MINDORO
RESOURCES LTD

Consolidated Year End Audited Financial Statements

December 31, 2005

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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

MINDORO RESOURCES LTD.
Management's Discussion and Analysis
Year Ended December 31, 2005

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RESOURCES LTD

This Management Discussion and Analysis for the year ended December 31, 2005 should be read in conjunction with the audited annual consolidated financial statements.

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 direct 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.

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain economically recoverable reserves. The recovery of expenditures on mineral properties and the related deferred exploration expenditures are dependent upon the existence of economically recoverable mineralization, the ability of the Company to obtain financing necessary to complete the exploration and the development of the mineral properties, and upon future profitable production or alternatively, on the sufficiency of proceeds from disposition.

The following information, prepared as of May 15, 2006, should be read in conjunction with the December 31, 2005, audited annual consolidated financial statements, which have been prepared in accordance with Canadian generally accepted accounting principals. All amounts are expressed in Canadian dollars, unless otherwise indicated.

OVERALL PERFORMANCE

BATANGAS PROJECTS

Lobo

Geophysical surveys at Lobo gave strong indications of at least two buried porphyry copper-gold systems: Pica and Calumpang. Drilling on Pica commenced in May 2005.

The Pica Prospect occurs in a high range of hills and is associated with intense advanced argillic (silica cap) and intermediate argillic alteration at surface. The first drill hole, Pica 1, intersected argillic and advanced argillic alteration (epithermal overprint) with porphyry-related phyllic alteration commencing near the bottom of the hole. The hole was lost before target depth due to technical problems.

Pica 2 intersected 213 meters at a grade of 0.18 percent copper, 0.30 g/t gold and 1.91 g/t silver from 22 to 235 meters within the phyllic alteration zone of the porphyry system. This includes 19.3 meters of 1.12 g/t gold equivalent from 22 meters to 41.3 meters, and 40.85 meters at 1.74 g/t gold equivalent from 82.8 meters to 123.65 meters. Below this, a dyke created a gap in mineralization. Potassic alteration with low-grade porphyry copper-gold mineralization was then intersected from 438 meters to the end of the hole at 711.7 meters. The interval from 645 meters to the end of hole graded 0.11 percent copper and 0.11 g/t gold over 66.7 meters.

**Gold equivalents are calculated based on prices of US $2.03/lb for copper, US $505/oz for gold, and US $7/oz for silver. Gold equivalents do not infer that metal processing economics for copper, gold and silver are the same, but are intended to convey only the approximate relative values of the various metal intercepts assuming a 100 percent recovery for all metals.*

By April 2006, Pica 3 was in progress. The Company plans to continue to drill-evaluate the Pica porphyry discovery with the objective of locating the higher grade parts of the system.

The Calumpang Prospect is located immediately to the northeast of Pica, which may actually be the northeastern extension of the Pica porphyry copper-gold system. Calumpang will be drilled at a later date

Archangel

Kay Tanda Epithermal Gold Target

Epithermal gold-silver mineralization at Archangel is associated with gold-in-soil anomalies that extend semi-continuously over at least five kilometers by one kilometer. Geological mapping and reconnaissance rock sampling has traced the mineralization a distance of at least two kilometers.

Previous drilling in the 1990s, carried out in a small part of the prospect, intersected low-grade gold mineralization averaging about 0.7 grams per tonne (g/t) in an area of approximately 600 meters by 400 meters. Mineralization is open in several directions. Since the mineralization is near-surface and within the grade ranges being heap-leached elsewhere in the world, Mindoro is carrying out an evaluation of the open-pit, heap-leach potential of the prospect. Preliminary bottle roll metallurgical test work reported on January 14, 2004, was largely positive.

For the second phase test, a 245 kilogram sample was collected from a trench and submitted to Metcon Laboratories in Australia. Head grade was 3.58 g/t gold and 51 g/t silver. The material was crushed to 12.7 mm (0.5 inch). Approximately 20.61 kilograms of material were leached in a column 1.85 meters tall. The material leached exceptionally well, with 87.1 percent extraction of gold after only seven days. This high gold extraction is exceptional and not much less than the 94.4 percent obtained in a CIL test at a grind of 80 percent passing 75 microns.

Highest gold grade and gold extraction were obtained from the coarsest fraction (-50 + 37.5 mm), indicating a coarser grind could be used. A coarse crush size would reduce costs and improve heap agglomeration and percolation.

A new test using 183 kg of a coarser crush size of minus 50mm and agglomerated with 2kg/t cement, as required in a high rainfall location, was carried out. The extraction of gold was 81.7 percent after 85 days from a calculated head grade of 3.89g/t Au. This compares with an 88.1 percent gold extraction achieved at a crush size of 12.7 mm after 30 days from a calculated head grade of 3.40g/t Au. The percentage gold extraction is still high at minus 50mm indicating that the mineralization is highly amenable to heap leaching, even at a coarse crush size.

The silver extraction at 10.2 percent was very low, despite the high silver head grade, and more tests are required to reach a conclusion on the amenability of silver to leaching. Silver recoveries are characteristically low in gold-silver heap-leach operations.

A Reverse Circulation drill rig was mobilized to Kay Tanda in late March 2006 with the objective of defining a NI 43-101 compliant gold resource. Drill holes will also penetrate below the epithermal gold zone to test geophysical anomalies below for their porphyry potential in advance of deeper diamond core drilling.

Porphyry Copper-Gold Targets

Strong chargeability and resistivity anomalies have been outlined semi-continuously over six kilometers at Archangel and are interpreted as being related to a cluster of porphyry copper-gold systems. As reported in press releases dated March 5 and May 11, 2005, combined induced polarization and magnetic surveys defined what appears to be three to four separate anomalies. The anomalies and associated alteration and copper-gold showings are consistent with porphyry copper-gold targets.

Reconnaissance geological work and prospecting indicates that the copper-gold mineralized trend at Archangel extends for another four to five kilometers to the northeast. Once the geological work has been completed, the geophysical crew will be re-mobilized to survey this extension.

Batangas Regional

El Paso

Mindoro has applications on another 22,415 hectares surrounding the Lobo and Archangel Projects and encompassing multiple porphyry copper-gold prospects. In a press release dated October 04, 2005 the Company reported that high-grade copper trench results, along with coincident soil copper and induced polarization anomalies, have confirmed the presence of a porphyry copper-gold target on the El Paso Prospect, located in this application area of the Batangas Region.

El Paso is located within a major structural boundary between the older San Juan Diorite basement to the northeast and younger intrusive and volcanic rocks to the southwest. The Taysan porphyry copper-gold deposit of Phelps Dodge also occurs in this very favorable structural setting, 11 kilometers to the northwest.

Work at El Paso indicates that significant and widespread copper-gold mineralization occurs associated with the younger andesite porphyry intrusions, as well as the older, more eroded San Juan Diorite. The mineralization associated with the former is the principal target.

In the northern area of El Paso, an induced polarization (IP) survey over two lines defined chargeability and resistivity anomalies. The IP expression resembles that of Philippine porphyry copper-gold systems. The anomalies are open to the north, west and east. Soil geochemistry has defined strong copper-in soil anomalies coincident with the IP anomalies. Phyllic and biotite-altered float found in the area confirm that El Paso is a porphyry copper-gold system.

A trenching and channel sampling program carried out in both the northern and southern parts of El Paso returned high copper values in the one percent plus range in most trenches and over lengths from three meters to 30 meters. A table of full results is available with the October 4, 2005 press release on the Company's website, at www.mindoro.com.

Calo

Also located in the Batangas region, Calo is seven kilometers south of Phelps Dodge's Taysan porphyry copper-gold deposit and five kilometers northwest of the Company's Pica porphyry copper-gold discovery. As announced in the Company's March 6, 2006 press release, IP surveying on wide, 400 meter-spaced lines has defined a large and intense chargeability anomaly. Background chargeabilities are in the range of 3 to 6 msecs. Using a very high threshold of greater than 30 msecs, an anomalous area of over 2.5 km by 1.5 km, with individual readings up to 70 msecs, has been defined. This is still open in three directions and is located within a much larger anomalous area. An un-modeled IP pseudosection for the chargeability is available on Mindoro's website at www.mindoro.com and shows the intense and extensive nature of the anomaly.

These high chargeability values are suggestive of large concentrations of metal sulphides below the younger cover volcanics. Geological evidence from the area suggests this is related to a porphyry copper-gold system. Much of the target area is covered by younger volcanic ash and flows, but, where erosional windows occur, the Company has identified high-sulphidation copper-gold showings and porphyry-related alteration.

In the north-west, erosion has exposed altered volcanics and small intrusive stocks with phyllic and SCC (sericite-clay-chlorite) alteration, typical of Philippine porphyry systems. High-sulphidation epithermal copper-gold-silver mineralization associated with quartz veins and stockworks have been located in these altered rocks, and are interpreted to indicate proximity to a porphyry system. Six grab samples from outcrop or float boulders assayed from 0.01 to 3.8% copper, 0.06 to 3.0 grams per tonne (g/t) gold, and 1.42 to 56 g/t silver.

The Company plans to close off the chargeability anomaly on 400 meter spaced IP lines, then infill at 200 meter spacings to more-precisely define the anomaly for modeling and drill target selection. Drilling is planned for the second half of 2006.

SURIGAO PROJECTS

The Surigao Joint Venture holds one of the largest land positions in the Surigao Gold District where there have been several significant porphyry copper-gold discoveries in recent years. The Surigao Joint Venture partners are Mindoro, Minimax Mineral Exploration Corp., a private Philippine company, and Panoro Minerals Ltd., the current funding partner. At production, if all options are exercised, Mindoro will hold a 57.5 percent interest in the projects under the Surigao Joint Venture and Panoro will hold the remaining 42.5 percent.

Two phases of exploration during the past year defined ten porphyry copper-gold prospects on the Surigao Projects, which encompass the Agata, Tapian San Francisco, Tapian Main, and Mat-I Projects. An aggressive 2005-2006 field program is underway, with the objective of drilling three to four of the Surigao porphyry copper-gold prospects within 2006.

Agata

Porphyry Copper-Gold Targets

IP surveys on Agata defined especially strong and extensive chargeability anomalies, also in a favorable structural setting near the intersection of cross-faults with the Philippine Fault. Porphyry-related vein mineralization was drill-intersected on the Assmicor prospect by Mindoro in 1999. Most work in 2005 focused on bringing the Agata North and South porphyry prospects to the drill stage.

As reported in a press release dated September 29, 2005, strong and extensive chargeability anomalies were defined at Agata North by an induced polarization survey with correlating copper-zinc-gold-in-soil anomalies, extensive rock alteration and fracturing, and several copper showings. These stacked anomalies are consistent with a porphyry copper-gold system at depth.

At Agata South, a large and very strong chargeability anomaly with flanking resisitivity anomalies was defined. Porphyry-related alteration was also mapped near-by. Extensive copper-gold and zinc-in soil anomalies were defined as well as abundant epithermal gold prospects, some of which are being actively mined by artisanal miners. These multiple stacked anomalies point strongly to the presence of a porphyry copper-gold system at depth.

Drilling started in late 2005 on the Agata North prospect. Very challenging ground conditions caused drilling difficulties early on and three holes were lost at shallow depths. The Company plans on pre-collaring drill holes with a reverse circulation rig and then continuing with diamond drilling below.

Drilling started in April 2006 on the Agata South porphyry target.

Nickel Laterite Prospect

In December, 2005, BHP Billiton was granted the exclusive right, for 180 days, to undertake a drilling and evaluation program to determine the nickel laterite potential of Agata. The program will consist of 32 drill holes, totaling approximately 640 meters. Should the evaluations prove positive, the Surigao Joint Venture and BHP Billiton will enter into negotiations for the sale and purchase of nickel ore (the “Offtake Agreement”). The total cost of the exploration program would be deducted from future laterite ore shipments at five percent of the FOB Price of the nickel ore, until fully repaid in a manner that is mutually agreeable.

There is no obligation for either the Surigao Joint Venture or BHP Billiton to enter into or conclude an Offtake Agreement. In the event that the parties are unable to enter into or conclude an Offtake Agreement, the cost of the exploration program will be shouldered by BHP Billiton.

Previously, surface rock and laterite samples were collected from an area of nickel laterite covering about 300 hectares, located within a much more extensive area of nickel laterite mineralization. Nickel contents ranged from very low to a high of 2.09 percent, with most of the values exceeding 0.5 percent. Test pit laterite samples ranged from 0.8 percent to 2.21 percent nickel. The area is mantled by a chocolate brown to brownish yellow colored laterite that appears to extend several kilometers to the south and north from the area investigated. Samples collected show typical values for nickel and iron that normally cap secondary nickel-enriched zones.

By early April 2006, BHP had four drill rigs on site testing the nickel laterite prospect.

Tapian San Francisco

At Tapian San Francisco, located about eight kilometers from the Boyongan and Bayugo porphyry copper-gold deposits of the Anglo American-Philex Gold joint venture, and in a similar structural setting, a cluster of nine geophysical anomalies were defined over the past year by Induced Polarization (IP) surveys. The most significant of these are the C4/C6 and C5/C9 chargeability trends.

The C4/C6 area is characterized by intense phyllic alteration that extends for 1.2 kilometers by 300 meters along a northeast structural trend, and surrounded by high-temperature propylitic alteration, with areas of biotite (potassic) alteration. There are abundant copper and gold showings. A channel sample of an outcrop just east of the C6 anomaly assayed 1.01 percent copper, 0.55 g/t gold and 19.02 g/t silver over 25 meters. An independent petrographic report confirmed that the outcrop hosts porphyry-style mineralization.

The C5/C9 trend generally lies within high-temperature propylitic alteration and zones of intense argillic, phyllic and biotite [potassic] alteration. The prospect lies within an area of extensive historic artisanal mining and proximal to the old high-grade massive sulphide Mina Mine. High-grade copper-gold-silver mineralized vein-breccia diorite boulders west of the C9 anomaly (to 22.9 percent copper, 0.58 g/t gold, and 140.6 g/t silver) are interpreted as distal "leakage" from porphyry copper-gold mineralization. Several outcrops were sampled on the western and southern edges of the C9 anomaly. A channel sample over 15 meters in one of these outcrops assayed 1.09 percent copper, 0.08 g/t gold and 13.03 g/t silver.

Drilling at Tapian San Francisco is expected to start in early May.

Tapian Main

In a press release dated November 8, 2005, the Company announced the discovery of a new porphyry copper-gold prospect, called Bolobolo, located in an Exploration Permit application area of the Company's Tapian Main Project.

Porphyry deposits in the Surigao District are controlled by the intersection of northeast-trending faults with north-northwest trending splays of the major Philippine Fault system. Due diligence work by Mindoro defined, amongst many other structural targets, one such structural intersection set in the Bolobolo area. A small ground reconnaissance program was carried out in the area to determine its potential significance. Altered and mineralized float boulders and outcrop were located over a wide area at Bolobolo. Samples were submitted to an independent consulting petrologist for study.

Within the structural target, widespread propylitic alteration, characteristically the outer halo of a porphyry system, was defined in volcanics. Within this propylitic halo, outcrops and boulders of intense argillic, phyllic and calc-silicate alteration were located. Phyllic alteration (quartz-sericite-pyrite), which is characteristically proximal to the main mineralized core of porphyry systems, is intense, structurally controlled, and can be traced over three kilometers and observed up to 200 meters wide.

A mineralized float boulder of calc-silicate, located in a stream, contains abundant disseminations of the copper minerals chalcopyrite and bornite, as well as high-density quartz-bornite-magnetite veinlets. A representative grab sample assayed 1.344 percent copper, 17. g/t silver and 0.01 g/t gold. A float boulder of similar alteration and mineralization found in a stream, approximately 1.6 kilometers to the south, assayed 0.96 per cent copper, 4.9 g/t silver and 0.06 g/t gold. Calc-silicate mineralization characteristically occurs in limestone near Philippine porphyry copper-gold deposits. In a third stream, approximately three kilometers to the northeast, a boulder of silicified limestone assaying 1.92 percent copper was also found. Detailed evaluations are required to further define the Bolobolo prospect.

Mindoro's President, Tony Climie, P.Geol., supervises all Mindoro's field programs and is a "qualified person" as defined by NI43-101.

SELECTED ANNUAL INFORMATION

	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003
Interest income	$ 21,607	$ 5,537	$ 101
Net loss [(1)]	(1,904,007)	(1,152,519)	(361,609)
Loss, per share [(2)]	(0.04)	(0.03)	(0.01)
Balance, deferred exploration costs and royalty deposits [(1)]	5,640,433	3,827,536	2,791,261
Total assets	7,571,132	5,292,854	3,205,599

[(1)] In prior years, the Company's policy was to capitalize all costs and expenses of its Philippine subsidiary, including general and administrative costs, in the "Deferred Exploration Costs" account. Such costs are to be amortized and charged to operations on a unit of production basis once mining operations commence. In 2005, on account of the adoption of *PFRS 6, Exploration for and Evaluation of Mineral Resources*, in the Philippines, the Company's changed its accounting for its subsidiary's general and administrative costs from being capitalized to treating them as outright expenses in the statement of expenses. General overhead and administrative costs shall comprise the Company's and its subsidiary's expenses which are not directly attributable to the exploration projects. The change in accounting policy was accounted for retrospectively

[(2)] The number of common shares outstanding during each period for purposes of the loss per share calculation is calculated on the weighted average of outstanding shares in each period.

RESULTS OF OPERATIONS

Interest income of $21,607 for the year was higher than interest income of just $5,537 for the year in 2004 as the Company's cash position was significantly greater in 2005 due to financing activities late in 2004 and share purchase warrants exercised in 2005. Net loss before income tax recovery for 2005 in the amount of $2,107,585 was higher than net loss of $1,152,519 in 2004 with the majority of the 2005 loss from stock based compensation expenses. Stock based compensation expenses, from the issue of stock options, were $1,067,334 in 2005 compared to $281,075 expensed in 2004. The increase in stock based compensation expense was related to the significantly higher fair market value of the options in 2005. Salary expense for the year of $160,658 was higher than salary expense of $149,131 in 2004, as additional administrative staff was hired in both Canada and the Philippines. Consulting and professional fees of $245,072 for 2005 were higher than fees of $110,785 in 2004; however, approximately $53,600 of 2005 fees related to 2004 audit services for which the Company was not billed until well after the period. Also included in 2005 consulting and professional fees is accounting fees of $8,425 related to the Company's appeal of Revenue Canada's assessment of the Company's 2004 GST returns. The Company was notified in March 2006 that its GST appeal was successful.

Advertising and promotions expenses in 2005 of $210,949 increased significantly over 2004 expenses of $89,492 due to increased investor relations and marketing activity during the period. Travel related to these activities also caused an increase in travel expenses of $30,805, with travel expenses in 2005 being $81,235 compared to travel expenses for 2004 of $50,430. However, conferences and trade show expenses dropped to $13,124 during 2005, from $28,992 in 2004. Listing fees and shareholder communications was slightly lower in 2005, at $23,630 compared to $26,651 in 2004. Increased depreciation and amortization charges of $6,928 in 2005, up from $2,845 in 2004, were mainly related to the initial depreciation of computer equipment purchased in 2005. Foreign exchange loss of $93,232 was significantly less than loss of $322,336 in 2004; with $275,081 of the 2004 loss occurring as a result of the Company's change in accounting policy.

The Company wrote down $102,136 in deferred exploration charges, in relation to its Lahuy Project. The Lahuy Project is currently the subject of a legal dispute with another party in the Philippines. The Company has received a legal opinion that it has a strong and defensible claim to the Lahuy Project, however, no additional funds are being expended on the Project until successful resolution of the legal challenge. In keeping with Canadian GAAP, whereby projects that have not had expenditures in the last three years are to be written off, prior expenditures in the amount of $102,136 were written off in December, 2005.

SUMMARY OF QUARTERLY RESULTS

Quarter Ending	Net Earnings Gain (Loss)	Earnings Gain (Loss) Per Share	Total Assets
December 2005	$(1,208,486)	$(0.020)	$7,571,132
September 30, 2005	(159,636)	(0.003)	7,506,223
June 30, 2005	(189,333)	(0.004)	6,176,171
March 31, 2005	(346,552)	(0.008)	5,537,076
December 31, 2004	(424,805)	(0.010)	5,292,854
September 30, 2004	(224,101)	(0.007)	3,769,857
June 30, 2004	(85,386)	(0.003)	3,564,252
March 31, 2004	(418,227)	(0.013)	3,503,666

LIQUIDITY

The Company continues to rely on raising capital in order to fund its ongoing operations. As of December 31, 2005, Mindoro's cash position was $1,419,311, up from $1,295,541 as at December 31, 2004; in 2005 the Company received $656,267 net proceeds from a private placement financing in the second quarter, and received $1,779,873 net proceeds from exercised purchase warrants and $133,375 net proceeds from exercised stock options during the year.

Accounts receivable increased to $277,490 as of December 31, 2005, up from $118,577 as of December 31, 2004. Included in accounts receivable are cash calls receivable from our joint venture partner, which at the end of the period was $164,759 compared to $48,324 as of December 31, 2004. The cash call receivable is for amounts the Company spent on the Surigao Projects which is then charged to joint venture partner, Panoro Minerals Ltd. Prepaid expenses increased as well, to $168,544 as of December 31, 2005, up from $12,433 as of December 31, 2004, with the most significant component being advances of $118,224 paid to two companies in the Philippines for drilling services. Property and equipment balance of $65,354 was up from the December 31, 2005 balance of $39,991, with approximately $17,500 related to new computer equipment and software as the Company purchased new accounting software and upgraded its existing hardware. Accounts payable and accrued charges of $203,666 as at December 31, 2005, was a decrease from the balance as at December 31, 2004, of $235,574.

In 2005, $1,341,796 was expended on Investing Activities with $1,309,506 spent on Exploration Activities in the Philippines. The total amount of deferred exploration on existing properties as at December 31, 2005 was $5,610,115. During the year, 6,167,525 purchase warrants and 625,000 stock options were exercised for proceeds of $1,985,321 and $187,738, respectively, net of issue costs.

In April of 2006, the Company issued 4,118,950 Units at $0.70 per Unit for gross proceeds of $2,883,265. Finders fees of $158,421 was paid pursuant to the issue. 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 April 6, 2007 and, thereafter, at a price of $1.25 until April 6, 2008. The Company also issued 226,316 Agent's warrants; Agent's warrants are exercisable into Units having the same terms at the Units issued.

CAPITAL RESOURCES

Some of the following commitments are denominated in Philippine Pesos ("PP"). At December 31, 2005, 45.52 PP = $1CDN.

Memorandum of Agreement

Pursuant to a Memorandum of Agreement ("MOA") dated January 19, 1997 with Minimax Mineral Exploration Corporation ("Minimax"), the Company was granted the right to earn up to a 75 percent interest in five mineral properties: Agata, Tapian, Pan de Azucar, Mat-I and Lahuy, located in the Philippines. Under the terms of the MOA, the Company may earn interests of 10 percent, 30 percent and 35 percent in each of the properties by completing phases one, two and three, respectively, as follows:

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

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

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

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

As at December 31, 2005, the Company has met phase three expenditure requirements on the Agata and Tapian properties, phase two expenditure requirements on the Pan de Azucar property, and phase one expenditure requirements on the Mat-I property.

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.

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. The Interest Option also requires the Company to issue 200,000 Common shares to Minimax as additional consideration for granting the option. The shares, having a fair value of $54,000, were recorded as issuable at December 31, 2003 and were issued during 2004.

Pursuant to an agreement dated October 5, 2005, the Company’s subsidiary, MRL Gold Phils Inc., acquired an option to purchase an additional 15 percent direct and indirect participating interest (the Additional Interest Option) from Minimax in future mining reserves located in the Surigao Projects.

Under the Additional Interest Option, after completion of a Bankable Feasibility Study but before commencing mining operations, MRL has the option to purchase an additional 15 percent interest from Minimax in each and any mining reserve located on the Surigao Projects. Payment shall be equivalent to 0.75 percent of the gross value of each mining reserve, to a minimum of US $7.5 million. In addition MRL shall make an 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. Subject to regulatory approval, the Company shall issue 75,000 Company Common shares to Minimax. 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. The requisite shares were issued to Minimax pursuant to receiving regulatory approval in January 2006.

Surigao Option Agreement

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 during the 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 the granting of 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.

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. As such, as part of the SOA, Panoro is to reimburse the Company costs of acquiring the property, and will incur all further obligations under the Bautista-Agata Agreement until the Surigao Option Period expires, or the Agata property becomes an excluded property.

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. As such, it will now be part of the SOA and Panoro will reimburse the Company for the costs of acquiring the property, assume the obligation to deliver the 40,000 Mindoro Common shares and 40,000

Panoro Common shares, and will incur all further obligations under the Bautista-Tapian Agreement until either the Surigao Option Period expires, or the Tapian property becomes an excluded property.

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

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, 2005.

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.

TRANSACTIONS WITH RELATED PARTIES

(a) Accounts receivable and advances as at December 31, 2005 includes $13,428 due from an officer and director of the Company; and $33,722 advanced to East West Drilling; a director of the Company during 2005 is also the managing director of East West Drilling.

(b) Consulting and professional fees expense for the period includes $14,485 paid to a director of the Company, and $45,000 paid for investor relations to Ascenta Capital; a director of the Company is also a principal of Ascenta. Advertising and promotions expense includes $62,799 also paid to Ascenta.

(c) Mineral properties and deferred costs for the period includes $4,064 paid to a director of the Company for consulting work on the properties.

(d) Of the 2,690,000 stock options granted during 2005, 100,000 were granted to a firm during the time period in which a principal of this firm was a director of the company.

CAPITAL STRUCTURE

Unlimited number of Preferred shares

Issued - Common shares	**Number**
Balance, December 31, 2004	44,201,867
Obligation to issue shares cancelled	(40,000)
Issued on exercise of purchase warrants	6,167,525
Issued pursuant to private placement	2,117,500
Issued upon exercise of stock options	625,000
Issued for mining properties	500,000
Balance, December 31, 2005	**53,571,892**
Common share purchase warrants	
Balance, December 31, 2004	13,068,361
Issued on exercise of agent's warrants	856,548
Issued pursuant to private placement	1,058,750
Warrants exercised	(6,167,525)
Warrants expired	(1,307,273)
Balance, December 31, 2005	**7,508,861**
Stock options	
Balance, December 31, 2004	2,830,000
Issued	2,690,000
Exercised	(625,000)
Forfeited	(70,000)
Balance, December 31, 2005	**4,825,000**

1) Mindoro had obligations to issue 90,000 Common shares with a stated value of $24,550 as of December 31, 2004. In 2005, Panoro assumed Mindoro's obligation to issue 40,000 Company shares as described in item (d) below. No additional entry is necessary upon issue of the remaining 50,000 shares in 2005. Following is a summary of the share obligations recorded as at December 31, 2004, and issued in 2005 and share obligations as of December 31, 2005:

   a) Pursuant to an agreement with Panoro Minerals Ltd., ("the Surigao Option Agreement") Panoro became obligated during 2004 to deliver to the Company 50,000 Common shares of the Company. The expected receipt of these shares was netted against the Company's obligation to issue 100,000 Common shares to Minimax Mineral Exploration, as described below.

   b) Pursuant to the Company's Memorandum of Agreement with Minimax, 100,000 Common shares were committed to be issued in 2004 to Minimax as the Company elected to enter into phase three on the Tapian property. These shares were recorded as Common shares issuable as at December 31, 2004, at fair value, on the date the Company exercised the option, of $27,500, less the 50,000 Common shares deliverable by Panoro Minerals Ltd. at fair value of $13,750, for a net obligation of $13,750. These shares were issued in 2005.

c) 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 and 40,000 Common shares of Panoro. The 40,000 Company shares were recorded as issuable at December 31, 2004, at fair value on the date of signing of $10,800. The fair value of the Panoro Common shares on the date of signing of $6,800 was included in accounts payable and accrued liabilities at December 31, 2004.

d) 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. Upon exercising this option, Panoro assumed the obligation to issue 40,000 Common shares of the Company and 40,000 Common shares of Panoro. The fair value of these shares as recorded at December 31, 2004 was reversed in January 2005.

e) During 2005 the Company exercised its option to enter into phase two on the Lobo and Archangel Properties by issuing 500,000 Company Common shares to Egerton in November 2005 at fair value of $170,000.

The following table summarizes information about Common share purchase warrants outstanding and exercisable as at December 31, 2005:

Number of Warrants	Exercise Price		Expiry Date
25,000	$	0.60	16-Jan-06
333,378	$	0.30	4-Aug-06
5,062,193	$	0.30	15-Oct-06
57,340	$	0.30	15-Oct-06
972,200	$	0.30	22-Nov-06
1,058,750	$	0.50	12-Oct-06
7,508,861			

The following table summarizes the information about stock options outstanding at December 31, 2005:

Range of Exercise Prices	Number Outstanding	Weighted Average Contractual Life (Years)	Weighted Average Exercise Price
$0.10 to $0.14	765,000	1.25	$0.13
$0.15 to $0.23	695,000	2.74	$0.18
$0.24 to $0.36	1,890,000	5.15	$0.31
$0.48	150,000	4.76	$0.48
$0.96	1,325,000	4.61	$0.96
Total	**4,825,000**	4.02	**$0.45**

FORWARD LOOKING STATEMENTS

Some of the statements contained in this report are forward-looking statements, such as estimates that describe the Company's future plans, objectives or goals. This includes words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events or conditions, by their very nature they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements.

Additional information relevant to the Company's activities is available on SEDAR at www.sedar.com and the Company's website at www.mindoro.com.

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.

June 2, 2006

"James A. Climie"	*"Penny M. Gould"*
Chief Executive Officer	Chief Financial Officer
Edmonton, Alberta	Edmonton, Alberta

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

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheet of Mindoro Resources Ltd. as at December 31, 2005 and the consolidated statements of loss and deficit and cash flows for the year 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2004 and for the year then ended were audited by other auditors, who expressed an opinion without reservation on those statements in their report, dated February 25, 2005, except as to note 12 which was as of April 19, 2005. We also audited the adjustments described in Note 2(J) that were applied to restate the 2004 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

KPMG LLP

Chartered Accountants

Edmonton, Canada
June 2, 2006

Consolidated Balance Sheets

MINDORO
RESOURCES LTD

		December 31 2005		December 31 2004 *(restated)*
ASSETS				
CURRENT				
Cash	**$**	**1,419,311**	$	1,295,541
Accounts receivable (Note 5)		**277,490**		118,577
Prepaid expenses		**168,544**		12,433
		1,865,345		1,426,551
MINERAL PROPERTIES AND EXPLORATION COSTS (Note 3)		**5,640,433**		3,827,536
PROPERTY AND EQUIPMENT (Note 4)		**65,354**		39,991
	$	**7,571,132**	$	5,294,078
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	**$**	**203,666**	$	235,574
SHAREHOLDERS' EQUITY				
Share capital (Note 6)		**14,616,181**		11,627,155
Contributed surplus (Note 7)		**2,110,714**		886,771
Retained earnings		**(9,359,429)**		(7,455,422)
		7,367,466		5,058,504
	$	**7,571,132**	$	5,294,078

COMMMITMENTS (Note 3)

SUBSEQUENT EVENTS (Note 12)

Approved by the Board,

(signed) "Gerhard F. Kirchner" __________, Director

(signed) "A. Robson Garden" __________, Director

Consolidated Statements of Loss and Deficit

MINDORO
RESOURCES LTD

	Year Ended December 31, **2005**	2004 *(restated)*
REVENUE		
Interest	**$ 21,607**	$ 5,537
EXPENSES		
Administration	**13,408**	2,958
Advertising and promotion	**210,949**	89,492
Communications	**22,963**	10,784
Conferences and trade shows	**13,124**	28,992
Consulting and professional fees	**245,072**	110,785
Listing fees and shareholder communications	**23,630**	26,651
Office, postage and sundry	**57,361**	44,412
Printing	**8,734**	18,532
Rent	**22,427**	19,632
Salaries and benefits	**160,658**	149,131
Stock-based compensation	**1,067,334**	281,075
Travel	**81,236**	50,431
Depreciation and amortization	**6,928**	2,845
Foreign exchange loss	**93,232**	322,336
Write down of mineral properties and exploration costs	**102,136**	-
	2,129,192	1,158,056
	(2,107,585)	(1,152,519)
Future Income Tax Recovery (Note 6)	**203,578**	-
Net Loss	**$ (1,904,007)**	$ (1,152,519)
Basic and diluted loss per share - basic and diluted	**$ (0.04)**	$ (0.03)
Weighted average shares outstanding	**48,542,357**	34,789,034
Deficit, beginning of period, as previously reported	**$ (7,049,455)**	$ (6,249,400)
Accounting change [(Note 2 (J)]	**(405,967)**	(53,503)
Deficit beginning of period, as restated	**(7,455,422)**	(6,302,903)
Deficit, end of period	**$ (9,359,429)**	$ (7,455,422)

Consolidated Statements of Cash Flows

MINDORO
RESOURCES LTD

	Year Ended December 31	
	2005	2004 *(restated)*
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net loss	**$ (1,904,007)**	$ (1,152,519)
Items not affecting cash		
Stock-based compensation	**1,067,334**	281,075
Stock-based compensation in advertising & promotion	**14,972**	-
Depreciation and amortization	**6,928**	2,845
Unrealized foreign exchange loss	**93,232**	322,336
Write-down of mineral properties and exploration costs	**102,136**	-
Future Income Tax Recovery	**(203,578)**	-
Changes in non-cash working capital	**(440,165)**	118,002
	(1,263,148)	(428,261)
INVESTING		
Expenditures on mineral properties and exploration costs	**(1,309,506)**	(937,875)
Acquisition of property and equipment	**(32,290)**	(30,721)
	(1,341,796)	(968,596)
FINANCING		
Issue of share capital, net of issuance costs `	**2,728,714**	2,395,626
INCREASE IN CASH	**123,770**	998,769
CASH BEGINNING OF PERIOD	**1,295,541**	296,772
CASH END OF PERIOD	**$ 1,419,311**	$ 1,295,541

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 material 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 include the accounts of the Company and its wholly-owned subsidiary, MRL Gold Phil's. Inc. and have been prepared in accordance with Canadian generally accepted accounting principles. All inter-company transactions and balances have been eliminated on consolidation.

(B) CASH EQUIVALENTS

The Company considers cash equivalents to be all cash and highly liquid investments with maturities of three months or less from the date of purchase, that are readily convertible to known amounts of cash.

(C) DEFERRED 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.

(D) PROPERTY AND EQUIPMENT

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

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

(E) ASSET RETIREMENT OBLIGATIONS

Effective January 1, 2004, the Company retroactively adopted the recommendations of the CICA Handbook Section 3110 "Asset Retirement Obligations". Under the new accounting policy, the Company recognizes asset retirement obligations in the period in which they are incurred if a reasonable estimate of fair value can be determined. The liability is measured at fair value and is adjusted to its present value in the periods to settlement as accretion expense. The associated asset retirement costs are capitalized as part of mineral properties and deferred costs.

The Company has not yet incurred any significant asset retirement obligations and, as such, this change in accounting policy did not affect the consolidated financial statements.

(F) 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 will be credited to share capital. Contributed surplus recognized as a result of granting options will be credited to share capital when the options are exercised.

(G) INCOME TAXES

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

(H) PER SHARE AMOUNTS

Diluted loss per share is calculated using the treasury stock method, whereby it is assumed that proceeds from the exercise of in-the-money stock options and warrants are used by the Company to repurchase Company shares at the weighted average market price during the period. Basic loss per share is calculated by dividing the aggregate net loss for the period by the total average weighted number of shares outstanding at the end of the period.

(I) MEASUREMENT UNCERTAINTY

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

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

(J) ACCOUNTING CHANGE

In prior years, the Company capitalized all costs and expenses, including general and administrative costs of its Philippine subsidiary, in the Mineral Properties and Exploration Costs account.

In the current year, the Company changed its accounting for general and administrative costs from previously being capitalized to treating them as expenses in the statement of loss and deficit. General overhead and administrative costs shall comprise expenses of the Manila main office which are not directly attributable to the exploration projects. The change in accounting policy was accounted for retroactively with a restatement of 2004 balances by the following amounts:

	Previously stated	**Effect of change in accounting policy**	**Restated amount**
Receivables	144,753	(26,176)	118,577
Property and Equipment	13,726	26,265	39,991
Deferred Exploration Costs	4,230,487	(404,951)	3,827,536
Accounts Payable and Accrued Liabilities	232,469	3,105	235,574
Deficit, ending	(7,049,455)	(405,967)	(7,455,422)
Net Loss	(800,055)	(352,464)	(1,152,519)

(K) 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 arising on translation 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 an 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, 2005, the total amount of cost recoveries have been deducted from the deferred exploration costs.

Below is a two year continuity of exploration costs:

Project	Balance, December 31, 2003 (Restated)	Expenditures & management fee recovery	Balance, December 31, 2004 (Restated)	Expenditures	Management Fee Recovery	Write-down	Balance, December 31, 2005
Agata	$ 989,532	$ (20,248)	$ 969,284	$ 145,502	$ (31,164)	$ -	**$ 1,083,622**
Tapian	498,343	150,205	648,548	8,737	(22,295)	-	**634,990**
Lahuy	102,136	-	102,136	-	-	(102,136)	-
Mat-I	27,000	15,017	42,017	2,302	-	-	**44,319**
Pan de Azucar	568,092	41,577	609,669	-	-	-	**609,669**
Batangas	-	7,382	7,382	150,169	-	-	**157,551**
Lobo	454,120	670,463	1,124,583	974,356	-	-	**2,098,939**
Archangel	126,928	143,836	270,764	685,504	-	-	**956,268**
Laos	-	24,757	24,757	-	-	-	**24,757**
	2,766,151	1,032,989	3,799,140	1,966,570	(53,459)	(102,136)	**5,610,115**
Royalty Deposits	25,110	3,286	28,396	1,922	-	-	**30,318**
	$ 2,791,261	$ 1,036,275	$ 3,827,536	$ 1,968,492	$ (53,459)	$ (102,136)	**$ 5,640,433**

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;

As of December 31, 2005, 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.

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.

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. The Interest Option also requires the Company to issue 200,000 Common shares to Minimax as additional consideration for granting the option. The shares, having a fair value of $54,000, were recorded as issuable at December 31, 2003 and were issued during 2004.

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. Subject to regulatory approval, the Company shall issue 75,000 Company Common shares to Minimax. 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. The requisite shares were issued to Minimax pursuant to receiving regulatory approval in January 2006.

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 the granting of 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.

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. As such, as part of the SOA, Panoro is to reimburse the Company costs of acquiring the property, and will incur all further obligations under the Bautista-Agata Agreement until the Surigao Option Period expires, or the Agata property becomes an excluded property.

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. As such, it will now be part of the SOA and Panoro will reimburse the Company for the costs of acquiring the property, assume the obligation to deliver the 40,000 Mindoro Common shares and 40,000 Panoro

Common shares, and will incur all further obligations under the Bautista-Tapian Agreement until either the Surigao Option Period expires, or the Tapian property becomes an excluded property.

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, 2005.

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.

During the year ended December 31, 2005, the Company wrote down its costs associated with the Lahuy property in the amount of $102,136.

4. PROPERTY AND EQUIPMENT

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

	Cost	2005 Accumulated Depreciation	**Net Book Value**	Cost	2004 (restated) Accumulated Depreciation	**Net Book Value**
Computer Hardware	56,965	47,448	**9,517**	50,181	44,844	**5,337**
Computer Software	49,203	41,170	**8,033**	42,547	39,205	**3,342**
Office furniture and Equipment	74,840	27,036	**47,804**	55,989	24,677	**31,312**
Leasehold improvements	16,518	16,518	**-**	16,517	16,517	-
	$ 197,526	$ 132,172	**$ 65,354**	$ 165,234	$ 125,243	$ 39,991

5. ACCOUNTS RECEIVABLE

Funds due from the Company's joint venture partner are recorded as accounts receivable. At December 31, 2005, the amount was $164,759 (2004 $48,324).

6. SHARE CAPITAL

Authorized
Unlimited number of common shares
Unlimited number of preferred shares

	2005 Number	2005 Amount	2004 Number	2004 Amount
Issued				
Common shares				
Balance, beginning of period (a)	44,201,867	$ 11,627,155	31,356,757	$ 9,292,564
Obligation to issue shares cancelled (b)	(40,000)	(10,800)	-	-
For drilling services rendered (c)	-	-	600,000	90,000
Issued upon exercise of warrants (d)	6,167,525	1,980,216	252,910	54,831
Issued pursuant to private placement (e)	2,117,500	656,267	2,433,312	547,374
Issued upon exercise of stock options (f)	625,000	193,343	530,000	111,499
Issued for mining properties (g)	500,000	170,000	-	-
Short Form Offering	-	-	8,938,888	1,506,337
Common Shares issuable	-	-	90,000.00	24,550
Balance, end of period	**53,571,892**	**$ 14,616,181**	**44,201,867**	**$ 11,627,155**

Common share purchase warrants	2005 Number	2004 Number
Balance, beginning of period (a)	13,068,361	1,631,083
Issued pursuant to private placement (e)	1,058,750	2,233,312
Issued pursuant to exercise of agents warrants (h)	856,548	-
Issued pursuant to Short Form Offering	-	9,777,776
Exercised (d)	(6,167,525)	(252,910)
Expired (i)	(1,307,273)	(320,900)
Balance, end of period	**7,508,861**	**13,068,361**

(a) On January 16, 2004, the Company issued 500,000 Units at $0.30 per Unit for proceeds of $129,604, net of cash issue costs of $20,396. Each Unit consisted of one Common share and one-half Common share purchase warrant. Each whole Common share purchase warrant entitles the holder to acquire one

Common share at $0.60 per share until January 16, 2005. The Company issued 50,000 agent's warrants pursuant to this private placement exercisable into one Unit of the Company at $0.30 per Unit until January 16, 2006, each Unit having the same terms as above. The fair value of the agent's warrants was estimated to be $13,145 using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years, expected volatility of 123%, risk-free interest rate of 2.84% and a 0% dividend yield. This was recorded as a share issue cost with a corresponding increase in contributed surplus.

On August 5, 2004, the Company issued 831,112 Units at $0.225 per Unit for proceeds of $185,159, net of issue costs of $1,841. Each Unit consisted of one Common share and one Common share purchase warrant entitling the holder to acquire one Common share at $0.30 per share until August 4, 2006.

On October 29, 2004, the Company issued 1,102,200 Units at $0.225 per Unit for proceeds of $245,756, net of issue costs of $2,239. Each Unit consisted of one Common share and one Common share purchase warrant entitling the holder to acquire one Common share at $0.30 per share until October 29, 2006.

On October 15, 2004, pursuant to a Short Form Offering document, the Company issued 8,888,888 Units at $0.225 per Unit for gross proceeds of $2,000,000. Each Unit consisted of one Common share and one Common share purchase warrant entitling the holder to acquire one Common share at $0.30 per share until October 15, 2006. The Company paid the agent a 9% cash commission on the gross proceeds of $180,000, granted 888,888 agent's warrants, issued the agent 50,000 Common shares and paid $91,440 in additional miscellaneous share issue costs. The agent's warrants entitle the holder to acquire one Unit of the Company at $0.225 per Unit until October 15, 2006. The fair value of the agent's warrants was estimated to be $222,222 using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years, expected volatility of 110%, risk-free interest rate of 3.2% and a 0% dividend yield. This was recorded as a share issue cost with a corresponding increase in contributed surplus. The fair value of the shares issued of $11,250 was recorded as a share issue cost with a corresponding increase in share capital.

(b) Pursuant to an agreement with Panoro Minerals Ltd., ("the Surigao Option Agreement") Panoro became obligated during 2004 to deliver to the Company 50,000 Common shares of the Company. The expected receipt of these shares was netted against the Company's obligation to issue 100,000 Common shares to Minimax Mineral Exploration, as described below.

Pursuant to the Company's Memorandum of Agreement with Minimax, 100,000 Common shares were committed to be issued in 2005 to Minimax as the Company elected to enter into phase three on the Tapian property. These shares were recorded as Common shares issuable as at December 31, 2004, at fair value, on the date the Company exercised the option, of $27,500, less the 50,000 Common shares deliverable by Panoro Minerals Ltd. at fair value of $13,750, for a net obligation of $13,750. The Company issued the balance of 50,000 Common shares to Minimax in 2005, but no further entry was required.

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 and 40,000 Common shares of Panoro. The 40,000 Company shares were recorded as issuable at December 31, 2004, at fair value on the date of signing of $10,800. The fair value of the Panoro Common shares on the date of signing of $6,800 was included in accounts payable and accrued liabilities at December 31, 2004.

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 and 40,000 Common shares of Panoro. The fair value of these shares as recorded at December 31, 2004 was reversed in January and March 2005.

(c) Pursuant to an agreement dated October 28, 2002 with East West Drilling Limited, the Company issued 600,000 Common shares as consideration for East West providing $90,000 of drilling services on the mining projects in 2003 and 2004.

(d) Purchase warrants were exercised in 2005 for net proceeds of $1,779,873. Costs totaling $200,343, recorded as an increase to contributed surplus on issuance of purchase warrants in 2004, were reclassified to share capital upon the exercise of these warrants.

(e) 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 of $16,716 and additional costs of the issue amounting to $4,617. 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.

(f) The Company issued 625,000 Common shares pursuant to the exercise of stock options for net proceeds of $133,375.

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

(h) These warrants were issued pursuant to the exercise of 856,548 Agent's warrants.

(i) 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.

The following table summarizes information about Common share purchase warrants outstanding and exercisable as at December 31, 2005:

2005				**2004**			
Number of Warrants	**Exercise Price**		**Expiry Date**	**Number of Warrants**	**Exercise Price**		**Expiry Date**
25,000	**$**	**0.60**	January 2006	250,000	$	0.60	January 2005
333,378	**$**	**0.30**	August 2006	500,000	$	0.50	March 2005
5,062,193	**$**	**0.30**	October 2006	557,273	$	1.00	August 2005
57,340	**$**	**0.30**	October 2006	50,000	$	0.30	January 2006
972,200	**$**	**0.30**	November 2006	831,112	$	0.30	August 2006
1,058,750	**$**	**0.50**	October 2006	8,888,888	$	0.30	October 2006
				888,888	$	0.23	October 2006
				1,102,200	$	0.50	October 2006
7,508,861				13,068,361			

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

	2005		2004	
	Shares	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	2,830,000	$0.14	2,046,000	$0.14
Issued	2,690,000	$0.56	1,580,000	$0.31
Exercised	(625,000)	$0.21	(530,000)	$0.13
Forfeited	(70,000)	$0.30	(266,000)	$0.32
Outstanding at end of period	**4,825,000**	**$0.45**	2,830,000	$0.22
Options exercisable at end of period	**4,675,000**	**$0.44**	2,717,500	$0.22

Compensation cost for the period of $1,067,334 (2004 - $281,075) was recorded as stock-based compensation and $14,972 (2004 - $0) in stock-based compensation to consultants was recorded as Advertising and Promotion expense. The fair value of stock compensation capitalized, $401,949 (2004 - $98,400), was recorded as $605,527 of mineral properties and deferred exploration and $203,578 of future tax liabilities. This liability was recovered using a portion of the Company's unrecorded income tax assets. 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 2005, on the date of grant, was $0.56 per common share option (2004 - $0.26). 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:

	2005	**2004**
Risk Free Interest Rate	3.75%	3.32%
Expected Life	4.78 years	7.12 years
Expected Volatility	143%	119.86%
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	765,000	1.25	$0.13
$0.15 to $0.23	695,000	2.74	$0.18
$0.24 to $0.36	1,890,000	5.15	$0.31
$0.48	150,000	4.76	$0.48
$0.96	1,325,000	4.61	$0.96
Total	**4,825,000**	4.02	**$0.45**

During the period, the following share options were issued:

Number of Options Issued	Issue Date	Expiry Date
1,115,000	3-Feb-05	3-Feb-10
100,000	4-Apr-05	4-Apr-07
150,000	5-Oct-10	5-Oct-05
1,325,000	2-Nov-05	2-Nov-10
2,690,000		

7. CONTRIBUTED SURPLUS

	2005	2004
Balance, beginning of period	$ 886,771	$ 331,711
Stock based compensation	1,484,255	379,475
Stock Options Exercised	(59,969)	(42,271)
Agent's warrants exercised	(200,343)	217,856
Balance, December 31, 2005	**$ 2,110,714**	**$ 886,771**

8. INCOME TAXES

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

	2005	2004 (restated)
Tax values in excess of net book value of mineral properties and deferred costs and property and equipment	$ 140,765	$ 124,769
Share issue costs	72,553	90,141
Loss carry forwards	1,148,415	1,015,360
	1,361,733	1,230,270
Valuation allowance	(1,361,733)	(1,230,270)
Net Future tax asset	$ -	$ -

(b) Income tax recovery differs from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 33.62% (2004 -33.87%) to net loss as follows:

	2005	2004 (restated)
Expected income tax recovery	$ (708,570)	$ (390,358)
Decrease (increase) resulting from:		
Stock-based compensation	343,362	95,200
Losses not recognized for tax purposes	133,055	210,793
Other non-deductible amounts	28,575	84,365
	$ (203,578)	$ -

(c) At December 31, 2005, non-capital losses available for use in the Philippines subsidiary are $ 321,000. At December 31, 2005, Canadian net capital losses of $488,194 are available to be carry forward indefinitely. At December 31, 2005, Canadian non-capital losses of approximately $ 2,861,000 for which no benefit has been recognized in the consolidated financial statements expire as follows:

Year of Expiry	**Amount**
2006	$ 614,000
2007	350,000
2008	206,000
2009	137,000
2010	281,000
2014	544,000
2015	729,000
	$ 2,861,000

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 and Surigao which expire in April and September, 2007, respectively, and are renewable annually.

(c) Lease of a residential unit in Manila which expires in June, 2006, and is renewable annually.

At December 31, 2005 the future minimum lease commitments remaining under these leases are as follows:

2006	$ 38,691
2007	29,623
2008	19,683
2009	4,945
	$ 92,942

Rent expense charged to operations amounted to $22,427 and $19,632 in 2005 and 2004, respectively.

10. RELATED PARTY TRANSACTIONS

(a) Accounts receivable and advances as at December 31, 2005 includes $13,428 due from an officer and director of the Company; and $33,722 advanced to East West Drilling; a director of the Company during 2005 is also the managing director of East West Drilling.

(b) Consulting and professional fees expense for the period includes $14,485 paid to a director of the Company, and $45,000 paid for investor relations to Ascenta Capital; a director of the Company is also a principal of Ascenta. Advertising and promotions expense includes $62,799 also paid to Ascenta.

(c) Mineral properties and deferred costs for the period include $4,064 paid to a director of the Company for consulting work on the properties.

(d) Of the 2,690,000 stock options granted during 2005, 100,000 were granted to a firm during the time period in which a principal of this firm was a director of the Company.

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. SUBSEQUENT EVENTS

Subsequent to December 31, 2005, 280,000 options were exercised for proceeds of $60,400; 57,340 agent's warrants were exercised for proceeds of $12,901 and 315,916 purchase warrants were exercised for proceeds of $108,399. As well, 57,340 purchase warrants were issued pursuant to the exercise of agent's warrants.

Pursuant to an agreement dated October 5, 2005, subsequent to year end, the Company's subsidiary, MRL Gold Phils Inc., acquired an option to purchase an additional 15 percent direct and indirect participating interest (the Additional Interest Option) from Minimax in future mining reserves located in the Surigao Projects. Subject to regulatory approval, the Company is required shall issue 75,000 shares to Minimax. The requisite shares were issued to Minimax pursuant to receiving regulatory approval in January 2006.

In April of 2006, the Company issued 4,118,950 Units at $0.70 per Unit for gross proceeds of $2,883,265. Finders fees of $158,421 were paid pursuant to the issue. 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 April 6, 2007 and, thereafter, at a price of $1.25 until April 6, 2008. The Company also issued 226,316 Agent's warrants; Agent's warrants are exercisable into Units having the same terms at the Units issued.

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 a 15 percent interest. Mindoro and Minimax are fully carried until Medusa has reached its earn-in. 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.