly oxidized to depths of 40 to 60 meters, passing through a mixed (transitional) oxide and sulphide zone, into sulphide-only zone below. Drilling, especially at deeper levels, has encountered at least four steeper-dipping and much higher-grade zones, with bonanza grades to 100 g/t gold and over 1,000 g/t silver, in places, which are interpreted as structurally controlled upflow, or “feeder” zones. Further drilling and structural studies are in progress to determine the nature and controls of the high-grade zones.

Low sulphidation epithermal gold-silver mineralization at Kay Tanda is associated with extensive and intense hydrothermal breccias, quartz stockworks, and metal sulphides which are reflected by an induced polarization chargeability anomaly that is about 1.5 kilometers by 1.4 kilometers in extent. Less than 25 percent of the chargeability anomaly at Kay Tanda has been drill-tested to date. This is interpreted as part of a much larger mineral system consisting of epithermal gold-silver and base-metal mineralization telescoped into an underlying porphyry copper-gold system.

A comprehensive program of metallurgical testing has yielded excellent results. Encouraging results in early testing led to more detailed testing of large diameter drill core with the objective of evaluating heap leach characteristics of both the near-surface oxide and the deeper mixed oxide and sulphide material. As reported in a March 21, 2007 news release, two series of test work were completed.

The first was a bottle roll test from which very high gold and silver recoveries were obtained from both the oxide and mixed material. From the oxide material 93.4 percent of the contained gold and 83.7 percent of the contained silver was leached and recovered in 48 hours. From the mixed material, 88.6 percent of the gold and 87 percent of the contained silver was leached. These are unusually high recoveries, especially for the material containing sulphide. These results suggest that the gold and silver occur in cracks and fissures, and not bound with sulphides, and are hence very accessible to cyanide solutions.

For the second round of testing, column tests (heap leach tests) were performed on a crush size of minus 12.7mm (1/2 inch), which is close to the lower size limit normally used for heap leaching. Gold recovery from the oxide material after 17 days of leaching was 81.9 percent. Gold recovery from the mixed material after 11 days was 90.8 percent . Silver recoveries of 32 percent and 42 percent were obtained from the oxide and mixed material, respectively, which are still good. Both composites are highly amenable to heap leaching.

A second test was commenced at a very coarse crush size of 50mm (2 inch), since the coarser the crush, the lower the plant costs. This work is in progress and results will be reported on completion. Since the transition sample contained a high proportion of sulphide-related mineralization, and leached very well, a test will also be carried out on deeper, entirely sulphide-related gold and silver mineralization as well.

Mindoro has commenced an evaluation of the open-pit, heap-leach potential of Kay Tanda. Mindoro management is most encouraged by the drill results and metallurgical test work from Kay Tanda to date. In March 2007, the Company commissioned Golder Associates of Australia to carry out a geostatistical resource estimate for the near-surface zone at Kay Tanda. This is to give a first pass estimate of gold-silver content defined by drilling to date. This will be followed in the near future by a National Instrument 43-101 resource estimate. In conjunction with this, environmental base line work is in progress and detailed metallurgical studies are well advanced. This work will lead to a scoping study later in 2007.

Calo Porphyry Prospect, Batangas Region

The Company received approval from the Philippines Department of Environment and Natural Resources (DENR) in October 2006 for an Exploration Permit covering the Company’s Calo prospect.

The Calo area is extensively covered by young Quaternary volcanics and tuff which obscure large parts of the prospective underlying geology. However, in the northwest, erosion has exposed windows of porphyry-related alteration as well as copper and gold showings.

A major induced polarization (IP) and ground magnetic survey was performed by Elliott Geophysics International Pty. Ltd of Australia. Background chargeability values are in the range of five to eight msecs. An area of at least seven kilometers by four kilometers of greater than 20 msecs has been defined, which encompasses zones of greater than 50 msecs, and includes values to as much as 100 msecs, and more. These chargeability values suggest large concentrations of metal sulphides below the younger cover volcanics, which geological evidence suggests are related to a cluster of porphyry copper-gold centers. The chargeability anomalies occur at the intersection of strong regional northwest to southeast, and northeast to southwest structural features.

Evidence that the sulphides defined by the IP survey relate to porphyry copper-gold mineralization include:

- the Pica porphyry copper-gold mineralization already drill-intersected by the Company on the far-eastern margin of the Calo anomaly,

- the erosional windows of advanced argillic, phyllic and SCC (sericite-clay-chlorite), copper-stained, massive silica boulders, interpreted as porphyry system lithocap located in the southern part of Calo,
- abundant epithermal copper and gold showings which occur along the western and eastern margins of Calo, and include high-sulphidation epithermal copper-gold-silver veins,
- and the occurrence of a diatreme breccia.

All the above listed features are characteristic of Philippine porphyry copper-gold systems. In addition, in the southwest part of Calo, two trench channel samples gave 2.62 percent copper over 30 meters, and 2.17 percent copper over 20 meters. This exotic copper occurrence, which can be associated with South American porphyry copper deposits, also implies a significant copper source in the underlying rocks.

Drilling with a large diamond drill rig commenced in December 2006. Given the very large size of the target area, initial planning is for six drill holes in 3,500 meters as a preliminary test of the anomaly cluster. These will be widely-spaced holes, up to two kilometers apart, with the objective of vectoring into mineralization centers, and will form the basis of a major ongoing drill program.

SURIGAO PROJECTS, NORTHERN MINDANAO

Mindoro has earned a 75% interest from a private Philippine company, Minimax Mineral Exploration Corporation, in the Surigao Projects, comprised of the Agata, Tapian San Francisco, Tapian Main, and Mat-I projects. In 2006, Panoro Minerals Ltd. earned a 40 percent interest from Mindoro in the Surigao Projects by funding two million dollars in exploration expenditures.

Subsequent to December 31, 2006, Mindoro re-acquired Panoro's 40 percent interest. Upon closing, as consideration for the purchase of the interest, Mindoro will pay Panoro $750,000 cash plus 500,000 Mindoro Common shares; Mindoro will make a second payment of $500,000 cash plus 500,000 Common shares on the first anniversary of the closing. Furthermore, in the event that the nickel laterite prospect located on the Agata project should proceed to production and upon shipment of an aggregate one million tonnes of nickel laterite, Mindoro will pay Panoro $500,000 cash plus an additional $500,000 cash payment on the first anniversary of the shipment. The agreement is subject to regulatory approval and is expected to close early in the second quarter of 2007.

Upon completion of the Panoro interest purchase, Mindoro's interest in the Surigao Projects will total 75 percent. Mindoro has the option to acquire a further 25% percent from its Philippine partner at feasibility stage, bringing its total interest to 100 percent if all options are exercised.

As of December 31, 2006, the Company had $2,353,643 in exploration expenditures recorded to the Surigao Projects. In the fourth quarter, the Company spent $510,699 on the Surigao Projects, and, as operator of the Projects, received management fees of $44,772 from the Surigao Joint Venture, comprised of Mindoro, Panoro and Minimax. The granted tenements consist of an MPSA on Agata and EPs on Tapian San Francisco and Tapian Main. The remaining ground is held under MPSA and EP applications that are undergoing processing.

Mindoro has defined multiple porphyry copper-gold and epithermal gold prospects on the Surigao Projects, as well as a significant nickel-iron laterite prospect.

Agata Project, Nickel-Iron Laterite Prospect

Prices and demand for nickel are at an all time high, and this situation shows no signs of slackening in the foreseeable future. Not only is the Philippines richly endowed with nickel laterite deposits, but it is an ideal location to supply the near-by markets in China, Japan and Korea. This proximity translates into low shipping costs and other competitive advantages. As a consequence, the nickel-iron laterite prospect on the Company's Agata project has become an important component of the Company's future plans.

In 2006, thirty-five wide-spaced drill holes at Agata produced encouraging results, with nickel and iron grades in the range of material in high demand for the rapidly expanding ferro-nickel market for stainless steel production in China and SE Asia. Results were reported in a release dated July 6, 2006.

As a consequence of these encouraging results and high demand for nickel-iron product, five coring rigs commenced drilling at the Agata nickel laterite prospect in March 2007. With five drill rigs working around the clock, it is expected that drilling will be completed by late April at which time the resource estimate will commence. Work on an Environmental Compliance Certificate commenced in early 2007.

Based on the 2006 drilling, the Agata nickel laterite prospect is considered an excellent Exploration Target with initial potential for 2 million to 3.5 million tonnes at a grade of 0.9 percent to 1.2 percent nickel and 40 percent to 45 percent iron, adequate for three to five years of production. The Company's immediate objective is to define a NI 43-101 compliant resource, initially for three to five years of production at a rate of 500,000 to 700,000 wet metric tonnes per annum of direct shipping-grade material for the very high demand ferro-nickel markets of China and SE Asia. The initial drill program and Exploration Target covers less then 20 percent of the area of nickel laterite mineralization mapped to date at Agata. Preliminary marketing studies and environmental permitting have commenced and the target production date is the first half of 2008. The project is just one kilometer from tidewater and investigations of the potential mine road access to the coast have also commenced. The longer term objective is to expand this resource, and mine life, once production has commenced.

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

Agata Project, Porphyry Prospects
An August 05, 2005 news release described in results to date on the Agata Project where IP surveys had defined a cluster of strong and extensive chargeability anomalies in a favorable structural setting near the intersection of cross-faults with the Philippine Fault. The two strongest anomalies, Agata North and Agata South, were selected for drill testing.

As described in the Company's November 20, 2006 press release, of five drill hole attempts on the Agata North and Agata South porphyry copper-gold targets, none reached the source of the respective strong target IP chargeability anomalies due to very bad ground conditions related to an intensely fractured and sheared ultra-mafic cap rock. Given the high potential of the targets, and the fact that porphyry copper-gold mineralization had previously been discovered by Mindoro on the Assmicor prospect at Agata, new strategies will be devised to successfully test these promising targets in 2008.

Tapian San Francisco Project
Results of a 1,176 meter drilling program on Tapian San Francisco were released in the fourth quarter of 2006. Three diamond core holes were drilled on the C6 and C9 targets between early May and late September 2006. As reported in the Company's October 5, 2006 press release, no significant mineralization was intersected in holes one and three and hole two was terminated in bad ground, prior to reaching target depth. However, all holes intersected porphyry copper-gold related alteration, pyritization and anomalous copper and gold values. Results are therefore considered encouraging and future drilling will step-out eastwards to vector in to the interpreted center of the porphyry copper-gold system.

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

5. RESULTS OF OPERATIONS

For the year ended December 31, 2006

Interest income for the year ended December 31, 2006 was $45,088 compared to interest income of $21,607 for the year ended December 31, 2005, as the Company had greater cash throughout 2006 as a result of increased financing activities. The net loss of $1,874,551 for year ended December 31, 2006, was less than the net loss of $1,904,007 year ended December 31, 2005. The Company recorded significantly lower stock based compensation expenses in 2006 of just $217,925 compared to $1,082,306 in 2005 as significantly fewer options were issued in 2006. The Company did not have any mineral property write downs in 2006, whereas the Company wrote down $102,136 of mineral properties in 2005.

Conferences and trade show expense for the year ended December 31, 2006 was $53,915 compared to just $13,124 for 2005 as the Company attended several more trade shows in 2006. Consulting and professional fees of $265,865 for the year ended December 31, 2006, was higher than the total of $200,072 for 2005. Consulting and professional fees for 2006 includes $129,772 of accounting and audit fees and $93,312 of legal fees, compared to accounting and legal fees for 2005 of $119,470 and $32,217, respectively; accounting fees for 2006 included charges of approximately $44,300 that were related to 2005 audit services for which the Company was not billed until after the period.

Investor relations consultants fees of $112,755 for the year ended December 31, 2006, was similar to fees of $117,304 for the year ended December 31, 2005. Printing expenses of $34,175 for the twelve months of 2006 were up from $8,734 for the same period in 2005 due to increased marketing activities in Canada and Europe. These activities also resulted in higher advertising and promotion expenses of $246,705 for 2006, compared to $123,673 for 2005, as well as higher office, postage and sundry expenses of $84,571 compared to the 2005 expense of $57,361. Both the Company and the Company's subsidiary in the Philippines moved into larger offices in 2006, resulting in greater rent expense of $46,665 for the year ended December 31, 2006 than expense of $22,427 for the year ended December 31, 2005.

Increased field activity over the past year has resulted in the need to hire additional personnel, resulting in higher salary costs. Salaries and benefits of $450,445 for the period was significantly higher than salaries and benefits of just $160,658 for the same period in 2005. The 2006 salaries expense for the year is comprised of $261,576 in Canadian salaries and $188,869 in salaries from the Company's Philippine subsidiary.

Stock options vesting during the year ended December 31, 2006, resulted in stock-based compensation expense of $142,478 compared to stock-based compensation expenses of $1,067,334 recognized in the same period of 2005. Stock options previously granted to investor relations consultants, which vested during 2006, resulted in other stock-based compensation expense of $75,447 compared to other stock-based compensation expense in 2005 of $14,972. Travel expenses of $177,636 for 2006 were higher than travel expenses of $81,236 for 2005; due to increased marketing activities during 2006, particularly in Europe. Depreciation expense of $15,084 for the year ended December 31, 2006, was higher than depreciation expense of $6,928 in 2005.

For the three months ended December 31, 2006

Interest income for the fourth quarter of 2006 was $12,692 compared to interest income of $6,657 for the fourth quarter of 2005. The net loss of $482,267 for the fourth quarter was considerably less than the net loss of $1,058,027 in the fourth quarter of 2005 as the Company recorded significant stock based compensation expenses in the fourth quarter of 2005 and the Company wrote down $102,136 of mineral properties in 2005, compared to nil in the fourth quarter of 2006.

Advertising and promotion expense of $27,317 for the fourth quarter of 2006 was similar to $22,040 for the fourth quarter of 2005. Conferences and trade show expense was $7,197 for the fourth quarter, compared to just $158 for the same quarter in 2005, as the Company attended a trade show in Europe in the fourth quarter of 2006.

Consulting and professional fees of $80,420 was lower for the fourth quarter of 2006 compared to $140,964 for the fourth quarter of 2005. Investor relations consultants fees of $37,348 for the fourth quarter of 2006 was slightly higher than fees of $24,667 in the fourth quarter of 2005. Printing expenses of $7,074 in the fourth quarter were up from $3,696 in the fourth quarter of 2005 as the Company continued to have increased marketing activities. Office, postage and sundry expenses of $17,917 were higher in the fourth quarter of 2006 than the $12,952 expense incurred in the fourth quarter of 2005, also primarily related to increased marketing activities. As the Company and the Company's subsidiary in the Philippines were in larger offices in 2006; rent expense of $13,635 for the fourth quarter of 2006 was higher than the expense of $5,927 in the fourth quarter of 2005.

Increased field activity continued into the fourth quarter of 2006, resulting in higher salary costs. Salaries and benefits of $137,406 for the fourth quarter of 2006 was significantly higher than salaries and benefits of $34,181 in the fourth quarter of 2005.

Stock options vesting during the fourth quarter of 2006 resulted in stock-based compensation salary expenses of just $13,720 compared to $901,415 of stock-based compensation expenses recognized in the fourth quarter of 2005. Stock options previously granted to investor relations consultants, which vested during the fourth quarter of 2006, resulted in other stock-based compensation expense of $17,953, compared to $10,097 of stock-based compensation expenses in the fourth quarter of 2005. Travel expenses for the fourth quarter of $70,844 were higher than travel expenses in the fourth quarter of 2005 of $23,185; as increased marketing activities continued in the fourth quarter of 2006. Depreciation expense of $4,531 in the fourth quarter of 2006 was higher than the 2005 fourth quarter depreciation credit amount of $1,783.

6. SUMMARY OF QUARTERLY RESULTS

Quarter Ending	Net Earnings Gain (Loss)	Earnings Gain (Loss) Per Share	Total Assets
December 31, 2006	$(482,267)	$(0.008)	$13,621,373
September 30, 2006	(483,045)	(0.008)	9,900,290

June 30, 2006	(479,184)	(0.008)	9,865,035
March 31,2006	(430,055)	(0.008)	7,240,937
December 31, 2005	(1,208,486)	(0.020)	7,571,132
September 30, 2005	(159,636)	(0.003)	7,506,223
June 30, 2005	(189,333)	(0.005)	6,176,171
March 31, 2005	(346,552)	(0.009)	5,537,076

7. LIQUIDITY

The Company continues to rely on raising capital in order to fund its ongoing operations. As of December 31, 2006, Mindoro's cash position was $3,602,179, up from $1,419,311 as at December 31, 2005. In 2006, the Company received net proceeds of $4,993,937 from two private placements. In April of 2006, the Company received $2,707,325 net proceeds and in December, 2006, net private placement proceeds amounting to $2,286,612 were received. Purchase warrants exercised during the period resulted in net proceeds of $2,099,400, including net proceeds received during the fourth quarter of $1,743,408. Exercise of stock options during the period amounted to $83,850 net proceeds with $10,380 received during the fourth quarter.

Accounts receivable decreased to $140,918 as of December 31, 2006, from $277,490 as of December 31, 2005. Prepaid expenses decreased in the fourth quarter, to $52,408 from $65,180 at the end of the third quarter, and from $168,544 as of December 31, 2005. The property and equipment balance of $159,851 was up from the September 30 balance of $116,202 and up from $65,354 as of December 31, 2005, pursuant to the Company's increased field programs. Accounts payable and accrued charges of $648,720 as at December 31, 2006, was a marked increase from the balance of $538,379 as at September 30, 2006, and the December 31, 2005 balance of $203,666 which is primarily related to several new drilling programs underway in the Philippines.

In 2006, $4,135,165 was spent on Investing Activities ($1,341,796 in 2005) with $4,025,584 spent on exploration activities ($1,309,506 in 2005). The total amount of deferred exploration spent as at December 31, 2006 was $9,666,017 ($5,640,433 as at December 31, 2005).

8. CAPITAL RESOURCES

Some of the following commitments are denominated in Philippine Pesos (PP). At December 31, 2006, 42.344PP = $1CDN.

Memorandum of Agreement: Agata, Lahuy Mat-I, Pan de Azucar, and Tapian Projects

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

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

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

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

i. Phase one – incurring an aggregate amount of PP20 million in eligible mining expenditures allocated to the properties as defined in the MOA;

ii. Phase two – incurring an additional aggregate amount of PP75 million in eligible mining expenditures allocated to the properties as defined in the MOA; and

iii. Phase three – incurring an additional aggregate amount of PP75 million in eligible mining expenditures allocated to the properties as defined in the MOA.

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

i. Pan de Azucar - The Company is in Phase three of this project and was to have incurred PP15,000,000 in eligible mining expenditures by January 4, 2004. Although the Company did not meet these requirements, the Company is currently negotiating an extension to this deadline.

ii. Mat-I - The Company is in Phase two of this project and must incur PP15,000,000 in eligible mining expenditures to earn an additional 30 percent interest. These expenditures must be made within a two year period from the approval and execution of the Mineral Production Sharing Agreement ("MPSA") on this project. The MPSA on this project was filed in 1997 and has not yet been approved.

iii. Lahuy - The Company is in Phase one of this project and must incur PP5,000,000 in eligible mining expenditures. There is currently more than one party claiming title to the mining claims over this property, and as such, the Company has not been able to obtain a MPSA or an exploration permit. The Company is of the opinion they will be able to successfully resolve this dispute. However, in keeping with Canadian generally accepted accounting principles to write-down projects dormant for three years or longer, $102,136 in Lahuy assets were written off in 2005.

As of December 31, 2006, the Company has met Phase one expenditure requirements on all properties under this agreement; Phase two expenditure requirements on Agata, Tapian, and Pan de Azucar properties; and Phase three expenditure requirements on Agata and Tapian properties.

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

Pursuant to an agreement dated October 5, 2005, the Company's subsidiary, MRL Gold Phil's Inc., (MRL) acquired an option to purchase an additional 15 percent direct and indirect participating interest (the Additional Interest Option) from Minimax in future mining reserves located in the Surigao Projects. Under the Additional Interest Option, after completion of a Bankable Feasibility Study but before commencing mining operations, MRL has the option to purchase an additional 15 percent interest from Minimax in each and any mining reserve located on the Surigao Projects. Payment shall be equivalent to 0.75 percent of the gross value of each mining reserve, to a minimum of US$7.5 million. In addition MRL shall make initial cash payment of US$75,000, and, thereafter, make further payments of US$75,000 annually for 4 years. Beginning in year five to commencement of production, annual payments of US$125,000 will be made. A net smelter royalty of one percent against the additional 15 percent interest in mineral reserves shall also be payable to Minimax. MRL may, at any time, terminate the Additional Interest Option without penalty. In May 2006, the Company issued 75,000 Common shares to Minimax as consideration for granting the option with a total value of $63,690.

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

Pursuant to the Surigao Option Agreement ("SOA") effective June 21, 2004, Panoro Minerals Ltd. was granted an option to acquire a 40 percent interest in each of the Agata, Tapian and Mat-I properties and any extensions on those properties. In order to earn the interests in the properties, Panoro is to make expenditures totaling $2,000,000 over a four year period as follows (the "Surigao Option Period"):

i. $350,000 during the first expenditure period;

ii. $450,000 second expenditure period; and

iii. $600,000 in each of the third and fourth expenditure periods.

Panoro was granted an additional interest option to earn 2.5 percent of the additional 10 percent interest in each of the Agata, Tapian and Mat-I properties by reimbursing the Company 25 percent of the costs incurred by the Company under the Interest Option at the time the option is exercised. As consideration for granting the additional interest option, Panoro is obligated to deliver to the Company 50,000 Common shares of the Company. These 50,000 Company shares were netted against the obligation to issue 100,000 Company shares to Minimax upon entering Phase three of the Tapian project. Thus, 50,000 net shares, previously recorded as Common shares issuable, were issued to Minimax during the second quarter. If the phase expenditures on the properties are not met, the properties become excluded from the SOA. Panoro reached its earn-in threshold of $2,000,000 in July 2006 and in October 2006 formally notified Mindoro that it was exercising its option pursuant to the SOA. The Mat-I property became an Excluded Property as a work program and budget were not approved during the required period for that project. As of December 31, 2006, ownership interest in the Agata and Tapian properties was Panoro 40 percent, Mindoro 35 percent, and Minimax 25 percent, and in the Mat-I property, Mindoro 75 percent and Minimax 25 percent.

Under the terms of the MOA and the SOA and as confirmed in a Confirmation Agreement between the Company, Minimax and Panoro, the parties established an Area of Mutual Interest surrounding the Agata, Tapian and Mat-I properties. During 2004, the Company entered into two agreements to acquire mineral tenements over properties that are within the Area of Mutual Interest to the Surigao properties. On October 26, 2004, the Company entered into an Agreement to Explore, Develop and Operate Mineral Property ("the Bautista-Agata Agreement") and acquired mineral exploration, development and production rights. On signing this agreement, the Company paid a signing bonus of PP500,000 to the vendor. The Company has the following additional obligations:

i. Issue 100,000 Common shares to the vendor upon the approval of the exploration permit;

ii. Commence payment to the vendor of quarterly royalty advances of PP50,000 per quarter three months following the approval of the exploration permit;

iii. Issue 250,000 Common shares to the vendor one year following the approval of the exploration permit, and

iv. Issue 500,000 Common shares to the vendor upon decision to commence commercial production.

The vendor is entitled to a 1.5 percent Net Smelter Royalty on commercial production from the property. Pursuant to the terms of the Confirmation Agreement, Panoro elected to include this additional property as part of the Agata project. On October 11, 2006, the Mines Department approved the exploration permit for this property and the requisite 100,000 Common shares were recorded as issuable as of December 31, 2006; these shares were issued to the vendor in January 2007.

On December 8, 2004, the Company entered into an Agreement to Explore, Develop and Operate Mineral Property ("the Bautista-Tapian Agreement") and acquired mineral exploration, development and production rights. On signing the agreement, the Company paid a signing bonus of PP1,500,000 to the vendor. The Company was also obligated to issue to the vendor 40,000 Common shares of the Company and 40,000 Common shares of Panoro on signing of the agreement. The Company has the following additional obligations under the terms of the Bautista-Tapian Agreement:

i. Commence payment to the vendor of quarterly royalty advances of PP150,000 per quarter on June 8, 2005;

ii. Issue 50,000 Company Common shares and 50,000 Panoro Common shares to the vendor on December 8, 2005;

iii. Issue 250,000 Company Common shares and 250,000 Panoro Common shares to the vendor at feasibility study stage on the property; and

iv. Issue 250,000 Company Common shares and 250,000 Panoro Common shares to the vendor upon decision to commence commercial production on the property.

The vendor is entitled to a 1.5 percent Net Smelter Royalty on commercial production from the property. In January 2005, pursuant to the terms of the Confirmation Agreement, Panoro elected to include this additional property as part of the Tapian project.

On October 18, 2005, the Company entered into two Agreements to Explore, Develop and Operate Mineral Property ("the Canaga Agreements") and acquired mineral exploration, development and production rights on the Tibur and Macana tenements near the Company's Tapian San Francisco property. The tenements are in the form of Mineral Production Sharing Agreement (MPSA) applications. These will be converted to Exploration Permits (EPs) which are simpler and more rapidly granted form of tenements. On signing the Canaga Agreement, the Company paid a signing bonus of PP2,000,000 to the vendor. The Company has the following additional obligations under the terms of the Canaga Agreements:

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

ii. Issue 87,500 Company Common shares on the first anniversary of the registration of each EP.

iii. Payment to the vendor of quarterly advance royalties in the amount of PP88,000 and PP87,000 commencing after registration of the Tibur and Macana EPs, respectively.

On October 25, 2005, Panoro exercised its option to include the Tibur acquisition in the Surigao Option Agreement and earn a 40 percent interest. The vendor will receive 100,000 Panoro Common shares when a feasibility study begins on the Tibur acquisition, and will receive an additional 100,000 Panoro Common shares when a feasibility study begins on the

Macana acquisition, although Mindoro has the option to substitute Company Common shares of equivalent value. When production begins, the vendor will receive 500,000 Company Common shares. For the commercial exploitation of the property, the vendor will receive a royalty of one point five percent (1.5 percent) Net Smelter Returns (NSR) for production of gold and other minerals.

Egerton Agreement: Archangel, Lobo and Batangas Regional Projects

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

i. Phase one - incurring an aggregate of US$1,500,000 in eligible mining expenditures by January 21, 2006; and

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

Pursuant to the Agreement, the Company issued 500,000 Common shares to Egerton upon receipt of the related MPSAs on the properties during 2003. The Company met its phase one expenditure requirements in 2005 and has exercised its option to enter into phase two; 500,000 Common shares were issued to Egerton on November 7, 2005. Upon completion of phase two, the Company must issue an additional 500,000 Common shares to Egerton. At that point, Egerton will have the option to participate at 25 percent interest at production, or convert to a 2 percent gross smelter royalty. Pursuant to the terms of each MPSA, the Company is required to spend certain minimum amounts on eligible expenditures to maintain the MPSA in good standing. These minimum requirements have been met as at December 31, 2006.

During 2004, the Company entered into an Addendum to Agreement, whereby the area covered by the Agreement was extended to include certain mineral tenements surrounding the Lobo and Archangel properties (the "Batangas properties"). Egerton has acquired and made applications to acquire the Batangas properties. For each mineral deposit located within the Batangas properties for which a positive feasibility study is achieved and necessary financing to commence commercial drilling and production is obtained, the Company must issue 500,000 Common shares to Egerton, to a maximum of 1,500,000 Common shares or three mineral deposits on the Batangas properties.

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

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

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

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

9. TRANSACTIONS WITH RELATED PARTIES

Accounts receivable and advances as at December 31, 2006 includes $84,064 due from officers of the Company and the Company’s subsidiary. The majority of this amount includes a loan to an officer to purchase common shares in the Company (for $78,300). Also included are advances to the officer related to expenses which, upon reconciliation of advances, will be charged to mineral properties and exploration costs.

During the period, $12,624 was paid to a director of the Company for consulting services. Ascenta Capital received $60,000 for investor relations services and $70,646 for advertising and promotions expenses; a director of the Company is a principal of Ascenta. MacPherson Leslie & Tyerman, LLP received $14,608 for corporate legal counsel; a director of the Company is a partner in the law firm. Virtus Group, LLP was paid $1,300 for corporate employee benefits consulting; a director of the Company is a partner in Virtus Group, LLP.

Mineral properties and deferred costs include $2,552 paid to a director during the period for consulting work on the properties, as well as $67,729, paid to MacPherson Leslie & Tyerman, LLP for legal counsel in connection with the properties.

10. CAPITAL STRUCTURE

Authorized:
Unlimited number of Common shares
Unlimited number of Preferred shares

Issued - Common shares	**Number**
Balance, December 31, 2005	53,571,892
Issued on exercise of purchase warrants (a)	6,646,681
Issued pursuant to private placement (b)	7,403,950
Issued upon exercise of stock options (c)	450,000
Issued for properties (d)	75,000
Common shares issuable (e)	100,000
Balance, December 31, 2006	**68,247,523**
Common share purchase warrants	
Balance, December 31, 2005	7,508,861
Issued on exercise of agent's warrants	74,344
Issued pursuant to private placement	3,928,291
Warrants exercised (a)	(6,646,681)
Warrants expired	(953,528)
Balance, December 31, 2006	**3,911,287**
Stock options	
Balance, December 31, 2005	**4,825,000**
Issued	700,000
Exercised (c)	(450,000)
Forfeited	(40,000)
Expired	-
Balance, December 31, 2006	**5,035,000**

(a) Purchase warrants were exercised for net proceeds of $2,099,399.

(b) In April of 2006, the Company issued 4,118,950 Units at $0.70 per Unit for gross proceeds of $2,883,265. Finder's fees of $158,421 were paid pursuant to the issue and issue costs totaled $17,519. Each Unit consisted of one Common share and one half Common share purchase warrant. Each whole purchase warrant allows the holder to acquire one Common share of the Company at a price of $1.00 for a period of one year subsequent to issue of the purchase warrant and at a price of $1.25 for one additional year thereafter. The Company also issued 226,316 agent's warrants; agent's warrants are exercisable into Units having the same terms as the Units issued.

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

(c) Stock options were exercised for net proceeds of $83,850.

(d) The Company issued these shares in May 2006, pursuant to the Additional Interest Option Agreement with Minimax.

(e) In connection with the Company's October 26, 2004, Bautista-Agata agreement and pursuant to receiving the exploration permit for this property on October 11, 2006, the Company recorded an obligation to issue 100,000 Common shares to the property vendor. These shares were issued in January 2007.

The following table summarizes information about Common share purchase warrants outstanding and exercisable as at December 31, 2006:

Number of Warrants	Exercise Price	Expiry Date
2,076,479	$ 1.00	Apr-07
192,308	0.70	Apr-08
1,642,500	1.00	Dec-07
3,911,287		

The following table summarizes the information about stock options outstanding at December 31, 2006:

Range of Exercise Prices	Number Outstanding	Weighted Average Contractual Life (Years)	Weighted Average Exercise Price
$0.10 to $0.14	550,000	0.41	$0.13
$0.15 to $0.23	600,000	1.46	0.25
$0.24 to $0.36	1,750,000	4.34	0.31
$0.37 to $0.56	150,000	3.76	0.48
$0.57 to $0.80	700,000	3.36	0.69
$0.81 to $1.00	1,285,000	3.39	0.96
Total	**5,035,000**	2.70	**$0.51**

Share Data as of March 31, 2007

Subsequent to December 31, 2006, the Company issued 1,500,000 Common shares pursuant to a private placement for gross proceeds of $1,050.000; issued 72,760 Common shares from the exercise of purchase warrants for gross proceeds of $50,932; and issued 446,000 Common shares from the exercise of stock options for gross proceeds of $123,780; resulting in a total of 70,266,283 Common shares issued and outstanding as of March 31, 2007. The shares recorded as issuable as of December 31, 2006, were issued on January 21, 2007. The Company had a total of 4,588,527 purchase warrants and 4,589,000 stock options outstanding as of March 31, 2007.

11. SCHEDULE OF MINERAL PROPERTIES AND EXPLORATION COSTS

	For the Year Ended December 31, 2006			For the Year Ended December 31, 2005		
BATANGAS PROJECTS	**Lobo**	**Archangel**	**Regional**	Lobo	Archangel	Regional
General Exploration	87,117	440,342	153,632	382,228	391,680	86,043
Camp, Road Construction	1,413	108,510	-	1,999	380	-
Travel	8,684	43,937	19,918	23,536	17,086	8,437
Geology, Geophysics, Geochemistry	19,972	250,020	225,501	118,219	183,492	25,234
Drilling	235,504	1,545,460	45,610	328,504	1,657	-
Mapping, Sampling	2,679	22,719	26,536	14,616	12,798	8,825
Acquisition Costs	-	997	10,471	426	-	-
Community, Environmental	18,934	42,153	26,456	10,384	6,233	5,818
Total additions	**$ 374,303**	**$ 2,454,138**	**$ 508,124**	$ 879,912	$ 613,326	$ 134,357

	2006		2005	
SURIGAO PROJECTS	**Agata**	**Tapian**	Agata	Tapian
General Exploration	263,983	271,418	74,963	(85,631)
Camp, Road Construction	2,045	15,336	-	-
Travel	2,793	2,256	13,028	7,792
Geology, Geophysics, Geochemistry	278	2,498	-	-
Drilling	69,656	81,338	-	-
Mapping, Sampling	40	1,161	124	344
Acquisition Costs	21,508	23,272	45,302	85,676
Community, Environmental	8,960	6,817	46	556
Management Fee Recoveries	(62,680)	(144,586)	(31,164)	(22,295)
Total additions	**$ 306,583**	**$ 259,510**	$ 102,299	$ (13,558)

	2006		2005	
OTHER PROJECTS	**Pan de Azucar**	**Mat-I**	Pan de Azucar	Mat-I
General Exploration	2,560	24,619	(7,882)	2,302
Acquisition Costs	4,990	-	-	-
Total additions	**$ 7,550**	**$ 24,619**	$ (7,882)	$ 2,302

12. DISCLOSURE CONTROLS AND PROCEDURES

As required by Multilateral Instrument 52-109, management carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2006. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company to satisfy its continuous disclosure obligations, and are effective in ensuring that information required to be disclosed in the reports that the Company files is accumulated and communicated to management as appropriate to allow for timely decisions regarding required disclosure.

13. INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

14. RISKS AND UNCERTAINTIES

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

MINDORO
RESOURCES LTD

Management's Report

These financial statements are the responsibility of the Management of Mindoro Resources Ltd. They have been prepared in accordance with Canadian generally accepted accounting principles using Management's best estimates and judgements, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, notes to the financial statements and other financial information contained in this report. Estimates are sometimes necessary in the preparation of these statements because a precise determination of some assets and liabilities depends on future events. Management has based these estimates on careful judgements and believes they are properly reflected in the accompanying financial statements. Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors of Mindoro is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls through its Audit Committee, which is comprised of independent Directors and meets at least every quarter. The Board also meets with Management to ensure that Management's responsibilities are fulfilled, to review financial statements and to recommend approval of the financial statements. The Board of Directors has approved the information contained in the financial statements. Independent auditors, KPMG LLP, have audited the financial statements of Mindoro in accordance with Canadian generally accepted auditing standards.

April 12, 2007

"James A. Climie"
Chief Executive Officer
Edmonton, Alberta

"Penny M. Gould"
Chief Financial Officer
Edmonton, Alberta

KPMG LLP
Chartered Accountants
10125 – 102 Street
Edmonton AB T5J 3V8
Canada

Telephone (780) 429-7300
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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Mindoro Resources Ltd. as at December 31, 2006 and 2005 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 audit.

We conducted our audit 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Edmonton, Canada
April 12, 2007

Consolidated Balance Sheets

		December 31 2006		December 31 2005
ASSETS				
CURRENT				
Cash	**$**	**3,602,179**	$	1,419,311
Accounts receivable (Note 5)		**140,918**		277,490
Prepaid expenses		**52,408**		168,544
		3,795,505		1,865,345
MINERAL PROPERTIES AND EXPLORATION COSTS (Note 3)		**9,666,017**		5,640,433
PROPERTY AND EQUIPMENT (Note 4)		**159,851**		65,354
	$	**13,621,373**	$	7,571,132
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	**$**	**648,720**	$	203,666
SHAREHOLDERS' EQUITY				
Share capital (Note 6)		**21,842,956**		14,616,181
Contributed surplus (Note 7)		**2,363,677**		2,110,714
Retained earnings		**(11,233,980)**		(9,359,429)
		12,972,653		7,367,466
	$	**13,621,373**	$	7,571,132

COMMITMENTS (Note 9)
SUBSEQUENT EVENTS (Note 13)

Approved by the Board,

(signed) "A. Robson Garden", Director

(signed) "Doug A. Frondall", Director

Consolidated Statements of Loss and Deficit

MINDORO RESOURCES LTD

	Year Ended December 31, 2006	2005
REVENUE		
Interest	$ **45,088**	$ 21,607
EXPENSES		
Administration	**18,419**	13,408
Advertising and promotion	**246,705**	123,673
Communications	**25,567**	22,963
Conferences and trade shows	**53,915**	13,124
Consulting and professional fees	**265,865**	200,072
Investor relations consultants	**112,755**	117,304
Listing fees and shareholder communications	**25,206**	23,630
Office, postage and sundry	**84,571**	57,361
Printing	**34,175**	8,734
Rent	**46,665**	22,427
Salaries and benefits	**450,445**	160,658
Stock based compensation - employees	**142,478**	1,067,334
Stock based compensation - consultants	**75,447**	14,972
Travel	**177,636**	81,236
Depreciation and amortization	**15,084**	6,928
Foreign exchange loss	**144,706**	93,232
Write down of mineral properties and exploration cost	**-**	102,136
	1,919,639	2,129,192
	(1,874,551)	(2,107,585)
Provision for future income tax recovery (Note 8)	-	203,578
Net loss	**(1,874,551)**	(1,904,007)
Deficit, beginning of period	**(9,359,429)**	(7,455,422)
Deficit, end of period	$ **(11,233,980)**	$ (9,359,429)
Basic and diluted loss per share - basic and diluted	$ **(0.03)**	$ (0.04)
Weighted average shares outstanding	**58,828,018**	48,542,357

Consolidated Statements of Cash Flows

MINDORO
RESOURCES LTD

	Year Ended December 31 2006	2005
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net loss	**$ (1,874,551)**	$ (1,904,007)
Items not affecting cash		
Stock-based compensation - employees	**142,478**	1,067,334
Stock-based compensation - consultants	**75,447**	14,972
Depreciation and amortization	**15,084**	6,928
Unrealized foreign exchange loss	-	93,232
Write-down of mineral properties and exploration costs	-	102,136
Provision for future income tax expense	-	(203,578)
Changes in non-cash working capital	**697,763**	(440,165)
	(943,779)	(1,263,148)
INVESTING		
Expenditures on mineral properties and exploration costs	**(3,961,894)**	(1,309,506)
Acquisition of property and equipment	**(109,581)**	(32,290)
	(4,071,475)	(1,341,796)
FINANCING		
Issue of share capital, net of issuance costs	**7,198,122**	2,728,714
INCREASE IN CASH	**2,182,868**	123,770
CASH BEGINNING OF PERIOD	**1,419,311**	1,295,541
CASH END OF PERIOD	**$ 3,602,179**	$ 1,419,311
Non-cash Investing/Financing Activity		
Common Shares issued for mineral properties	**$ 63,690**	$ 170,000

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(A) PRINCIPLES OF CONSOLIDATION

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

(B) MINERAL PROPERTIES AND EXPLORATION COSTS

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

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

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

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

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

(C) PROPERTY AND EQUIPMENT

Property and equipment are carried at cost less accumulated depreciation and impairment losses. Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to working condition. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the company. All other subsequent expenditures are recognized as an expense in the period in which they are incurred.

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

(D) ASSET RETIREMENT OBLIGATIONS

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

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

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

(E) STOCK-BASED COMPENSATION

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

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

(F) INCOME TAXES

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

(G) PER SHARE AMOUNTS

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

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

(H) MEASUREMENT UNCERTAINTY

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

(I) FOREIGN CURRENCY TRANSLATION

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

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

3. MINERAL PROPERTIES AND EXPLORATION COSTS

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

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

Incidental revenue derived from management fees from third parties are treated as cost recoveries and recorded first as a reduction of the specific deferred exploration costs to which the fees relate, and any excess as a reduction to expenses in the statement of expenses. As of December 31, 2006, the total amount of cost recoveries have been deducted from the deferred exploration costs.

Project		2004		Expenditures, net of cost recoveries and writedowns		2005		Expenditures		Cost Recoveries		2006
Agata	$	969,284	$	114,338	$	1,083,622	$	369,263	$	(62,680)	**$**	**1,390,205**
Tapian		648,548		(13,558)		634,990		404,096		(144,586)		**894,500**
Lahuy		102,136		(102,136)		-		-		-		-
Mat-I		42,017		2,302		44,319		24,619		-		**68,938**
Pan de Azucar		609,669		-		609,669		7,550		-		**617,219**
Batangas		7,382		150,169		157,551		508,124		-		**665,675**
Lobo		1,124,583		974,356		2,098,939		374,303		-		**2,473,242**
Archangel		270,764		685,504		956,268		2,454,138		-		**3,410,406**
Laos		24,757		-		24,757		150		-		**24,907**
		3,799,140		1,810,975		5,610,115		4,142,243		(207,266)		**9,545,092**
Royalty Deposits		28,396		1,922		30,318		90,607		-		**120,925**
	$	3,827,536	$	1,812,897	$	5,640,433	$	4,232,850	$	(207,266)	**$**	**9,666,017**

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

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

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

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

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

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

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

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

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

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

i. Pan de Azucar - The Company is in Phase three of this project and was to have incurred 15,000,000 PP in eligible mining expenditures by January 4, 2004. Although the Company did not meet these requirements, the Company is currently negotiating an extension to this deadline.

ii. Mat-I - The Company is in Phase two of this project and must incur 15,000,000 PP in eligible mining expenditures to earn an additional 30 percent interest. These expenditures must be made within a two year period from the approval and execution of the Mineral Production Sharing Agreement ("MPSA") on this project. The MPSA on this project was filed in 1997 and has not yet been approved.

iii. Lahuy - The Company is in Phase one of this project and must incur 5,000,000 PP in eligible mining expenditures. There is currently more than one party claiming title to the mining claims over this property, and as such, the Company has not been able to obtain a MPSA or an exploration permit. The Company is of the opinion they will be able to successfully resolve this dispute. In keeping with Canadian GAAP to write-down projects dormant for three years or longer, however, $102,136 in Lahuy assets were written off in 2005.

As of December 31, 2006, the Company has met phase one expenditure requirements on all properties under this agreement; phase two expenditure requirements on Agata, Tapian, and Pan de Azucar properties; and phase three expenditure requirements on Agata and Tapian properties.

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

Pursuant to an agreement dated October 5, 2005, the Company's subsidiary, MRL Gold Phil's Inc., acquired an option to purchase an additional 15 percent direct and indirect participating interest (the Additional Interest Option) from Minimax in future mining reserves located in the Surigao Projects. Under the Additional Interest Option, after completion of a Bankable Feasibility Study but before commencing mining operations, MRL has the option to purchase an additional 15 percent interest from Minimax in each and any mining reserve located on the Surigao Projects. Payment shall be equivalent to 0.75 percent of the gross value of each mining reserve, to a minimum of US $7.5 million. In addition MRL shall make initial cash payment of US $75,000, and, thereafter, make further payments of US $75,000 annually for 4 years. Beginning in year five to commencement of production, annual payments of US $125,000 will be made. A net smelter royalty of one percent against the additional 15 percent interest in mineral reserves shall also be payable to Minimax. MRL may, at any time, terminate the Additional Interest Option without penalty. In May 2006, the Company issued 75,000 Common shares to Minimax as consideration for granting the option with a total value of $63,690.

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

Pursuant to the Surigao Option Agreement ("SOA") effective June 21, 2004, Panoro Minerals Ltd. was granted an option to acquire a 40 percent interest in each of the Agata, Tapian and Mat-I properties and any extensions on those properties. In order to earn the interests in the properties, Panoro is to make expenditures totaling $2,000,000 over a four year period as follows (the "Surigao Option Period"):

i. $350,000 during the first expenditure period;

ii. $450,000 second expenditure period; and

iii. $600,000 in each of the third and fourth expenditure periods.

Panoro was granted an additional interest option to earn 2.5 percent of the additional 10 percent interest in each of the Agata, Tapian and Mat-I properties by reimbursing the Company 25 percent of the costs incurred by the Company under the Interest

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

Under the terms of the MOA and the SOA and as confirmed in a Confirmation Agreement between the Company, Minimax and Panoro, the parties established an Area of Mutual Interest surrounding the Agata, Tapian and Mat-I properties. During 2004, the Company entered into two agreements to acquire mineral tenements over properties that are within the Area of Mutual Interest to the Surigao properties. On October 26, 2004, the Company entered into an Agreement to Explore, Develop and Operate Mineral Property ("the Bautista-Agata Agreement") and acquired mineral exploration, development and production rights. On signing this agreement, the Company paid a signing bonus of 500,000 PP to the vendor. The Company has the following additional obligations:

i. Issue 100,000 Common shares to the vendor upon the approval of the exploration permit;
ii. Commence payment to the vendor of quarterly royalty advances of 50,000 PP per quarter three months following the approval of the exploration permit;
iii. Issue 250,000 Common shares to the vendor one year following the approval of the exploration permit, and
iv. Issue 500,000 Common shares to the vendor upon decision to commence commercial production.

The vendor is entitled to a 1.5 percent Net Smelter Royalty on commercial production from the property. Pursuant to the terms of the Confirmation Agreement, Panoro elected to include this additional property as part of the Agata project. On October 11, 2006, the Mines Department approved the exploration permit for this property and the requisite 100,000 Common shares were recorded as issuable as of December 31, 2006; these shares were issued to the vendor in January 2007.

On December 8, 2004, the Company entered into an Agreement to Explore, Develop and Operate Mineral Property ("the Bautista-Tapian Agreement") and acquired mineral exploration, development and production rights. On signing the agreement, the Company paid a signing bonus of 1,500,000 Philippine Peso (PP) to the vendor. The Company was also obligated to issue to the vendor 40,000 Common shares of the Company and 40,000 Common shares of Panoro on signing of the agreement. The Company has the following additional obligations under the terms of the Bautista-Tapian Agreement:

i. Commence payment to the vendor of quarterly royalty advances of 150,000 PP per quarter on June 8, 2005;
ii. Issue 50,000 Company Common shares and 50,000 Panoro Common shares to the vendor on December 8, 2005;
iii. Issue 250,000 Company Common shares and 250,000 Panoro Common shares to the vendor at feasibility study stage on the property; and
iv. Issue 250,000 Company Common shares and 250,000 Panoro Common shares to the vendor upon decision to commence commercial production on the property.

The vendor is entitled to a 1.5 percent Net Smelter Royalty on commercial production from the property. In January 2005, pursuant to the terms of the Confirmation Agreement, Panoro elected to include this additional property as part of the Tapian project (see note 6).

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

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

ii. Issue 87,500 Company Common shares on the first anniversary of the registration of each EP.

iii. Payment to the vendor of quarterly advance royalties in the amount of 88,000 PP and 87,000 PP commencing after registration of the Tibur and Macana EPs, respectively.

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

Egerton Agreement: Archangel, Lobo and Batangas Regional Projects

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

i. Phase one - incurring an aggregate of $1,500,000 US in eligible mining expenditures by January 21, 2006; and

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

Pursuant to the Agreement, the Company issued 500,000 Common shares to Egerton upon receipt of the related MPSAs on the properties during 2003. The Company met its phase one expenditure requirements in 2005 and has exercised its option to enter into phase two; 500,000 Common shares were issued to Egerton on November 7, 2005. Upon completion of phase two, the Company must issue an additional 500,000 Common shares to Egerton. At that point, Egerton will have the option to participate at 25 percent interest at production, or convert to a 2 percent gross smelter royalty. Pursuant to the terms of each MPSA, the Company is required to spend certain minimum amounts on eligible expenditures to maintain the MPSA in good standing. These minimum requirements have been met as at December 31, 2006.

During 2004, the Company entered into an Addendum to Agreement, whereby the area covered by the Agreement was extended to include certain mineral tenements surrounding the Lobo and Archangel properties (the "Batangas properties"). Egerton has acquired and made applications to acquire the Batangas properties. For each mineral deposit located within the Batangas properties for which a positive feasibility study is achieved and necessary financing to commence commercial drilling and production is obtained, the Company must issue 500,000 Common shares to Egerton, to a maximum of 1,500,000 Common shares or three mineral deposits on the Batangas properties.

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

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

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

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

4. PROPERTY AND EQUIPMENT

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

	December 31, 2006			December 31, 2005		
	Cost	Accumulated Depreciation	**Net Book Value**	Cost	Accumulated Depreciation	Net Book Value
Computer hardware	$ 58,944	$ 50,600	**$ 8,344**	$ 56,965	$ 47,448	$ 9,517
Computer software	50,556	43,807	**6,749**	49,203	41,170	8,033
Office furniture and equipment	202,861	58,103	**144,758**	74,840	27,036	47,804
Leasehold improvements	16,518	16,518	**-**	16,518	16,518	-
	$ 328,879	$ 169,028	**$ 159,851**	$ 197,526	$ 132,172	$ 65,354

5. ACCOUNTS RECEIVABLE

Funds due from an officer of the Company, for $78,300 (2005 – nil), are entered into the accounts receivable account and pertain to an advance to purchase common shares in the Company. The advance is in the form of an interest-free demand loan for the purpose of exercising purchase warrants to acquire 261,000 common shares in the Company. The loan is repayable to the Company in full on or before November 21, 2007. Security for the repayment is in the form of a demand promissory note and the share certificate representing the number of common shares acquired pursuant to the loan. The market value of the shares acquired was $229,680 as at December 31, 2006.

6. SHARE CAPITAL

Authorized
Unlimited number of common shares
Unlimited number of preferred shares

	December 31, 2006			December 31, 2005		
Issued	Number		Amount	Number		Amount
Common shares						
Balance, beginning of period	53,571,892	$	14,616,181	44,201,867	$	11,627,155
Obligation to issue shares cancelled (a)	-		-	(40,000)		(10,800)
Issued upon exercise of warrants (b)	6,646,681		2,011,177	6,167,525		2,044,220
Issued pursuant to private placement (c)	7,403,950		4,993,937	2,117,500		656,367
Issued upon exercise of stock options (d)	450,000		137,036	625,000		129,239
Issued for mining properties (e)	75,000		63,690	500,000		170,000
Common Shares issuable (f)	100,000		20,935	-		-
Balance, end of period	**68,247,523**	**$**	**21,842,956**	53,571,892	$	14,616,181

Common share purchase warrants	Number	Number
Balance, beginning of period	7,508,861	13,068,361
Issued pursuant to private placement (c)	3,928,291	1,058,750
Issued pursuant to exercise of agents warrants (g)	74,344	856,548
Exercised (b)	(6,646,681)	(6,167,525)
Expired (h)	(953,528)	(1,307,273)
Balance, end of period	**3,911,287**	7,508,861

(a) Pursuant to an Agreement to Explore, Develop and Operate Mineral Property ("the Bautista-Tapian Agreement") the Company was obligated to issue to the property vendor 40,000 Common shares of the Company. The 40,000 Company shares were recorded as issuable at December 31, 2004, at fair value on the date of signing of $10,800.

In January 2005, Panoro exercised its option to include the property acquired by the Company under the Bautista Tapian Agreement within the Surigao Option Agreement. Pursuant to exercising this option, Panoro assumed the obligation to issue 40,000 Common shares of the Company. The fair value of these shares as recorded at December 31, 2004 was reversed in January and March 2005.

(b) Purchase warrants were exercised for net proceeds of $2,099,399. Stock-based compensation costs totaling $49,238, recorded as an increase to contributed surplus on issuance of the purchase warrants, were reclassified to share capital upon the exercise of these warrants. The fair value of purchase warrants issued pursuant to private placements of $137,713 was charged as an expense to share capital.

(c) In 2005, pursuant to a private placement, the Company issued 2,117,500 Units at $0.32 per Unit for gross proceeds of $677,600 less finders' fees and other costs of $21,233. 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 $0.50 until the expiry date of October 13, 2006. A total of 4,118,950 purchase warrants and 226,316 agent's warrants are exercisable pursuant to this Private Placement.

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

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

(d) The Company issued 450,000 Common shares pursuant to the exercise of stock options for net proceeds of $83,850. Stock-based compensation costs totaling $53,186, recorded as an increase to contributed surplus on issuance of the stock options, were reclassified to share capital upon the exercise of these options.

(e) On November 7, 2005, 500,000 shares were issued to Egerton Gold Philippines Inc. pursuant to the Company exercising its option to proceed to phase two on its Lobo and Archangel properties.

In connection with the Company's October 5, 2005 agreement with Minimax (note 3) and pursuant to receiving regulatory approval in January 2006, the Company recorded an obligation to issue 75,000 shares to Minimax. The shares were issued May 28, 2006.

(f) In connection with the Company's October 26, 2004, Bautista-Agata agreement (note 3) and pursuant to receiving the exploration permit for this property on October 11, 2006, the Company recorded an obligation to issue 100,000 Common shares to the property vendor. These shares were issued January 21, 2007.

(g) These purchase warrants were issued pursuant to the exercise of 74,344 Agent's warrants.

(h) Three issues of warrants expired during 2005: 250,000 warrants with an exercise price of $0.60 expired in January; 500,000 warrants with an exercise price of $0.50 expired in March, and 557,273 warrants with an exercise price of $1.00 expired in August.

Three issues of warrants also expired during 2006: 598,750 warrants with an exercise price of $0.50 and 7,600 warrants with an exercise price of $0.30 expired in October; and 347,178 warrants with an exercise price of $0.30 expired in November.

The following table summarizes information about Common share purchase warrants outstanding and exercisable as at December 31, 2006:

December 31, 2006			December 31, 2005		
Number of Warrants	**Exercise Price**	**Expiry Date**	Number of Warrants	Exercise Price	Expiry Date
2,076,479	$ 1.00	April 2007	25,000	$ 0.60	January 2006
1,642,500	1.00	December 2007	333,378	0.30	August 2006
192,308	0.70	April 2008	5,062,193	0.30	October 2006
			57,340	0.30	October 2006
			972,200	0.30	November 2006
			1,058,750	0.50	October 2006
3,911,287			7,508,861		

The company has a stock option plan under which directors, officers, consultants and employees of the Company are eligible to receive stock optins. The maximum number of shares reserved for issuance upon exercise of all options granted under the plan may not exceed 10% of the issued and outstanding Common shares. The Board of Directors shall determine the terms and provisions of the options at the time of grant. Options granted may not exceed ten years and vest immediately. The exercise price of each option shall not be less than the price permitted by any stock exchange on which the Common shares are then listed. The following table summarizes the status of the Company's stock option plan:

	December 31, 2006		December 31, 2005	
	Shares	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	4,825,000	$0.45	2,830,000	$0.14
Issued	700,000	0.60	2,690,000	0.64
Exercised	(450,000)	0.19	(625,000)	0.21
Forfeited	(40,000)	0.96	(70,000)	0.30
Outstanding at end of period	**5,035,000**	**$0.51**	4,825,000	$0.45
Options exercisable at end of period	**4,810,000**	**$0.50**	4,675,000	$0.44

Compensation cost for the period of $217,925 (2005 - $1,082,306) was recorded as stock-based compensation expense. As this was a non-cash transaction, it is not reflected in the consolidated statement of cash flows.

The weighted average fair value of options issued in 2006, on the date of grant, was $0.51 per common share option (2005 - $0.56). The fair value of common share options are estimated at the grant date using the Black-Scholes pricing model based on the following ranges of assumptions:

	2006	**2005**
Risk Free Interest Rate	4.03%	3.75%
Expected Life	3.71 years	4.78 years
Expected Volatility	86%	143%
Expected Dividend	-	-

The following table summarizes share options outstanding:

Range of Exercise Prices	**Number Outstanding**	**Weighted Average Contractual Life (Years)**	**Weighted Average Exercise Price**
$0.10 to $0.14	550,000	0.41	$0.13
$0.15 to $0.23	600,000	1.46	0.25
$0.24 to $0.36	1,750,000	4.34	0.31
$0.37 to $0.56	150,000	3.76	0.48
$0.57 to $0.80	700,000	3.36	0.69
$0.81 to $1.00	1,285,000	3.39	0.96
Total	**5,035,000**	2.70	**$0.51**

7. CONTRIBUTED SURPLUS

	December 31, 2006	December 31, 2005
Balance, beginning of period	$ 2,110,714	$ 886,771
Stock based compensation	164,740	1,484,255
Agent's warrants issued	77,489	-
Agent's warrants exercised	(19,427)	(59,969)
Purchase warrants issued	55,043	-
Purchase warrants exercised	(24,882)	(200,343)
	$ 2,363,677	**$ 2,110,714**

8. INCOME TAXES

(a) Significant components of the future tax liability are as follows:

	2006	2005
Mineral properties and deferred costs and property and equipment	$ 95,470	$ 140,765
Accrued vacation pay	14,144	5,659
Share issue costs	101,648	72,553
Unrealized foreign exchange loss, foreign subsidiary	-	99,564
Loss carry forwards	1,581,176	1,273,107
	1,792,438	1,591,648
Future tax liability	-	-
Unrealized foreign exchange gain, foreign subsidiary	(428,860)	-
	1,363,578	1,591,648
Valuation allowance	(1,363,578)	(1,591,648)
Net future tax liability	$ -	$ -

Valuation Allowance

A valuation allowance has been recognized against the future tax assets of the Company as the Company is still in the development and exploration stage and expects to incur losses in future years. The Company also has accumulated losses in the previous eight years and has losses that have expired without being used. Given these circumstances, the Company believes it is not more likely than not that the tax benefits of the losses will be realized.

(b) Income tax recovery differs from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 33.31% (2005 – 33.62%) to net loss as follows:

	2006	2005
Expected income tax recovery	$ (626,920)	$ (708,570)
Decrease (increase) resulting from:		
Unrealized foreign exchange gain (loss) of subsidiary	528,424	(366,918)
Effect of change in substantively enacted tax rates	189,905	-
Stock-based compensation	65,228	343,362
Share issuance cost	(77,482)	(5,558)
Losses expiring in year	178,005	177,553
Change in valuation allowance	(228,070)	361,378
Other	(29,090)	(4,825)
	$ -	$ (203,578)

(c) At December 31, 2006, non-capital losses available for use in the Philippines subsidiary are $1,164,000. At December 31, 2006, Canadian net capital losses of $488,194 are available to be carry forward indefinitely. At December 31, 2006, Canadian non-capital losses of approximately $ 3,803,000 for which no benefit has been recognized in the consolidated financial statements expire as follows:

Year of Expiry	**Amount**
2007	$ 350,000
2008	206,000
2009	137,000
2010	281,000
2014	544,000
2015	1,099,000
2026	1,186,000
	$ 3,803,000

9. OPERATING LEASES

The Company's operating leases consist of the following:

(a) Lease of its office premises in Edmonton, which expires in March, 2009.

(b) Lease of its office premises in Manila (expires April, 2007), Surigao (expires September, 2007) and Batangas (expires September, 2007). These are renewable annually.

(c) Lease of a residential unit in Manila which expires in June, 2007, and is renewable annually.

(d) Lease of staff quarters in Surigao (expires September, 2007 and is renewable annually) and staff quarters/storage areas in Batangas (various expiry dates & renewal terms).

At December 31, 2006 the future minimum lease commitments remaining under these leases are as follows:

2007	37,275
2008	19,109
2009	4,622
	$ 61,006

Rent expense charged to operations amounted to $46,665 and $22,427 in 2006 and 2005, respectively.

10. RELATED PARTY TRANSACTIONS

(a) Accounts receivable and advances as at December 31, 2006 includes $84,064 due from officers of the Company and the Company's subsidiary. The majority of this amount includes a loan to an officer to purchase common shares in the Company (for $78,300). Also included are advances to the officer related to expenses which, upon reconciliation of advances, will be charged to deferred exploration.

(b) During the period, $12,624 was paid to a director of the Company for consulting services. Ascenta Capital received $60,000 for investor relations services and $70,646 for advertising and promotions expenses; a director of the Company is a principal of Ascenta. MacPherson Leslie & Tyerman, LLP received $14,608 for corporate legal counsel; a director of the Company is a partner in the law firm. Virtus Group, LLP was paid $1,300 for corporate employee benefits consulting; a director of the Company is a partner in Virtus Group, LLP.

(c) Mineral properties and deferred costs include $2,552 paid to a director during the period for consulting work on the properties, as well as $67,729, paid to MacPherson Leslie & Tyerman, LLP for legal counsel in connection with the properties.

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

11. FINANCIAL INSTRUMENTS

(a) Fair values: The fair values of all financial instruments approximate their carrying values due to their short-term nature.

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

12. COMPARATIVE FIGURES

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

13. SUBSEQUENT EVENTS

Subsequent to the period, 72,760 agent's warrants were exercised for gross proceeds of $50,932 and resulting in the issue of 36,380 purchase warrants. Stock options totaling 446,000 were exercised for gross proceeds of $123,780.

On January 2, 2007, a total of 1,500,000 units were issued pursuant to a private placement at a price of $0.70 per unit for gross proceeds of $1,050,000. Each unit consisted of one common share and one-half common share purchase warrant. Each full warrant allows the holder to purchase one additional common share at a price of $1.00 for a period of one year from the close of the offering and $1.25 in the second year. The company paid finders' fees of $73,500 and 105,000 agent's warrants in connection with the investment. Each agent's warrant is exercisable into one unit at a price of $0.70 for two years.

On March 14, 2007, the Company entered into an agreement with Panoro Minerals Ltd. to purchase the forty percent interest in the Surigao projects previously earned by Panoro under the Surigao Option Agreement. Upon closing, as consideration for the purchase of the interest, the Company will pay Panoro $750,000 cash plus 500,000 Mindoro Resources Ltd. common shares; the Company will make a second payment of $500,000 cash plus 500,000 common shares on the first anniversary of the closing. Furthermore, in the event that the nickel laterite prospect located on the Agata project should proceed to production and upon shipment of an aggregate one million tonnes of nickel laterite, the Company will pay Panoro $500,000 cash plus an additional $500,000 cash payment on the first anniversary of the shipment. The purchase and sale agreements are subject to regulatory approval.