MINDORO
RESOURCES LTD

Consolidated Interim Financial Statements

(Unaudited)

June 30, 2006

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

1. GENERAL

This discussion and analysis of financial position and results of operation is prepared as at August 22, 2006, should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2005 and 2004 which have been prepared in accordance with Canadian generally accepted accounting principals. All amounts are expressed in Canadian dollars, unless otherwise indicated. Additional information related to the Company can be found on SEDAR at www.sedar.com

2. FORWARD LOOKING INFORMATION

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

3. NATURE OF THE BUSINESS

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

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.

4. OVERVIEW OF EXPLORATION ACTIVITIES

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

Batangas Projects, Luzon

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

As of June 30, 2006, the Company had $4,263,033 in exploration expenditures on the Batangas Projects, including expenditures of $886,077 in the three months ended June 30, 2006.

Kay Tanda-Pulang Lupa Epithermal Gold Prospects, Archangel Project

Drilling in the second quarter of 2006 at the adjacent Kay Tanda-Pulang Lupa targets continued to return encouraging gold-silver results with thick intersections of low-grade, near-surface, gold-silver mineralization. A reverse circulation rig has completed drilling over 50 holes to date on the Kay Tanda-Pulang Lupa targets. Full drill results are available on the Company's website in press releases dated May 3, May 23, June 16, July 4, July 25, and August 1, 8, 16, and 22. Drilling objectives are two-fold: step-out drilling to expanding the known boundaries of mineralization, and in-fill drilling to establish mineralization continuity between drill holes and arrive at a resource estimate.

Kay Tanda and the semi-contiguous Pulang Lupa zone, is part of a large zone of low-sulphidation, epithermal gold-silver mineralization associated with quartz stockworking and hydrothermal breccias in andesitic and dacitic volcanics and intrusives. As drill-defined to date, mineralization extends over a strike length of more than 900 meters and has an average width ranging from 200 meters to 350 meters. Mineralization is open in several directions. Similar mineralization has been located at the Lumbangan and Marita zones to the north-east which are yet to be drill-tested.

Near-surface mineralization is in the form of a quartz stockwork blanket, commonly extending right from surface, and averaging 20 meters to 40 meters in thickness, but can be over 80 meters thick. Grades typically fall within a range of 0.4 to 0.8 g/t gold and 1 to 3 g/t silver. The mineralization is normally oxide down to a depth ranging from 20 to 80 meters. Below this, the non-oxide mineralization is generally in the form of stockworks or higher grade veins and stockworks, interpreted as feeder zones, which attain bonanza grades in places, such as 70 g/t gold over one meter in hole KT-04. Hole KT-28 intersected 6.96 g/t gold over six meters, including two meters of 18.85 g/t gold, and two meters of 9.16 g/t gold deeper in the hole. Although additional high-grade feeder zones likely occur, at this time, focus of the evaluation is on the near-surface mineralization with the objective of establishing a National Instrument 43-101 compliant resource and proceeding to a scoping study later this year.

As reported in Mindoro's press release of December 2, 2005, two phases of metallurgical testing on Kay Tanda indicate promising leaching characteristics. Additional diamond drill core sampling for further metallurgical testing is now in progress.

As well, intense phyllic (quartz-sericite-pyrite) and SCC (sericite-clay-chlorite) alteration, interpreted to be related to a porphyry copper-gold system, plus abundant quartz veins/veinlets with low-grade copper-lead and zinc mineralization, continues to be encountered in most holes immediately below the overprinting epithermal gold-silver zone. This porphyry signature constitutes a follow-up target for a diamond drill-testing in conjunction with collecting metallurgical samples.

Pica Porphyry System, Lobo Project

During the second quarter of 2006, the last hole of a four hole drill program was completed on the Pica porphyry prospect, located on the Lobo Project. As disclosed in the Company's October 21, 2005, press release, porphyry copper-gold mineralization was confirmed in drill hole one with the intersection of 213 meters of 0.18 percent copper, 0.3 grams per tonne (g/t) gold, and 1.19 g/t silver. Results of holes three and four will be released in the near future.

Calo Porphyry Prospect, Batangas Region

The Company continued to await delivery of its Exploration Permit during the second quarter of 2006, which is in the final stages of the approval process with the Philippines Department of Environment and Natural Resources [DENR]. As part of the Company's early stage due diligence on the property, as described in a March 6, 2006, press release, a reconnaissance geophysical survey has defined an extremely intense, very large, induced polarization chargeability [IP] anomaly. Most of the anomaly is covered by younger rocks but erosional windows expose porphyry-related alteration in places, as well as copper and gold showings. Based on Mindoro's work in the Batangas region, the anomaly is believed to reflect a cluster of porphyry centers along a strong northeast structural trend. Drilling is planned upon receipt of the Exploration Permit.

El Paso Porphyry Prospect, Batangas Region

As described in the Company's October 4, 2005, and January 9, 2006, press releases, assay results from several trenches at El Paso gave over one per cent copper over intervals of from 10 to 20 meters. During reconnaissance IP work, a promising chargeability anomaly was partially defined one kilometer to the east of the surface copper mineralization. The El Paso Exploration Permit is currently in the advanced stages of the approval process with the Philippines DENR. Mindoro management believes El Paso represents a high priority drill target.

Surigao Projects, Northern Mindanao

Mindoro has earned a 75% interest from a private Philippine company, Minimax Mineral Exploration Corporation, in the Surigao Projects, comprised of the Agata, Tapian San Francisco, Tapian Main, and Mat-I projects. Panoro Minerals Ltd. has earned a 40 percent interest from Mindoro in the Surigao Projects by funding two million dollars in exploration expenditures. At production, if all options are exercised, Mindoro would hold a 57.5 percent interest and Panoro would hold the remaining 42.5 percent. The granted tenements consist of an MPSA on Agata and EPs on Tapian San Francisco and Tapian Main. The remaining ground is held under MPSA and EP applications that are undergoing processing. The Surigao Joint Venture is comprised of Mindoro, Panoro and Minimax.

As of June 30, 2006, the Company had $1,768,925 in exploration expenditures on the Surigao Projects. In the three months ended June 30, 2006, the Company spent just $31,048 on the Surigao properties as Panoro was funding exploration expenditures pursuant to its earn in requirements. During the second quarter, the Company, as operator of the Projects, received management fees of $64,487 from Panoro.

Agata Project, Porphyry Prospects

Initial drilling at Agata North was unsuccessful in reaching target depth due to extremely difficult ground conditions in highly sheared and fractured ultra-mafic rocks. One of the most experienced drill contractors in the Philippines was recently engaged and drilling is about to commence with this new contractor. Similar operational problems were encountered drilling the Agata South porphyry target and the Surigao Joint Venture is now evaluating the drilling strategy, in consultation with the drill contractor. These kinds of operational difficulties are not uncommon in mineral exploration and Mindoro management is optimistic they will be overcome.

Agata Project, Nickel Laterite Prospect

BHP Billiton completed its drilling program on the Agata nickel laterite prospect in the second quarter of 2006; results were reported in the Company’s press release of July 6, 2006. In late July, BHP Billiton formally notified the Surigao Joint Venture that it was not proceeding with discussions to develop the nickel laterite prospect, since grade and tonnage indications did not appear to meet their economic requirements to ship the material to their Queensland, Australia, nickel refinery for processing.

The Joint Venture believes that the Agata laterite has good potential to meet the specifications of closer Asian consumers. In particular, the Agata nickel laterite is believed to have the potential to meet the specifications for ferro-nickel foundaries in China, currently purchasing material grading around 45% iron and 1 % nickel. Expressions of interest have been received from several Asian cosumers and discussions are in progress. SR Metals Inc., a private Philippine mining company, has expressed interest in negotiating an agreement with the Surigao Joint Venture and has signed a non-exclusive Confidentiality Agreement. SR Metals has commenced nickel laterite mining and production immediately south of the Agata Project, and the product will be shipped to consumers in China. The SR Metals nickel laterite is believed to be an extension of the Agata mineralization.

The Joint Venture will be evaluating all possible alternatives, including mining the nickel laterite itself, in order to maximize the potential benefits to its shareholders. To this end, future plans include commencing a drill program later in 2006 to establish a NI 43-101 compliant resource, as well as carrying out marketing, environmental and economic studies.

Tapian San Francisco Project

During the second quarter of 2006, drilling commenced on Cantikoy, one of several porphyry copper-gold targets on the Tapian San Francisco Project. Operational difficulties have delayed the program, and drilling is still underway on the first target.

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

5. RESULTS OF OPERATIONS

Interest income for the second quarter of 2006 was $15,955 ($20,460 for the period) compared to interest income of $6,495 for the second quarter of 2005 ($10,647 for the period). The Company significantly increased its marketing activities during the first six months of 2006 and also had increased field programs. As a result of these activities, the net loss of $479,184 for the second quarter ($909,239 for the period) was higher than the net loss of $225,075 in the second quarter of 2005 ($637,746 for the period). Although advertising and promotions expenses of $38,805 for the second quarter of 2006 were lower than expenses of $60,619 for the second quarter of 2005, expenses in the amount of $146,902 for the first six months of 2006 were up from expenses of $103,455 for the same period in 2005. Conferences and trade show expense increased to $33,219 for the second quarter ($46,266 for the period), compared to $290 for the same quarter in 2005 ($5,848 for the period) as the Company attended four trade shows in the six months of 2006 and only one in the first six months of 2005.

Consulting and professional fees of $85,453 was also higher for the second quarter of 2006 ($138,963 for the period) compared to $26,996 for the second quarter of 2005 ($49,893 for the period). Included within the 2006 consulting and professional fees is $51,019 in legal fees for legal work in connection with the Company's properties and joint venture in the Philippines. Investor relations consultants fees of $23,602 for the second quarter of 2006 ($51,649 for the period) was a reduction from fees of $35,637 in the second quarter of 2005 ($62,637 for the period). Printing expenses of $11,994 in the second quarter ($18,220 for the period) were up from $2,940 in the second quarter of 2005 ($4,251 for the period), again due to increased marketing activities in Canada and Europe. Office, postage and sundry expenses of $41,348 were higher in the second quarter of 2006 ($53,582 for the period) than the $18,774 incurred in the second quarter of 2005 ($30,394 for the period). Both the Company and the Company's subsidiary in the Philippines moved into larger offices in 2006; and as a result, rent expense of $13,483 for the second quarter of 2006 ($20,845 for the period) was higher than expense of $5,680 in the second quarter of 2005 ($10,455 for the period).

Increased field activity over the past year has resulted in the need to hire additional personnel, resulting in higher salary costs. Salaries and benefits of $106,642 for the second quarter of 2006 ($208,417 for the period) was significantly higher than salaries and benefits of just $39,433 in the second quarter of 2005 ($79,216 for the period). The 2006 salaries expense for the first six months of 2006 is comprised of $105,416 in Canadian salaries and $103,001 in salaries from the Philippines subsidiary, MRL Gold Phils., Inc. In 2005, Canadian salaries for the period amounted to $55,779 and MRL salaries amounted to $23,436.

There were no stock-based compensation salary expenses during the period, as no stock options were issued; whereas the same period in 2005 recognized stock-based compensation expenses of $165,919, relating to stock options issued during the first quarter of 2005. However, stock options previously granted to investor relations consultants, which vested during the second quarter of 2006, resulted in other stock-based compensation expense of $15,160 ($35,569 for the period) compared to other stock-based compensation expense in 2005 of $4,875 ($4,875 for the period). With increased marketing activities during the period, particularly in Europe, travel expenses of $50,661 in the second quarter of 2006 ($95,446 for the period) were also higher than travel expenses of $23,120 in the second quarter of 2006 ($38,337 for the period). Depreciation expense of $3,465 in the second quarter of 2006 ($6,670 for the period) was higher than 2005 second quarter depreciation expense of $2,011 ($3,073 for the period), as the Company acquired more office and field equipment during the past year, resulting in a larger depreciation expense.

6. SUMMARY OF QUARTERLY RESULTS

Quarter Ending	Net Earnings Gain (Loss)	Earnings Gain (Loss) Per Share	Total Assets
June 30, 2006	$(479,184)	$(0.008)	$9,865,035
March 31, 2006	(430,055)	(0.008)	7,240,937
December 31,2005	(1,208,486)	(0.020)	7,571,132
September 30, 2005	(159,636)	(0.003)	7,506,223
June 30, 2005	(189,333)	(0.005)	6,176,171
March 31, 2005	(346,552)	(0.009)	5,537,076
December 31, 2004	(424,805)	(0.010)	5,292,854
September 30, 2004	(224,101)	(0.007)	3,769,857

7. LIQUIDITY

The Company continues to rely on raising capital in order to fund its ongoing operations. As of June 30, 2006, Mindoro's cash position was $2,410,178, up from $1,419,311 as at December 31, 2005. In April of 2006, the Company issued 4,118,950 Units at $0.70 per Unit for gross proceeds of $2,883,265. Finder's fees of $158,421 were paid pursuant to the issue. 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. During the second quarter, the Company also received $46,978 net proceeds from exercised purchase warrants and $6,880 from exercised stock options; for total net proceeds during the first six months of $158,333 and $60,280 from exercised purchase warrants and stock options, respectively.

Accounts receivable increased to $589,047 as of June 30, 2006, up from $341,192 at the end of the first quarter and from $277,490 as of December 31, 2005. Included in accounts receivable are cash calls receivable from our joint venture partner, which at the end of the period was $491,502 compared to $196,265 at the end of the first quarter and $164,759 as of December 31, 2005. 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 decreased in the second quarter, to $45,836 from $183,763 at the end of the first quarter, and from $168,544 as of December 31, 2005. Pursuant to the Company's increased field programs, property and equipment balance of $118,635 was up from the March 31 balance of $82,813 and $65,354 as of December 31, 2005. Accounts payable and accrued charges of $381,610 as at June 30, 2006, was a marked increase from the balance of $138,170 as at March 31, 2006, and the December 31, 2005, balance of $203,666, which is primarily related to several new drilling programs underway in the Philippines.

During the second quarter of 2006, and prior to deducting management fee recoveries, $827,782 was expended on Investing Activities ($1,213,583 for the period) with $39,267 spent on acquisition of property and equipment and $788,515 spent on Exploration Activities in the Philippines. The total amount of deferred exploration on existing properties as at June 30, 2006 was $6,701,340.

8. CAPITAL RESOURCES

Some of the following commitments are denominated in Philippine Pesos ("PP"). At June 30, 2006, 47.749PP = $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 Company issued 200,000 Common shares to Minimax in 2004 as additional consideration for granting the option.

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. A net smelter royalty of one percent against the additional 15 percent interest in mineral reserves shall also be payable to Minimax. MRL may, at any time, terminate the Additional Interest Option without penalty. In May 2006, the Company issued 75,000 common shares to Minimax as consideration for granting the option.

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

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 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: Lobo, Archangel and Batangas Properties

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 June 30, 2006.

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

Apical Agreement

In May of 2006, Mindoro entered into a Joint Venture Agreement with Minimax and Medusa Mining Limited of Australia on the Apical Gold Project in Mindanao, Philippines. Medusa may earn a 70 percent interest in Apical by taking the project either to production, in the case of lode deposits, or to feasibility, in the case of bulk-tonnage, porphyry copper-gold deposits at which time Mindoro and Minimax would each hold 15 percent interest. 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 percent 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 percent participating interest, or to reduce to a 3 percent Net Smelter Royalty (“NSR”), each retaining a 1.5 percent 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 percent NSR.

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

9. TRANSACTIONS WITH RELATED PARTIES

Accounts receivable and advances as at June 30, 2006 includes $17,961 due from officers of the Company and the Company’s subsidiary ($23,928 as at March 31, 2006). The majority of these advances are related to expenses which, upon reconciliation of advances, will be charged to deferred exploration.

During the second quarter of 2006, $2,120 ($8,713 for the period) was paid to a director of the Company for consulting services. Ascenta Capital received $15,000 in the second quarter ($30,000 for the period) for investor relations services. Advertising and promotions expense for the second quarter includes $23,438 ($37,898 for the period) also paid to Ascenta; a director of the Company is a principal of Ascenta.

Mineral properties and deferred costs include $376 paid to a director during the second quarter ($887 for the period) for consulting work on the properties.

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

10. CAPITAL STRUCTURE

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

Issued - Common shares	**Number**
Balance, December 31, 2005	53,571,892
Issued on exercise of purchase warrants (a)	500,456
Issued pursuant to private placement (b)	4,118,950
Issued upon exercise of stock options (c)	280,000
Issued for properties (d)	75,000
Balance, June 30, 2006	**58,546,298**
Common share purchase warrants	
Balance, December 31, 2005	7,508,861
Issued on exercise of agent's warrants	58,340
Issued pursuant to private placement	2,285,791
Warrants exercised (a)	(500,456)
Warrants expired	-
Balance, June 30, 2006	**9,352,536**
Stock options	
Balance, December 31, 2004	**4,825,000**
Issued	-
Exercised (c)	(280,000)
Forfeited	(40,000)
Expired	-
Balance, June 30, 2006	**4,505,000**

(a) Purchase warrants were exercised for net proceeds of $46,978 during the second quarter, for a total of $158,333 during the first six months.

(b) In April of 2006, the Company issued 4,118,950 Units at $0.70 per Unit for gross proceeds of $2,883,265. Finder's fees of $158,421 were paid pursuant to the issue. 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.

(c) Stock options were exercised for net proceeds of $6,880 during the second quarter, for a total of $60,280 during the first six months.

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

The following table summarizes information about Common share purchase warrants outstanding and exercisable as at June 30, 2006:

Number of Warrants	Exercise Price	Expiry Date
333,378	$ 0.30	Aug-06
4,741,264	$ 0.30	Oct-06
964,978	$ 0.30	Nov-06
1,028,125	$ 0.50	Oct-06
2,060,475	$ 1.00	Apr-07
	$ 1.25	Apr-08
224,316	$ 0.70	Apr-08
9,352,536		

The following table summarizes the information about stock options outstanding at June 30, 2006:

Range of Exercise Prices	Number Outstanding	Weighted Average Contractual Life (Years)	Weighted Average Exercise Price
$0.10 to $0.14	625,000	0.82	$0.13
$0.15 to $0.23	695,000	1.65	$0.24
$0.24 to $0.36	1,750,000	4.79	$0.31
$0.37 to $0.56	150,000	4.27	$0.48
$0.81 to $1.00	1,285,000	3.81	$0.96
Total	**4,505,000**	3.46	**$0.47**

Subsequent to the end of the period, 333,378 purchase warrants and agent warrants were exercised for gross proceeds of $100,013.

11. Schedule of Deferred Exploration Expenditures

	For the Six Months Ended June 30, 2006			For the Six Months Ended June 30, 2005		
BATANGAS PROJECTS	**Lobo**	**Archangel**	**Regional**	Lobo	Archangel	Regional
General Exploration	70,754	94,023	68,546	162,368	154,655	19,843
Camp, Road Construction	1,413	46,698	-	1,899	271	
Travel	8,195	10,143	11,882	5,852	3,080	125
Geology, Geophysics, Geochemistry	19,154	67,630	137,255	86,866	148,657	1,143
Drilling	260,364	191,536	-	131,857	-	-
Mapping, Sampling	2,573	6,287	15,840	10,045	7,993	72
Acquisition Costs	-	-	10,471	426		-
Community, Environmental	12,186	7,848	7,477	2,601	916	31
Total additions	**$ 374,637**	**$ 424,166**	**$ 251,472**	$ 401,915	$ 315,572	$ 21,214

SURIGAO PROJECTS	**Agata**	**Tapian**	Agata	Tapian
General Exploration	28,540	28,442	10,916	(30,024)
Acquisition Costs	-	20,489	-	-
Management Fee Recoveries	(42,025)	(50,702)	(48,936)	(90,440)
Total additions	**$ (13,485)**	**$ (1,770)**	$ (38,020)	$ (120,464)

OTHER PROJECTS	**Pan de Azucar**	**Mat-I**	Pan de Azucar	Mat-I
General Exploration	163	21,250	-	2,302
Acquisition Costs	5,896	-		
Total additions	**$ 6,059**	**$ 21,250**	$ -	$ 2,302

CONSOLIDATED BALANCE SHEETS
(Unaudited)

MINDORO RESOURCES LTD

		June 30 2006		December 31 2005
ASSETS				
CURRENT				
Cash and short-term investments	$	**2,410,178**	$	1,419,311
Accounts receivable		**589,047**		277,490
Prepaid expenses		**45,836**		168,544
		3,045,061		1,865,345
MINERAL PROPERITIES AND DEFERRED COSTS (Note 3)		**6,701,339**		5,640,433
PROPERTY AND EQUIPMENT (Note 4)		**118,635**		65,354
	$	**9,865,035**	$	7,571,132
LIABILITIES				
CURRENT				
Accounts payable and accrued charges (Note 5)	$	**381,610**	$	203,666
Deposits held for private placement		**-**		-
		381,610		203,666
SHAREHOLDERS' EQUITY				
Share capital (Note 6)		**17,536,076**		14,616,181
Contributed surplus		**2,216,017**		2,110,714
Retained earnings		**(10,268,668)**		(9,359,429)
		9,483,425		7,367,466
	$	**9,865,035**	$	7,571,132

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
(Unaudited)

MINDORO
RESOURCES LTD

	Quarter Ended June 30		Six Months Ended June 30	
	2006	2005	**2006**	2005
REVENUE				
Interest	**$ 15,955**	$ 6,495	**$ 20,460**	$ 10,647
EXPENSES				
Administration	**2,574**	1,021	**7,824**	2,835
Advertising and promotion	**38,805**	60,619	**146,902**	103,455
Communications	**6,628**	6,027	**11,678**	11,231
Conferences and trade shows	**33,219**	290	**46,266**	5,848
Consulting and professional fees	**85,453**	26,996	**138,963**	49,893
Investor relations consultants	**23,602**	35,637	**51,649**	62,637
Listing fees and shareholder communications	**4,851**	6,269	**14,537**	11,022
Office, postage and sundry	**41,348**	18,774	**53,582**	30,394
Printing	**11,994**	2,940	**18,220**	4,251
Rent	**13,483**	5,680	**20,845**	10,455
Salaries and benefits	**106,642**	39,433	**208,417**	79,216
Stock based compensation - salaries				165,919
Stock based compensation - others	**15,160**	4,875	**35,569**	4,875
Travel	**50,661**	23,120	**95,446**	38,337
Depreciation and amortization	**3,465**	2,011	**6,670**	3,073
Foreign Exchange loss (gain)	**57,254**	(2,122)	**73,131**	64,952
	495,139	231,571	**929,699**	648,394
Net Loss	**(479,184)**	(225,075)	**(909,239)**	(637,746)
Basic and diluted loss per share	**(0.008)**	**(0.005)**	**(0.016)**	**(0.014)**
Weighted average shares outstanding	**58,191,319**	46,410,605	**56,057,588**	45,351,874
Deficit, beginning of period, as previously reported	**(9,789,484)**	(7,049,455)	**(9,359,429)**	(7,049,455)
Accounting change				(405,967)
Deficit, beginning of period, as restated	**(9,789,484)**	(7,868,093)	**(9,359,429)**	(7,455,422)
Deficit, end of period	**(10,268,668)**	**(8,093,168)**	**(10,268,668)**	**(8,093,168)**

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

MINDORO RESOURCES LTD

	Quarter Ended June 30		Six Months Ended June 30	
	2006	2005	**2006**	2005
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES				
OPERATING				
Net loss	**$ (479,184)**	$ (225,074)	**$ (909,239)**	$ (637,746)
Items not affecting cash				
Stock Based Compensation	**15,160**	4,875	**35,569**	170,794
Depreciation and amortization	**3,465**	2,011	**6,670**	3,073
Changes in non-cash working capital	**132,485**	133,176	**(10,903)**	(132,837)
	(328,074)	**(85,012)**	**(877,903)**	**(596,716)**
INVESTING				
Expenditures on mineral properties and deferred costs	**(724,028)**	(448,652)	**(1,060,906)**	(582,519)
Acquisition of property and equipment	**(39,267)**	-	**(59,951)**	(6,845)
	(763,295)	(448,652)	**(1,120,857)**	(589,364)
FINANCING				
Deposits held for private placement	**(118,990)**	-	-	-
Issue of share capital, net of issuance costs	**2,824,873**	672,049	**2,989,628**	851,908
	2,705,883	672,049	**2,989,628**	851,908
INCREASE IN CASH	**1,614,514**	138,385	**990,867**	(334,172)
CASH BEGINNING OF PERIOD	**795,664**	822,984	**1,419,311**	1,295,541
CASH END OF PERIOD	**$ 2,410,178**	$ 961,369	**$ 2,410,178**	$ 961,369

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(A) PRINCIPLES OF CONSOLIDATION

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

(B) 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.

(C) PROPERTY AND EQUIPMENT

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

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

(D) ASSET RETIREMENT OBLIGATIONS

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

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

The Company has not yet incurred any significant asset retirement.

(E) STOCK-BASED COMPENSATION

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

Stock-based compensation granted to employees, directors, officers and non-employees is accounted for using the fair value method. Compensation expense is amortized over the vesting period of the options, with a corresponding increase in contributed surplus. Any consideration paid on the exercise of stock options 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.

(F) INCOME TAXES

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

(G) PER SHARE AMOUNTS

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

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

(H) MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make3 estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

(I) FOREIGN CURRENCY TRANSLATION

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

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

(J) STATEMENT OF CASH FLOW

The Company uses the indirect method in its presentation of the Statement of Cash Flow.

3. MINERAL PROPERTIES AND EXPLORATION COSTS

This account consists 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.

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 June 30, 2006, the total amount of cost recoveries have been deducted from the deferred exploration costs.

Project	Balance December 31, 2004	Expenditures	Balance December 31, 2005	Expenditures	Management Fee Recoveries	Balance June 30, 2006
Agata	$ 969,284	$ 114,338	$ 1,083,622	$ 28,540	$ (42,025)	**$ 1,070,137**
Tapian	648,548	(13,558)	634,990	48,931	(50,702)	**633,219**
Lahuy	102,136	(102,136)	-	-	-	**-**
Mat-I	42,017	2,302	44,319	21,250	-	**65,569**
Pan de Azucar	609,669	-	609,669	6,059	-	**615,728**
Batangas	7,382	150,169	157,551	251,472	-	**409,023**
Lobo	1,124,583	974,356	2,098,939	374,637	-	**2,473,576**
Archangel	270,764	685,504	956,268	424,166	-	**1,380,434**
Laos	24,757	-	24,757	-	-	**24,757**
	3,799,140	1,810,975	5,610,115	1,155,054	(92,727)	**6,672,443**
Royalty Deposits	28,396	1,922	30,318	(1,422)	-	**28,896**
	$ 3,827,536	$ 1,812,897	$ 5,640,433	$ 1,153,632	$ (92,727)	**$ 6,701,339**

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 June 30, 2006, the Company has met phase one expenditure requirements on all properties under this agreement; phase two expenditure requirements on Agata, Tapian, and Pan de Azucar properties; and phase three expenditure requirements on Agata and Tapian properties.

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. Pursuant to the terms of the Interest Option, the Company issued 200,000 Common shares to Minimax in 2004 as additional consideration for granting the option.

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

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

Pursuant to the Surigao Option Agreement ("SOA") effective June 21, 2004, Panoro Minerals Ltd. was granted an option to acquire a 40 percent interest in each of the Agata, Tapian and Mat-I properties and any extensions on those properties.

In order to earn the interests in the properties, Panoro is to make expenditures totaling $2,000,000 over a four year period as follows (the "Surigao Option Period"):

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

ii. $450,000 second expenditure period; and

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

Panoro was granted an additional interest option to earn 2.5 percent of the additional 10 percent interest in each of the Agata, Tapian and Mat-I properties by reimbursing the Company 25 percent of the costs incurred by the Company under the Interest Option at the time the option is exercised. As consideration for granting the additional interest option, Panoro is obligated to deliver to the Company 50,000 Common shares of the Company. These 50,000 Company shares were netted against the obligation to issue 100,000 Company shares to Minimax upon entering Phase three of the Tapian project. Thus, 50,000 net shares, previously recorded as Common shares issuable, were issued to Minimax during the second quarter. If the phase expenditures on the properties are not met, the properties become excluded from the SOA.

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 June 30, 2006.

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

In May of 2006, Mindoro entered into a Joint Venture Agreement with Minimax and Medusa Mining Limited of Australia on the Apical Gold Project in Mindanao, Philippines. Medusa may earn a 70 percent interest in Apical by taking the project either to production, in the case of lode deposits, or to feasibility, in the case of bulk-tonnage, porphyry copper-gold deposits at which time Mindoro and Minimax would each hold 15 percent interest. 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.

4. PROPERTY AND EQUIPMENT

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

	June 30, 2006			December 31, 2005		
	Cost	Accumulated Depreciation	**Net Book Value**	Cost	Accumulated Depreciation	Net Book Value
Computer Hardware	$ 58,944	$ 49,024	**$ 9,920**	$ 56,965	$ 47,448	$ 9,516
Computer Software	$ 50,161	$ 42,460	**$ 7,701**	$ 49,203	$ 41,170	$ 8,033
Office furniture and Equipment	$ 145,451	$ 44,437	**$ 101,014**	$ 74,840	$ 27,036	$ 47,804
Leasehold improvements	$ 16,518	$ 16,518	**$ -**	$ 16,518	$ 16,518	$ -
	$ 271,074	$ 152,439	**$ 118,635**	$ 197,526	$ 132,172	$ 65,354

5. ACCOUNTS RECEIVABLE

Funds due from the Company's joint venture partner are entered into the accounts receivable account. At June 30, 2006, the amount was $491,502.

6. SHARE CAPITAL

Authorized
Unlimited number of common shares
Unlimited number of preferred shares

	June 30, 2006		December 31, 2005	
Issued	**Number**	**Amount**	Number	Amount
Common shares				
Balance, beginning of period	53,571,892	$ 14,616,181	44,201,867	$ 11,627,155
Obligation to issue shares cancelled (a)	-	-	(40,000)	(10,800)
Issued upon exercise of warrants (b)	500,456	48,464	6,167,525	2,044,220
Issued pursuant to private placement (c)	4,118,950	2,707,325	2,117,500	656,367
Issued upon exercise of stock options (d)	280,000	100,416	625,000	129,239
Issued for mining properties (e)	75,000	63,690	500,000	170,000
Common Shares issuable (f)	-	-	-	-
Balance, end of period	**58,546,298**	**$ 17,536,076**	53,571,892	$ 14,616,181

Common share purchase warrants	**Number**	Number
Balance, beginning of period	7,508,861	13,068,361
Issued pursuant to private placement (c)	2,285,791	1,058,750
Issued pursuant to exercise of agents warrants (g)	58,340	856,548
Exercised (b)	(500,456)	(6,167,525)
Expired (h)	-	(1,307,273)
Balance, end of period	**9,352,536**	7,508,861

(a) Pursuant to an Agreement to Explore, Develop and Operate Mineral Property ("the Bautista-Tapian Agreement") the Company was obligated to issue to the property vendor 40,000 Common shares of the Company 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.

(b) Purchase warrants were exercised for net proceeds of $91,846. Stock-based compensation costs totaling $26,851, recorded as an increase to contributed surplus on issuance of the purchase warrants, were reclassified to share capital upon the exercise of these warrants.

(c) In 2005, pursuant to a private placement, the Company issued 2,117,500 Units at $0.32 per Unit for gross proceeds of $677,600 less finders' fees 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. No securities were issued pursuant to private placements during the first quarter of 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.

(d) The Company issued 280,000 Common shares pursuant to the exercise of stock options for net proceeds of $60,280. Stock-based compensation costs totaling $40,136, recorded as an increase to contributed surplus on issuance of the stock options, were reclassified to share capital upon the exercise of these options.

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

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

(f) These warrants were issued pursuant to the exercise of 58,340 Agent's warrants.

(g) 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. No warrants expired during the first six months of 2006.

The following table summarizes information about Common share purchase warrants outstanding and exercisable as at June 30, 2006:

June 30, 2006			December 31, 2005		
Number of Warrants	**Exercise Price**	**Expiry Date**	Number of Warrants	Exercise Price	Expiry Date
333,378	$ 0.30	August 2006	25,000	$ 0.60	January 2006
4,741,264	$ 0.30	October 2006	333,378	$ 0.30	August 2006
964,978	$ 0.30	November 2006	5,062,193	$ 0.30	October 2006
1,028,125	$ 0.50	October 2006	57,340	$ 0.30	October 2006
2,060,475	$ 1.00	April 2007	972,200	$ 0.30	November 2006
-	$ 1.25	April 2008	1,058,750	$ 0.50	October 2006
224,316	$ 0.70	April 2008			
9,352,536			7,508,861		

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

	June 30, 2006		December 31, 2005	
	Shares	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	4,825,000	$0.45	2,830,000	$0.14
Issued	-		2,690,000	$0.64
Exercised	(280,000)	$0.21	(625,000)	$0.21
Forfeited	(40,000)	$0.96	(70,000)	$0.30
Outstanding at end of period	**4,505,000**	**$0.47**	4,825,000	$0.45
Options exercisable at end of period	**4,470,000**	**$0.46**	4,675,000	$0.44

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	625,000	0.82	$0.13
$0.15 to $0.23	695,000	1.65	$0.24
$0.24 to $0.36	1,750,000	4.79	$0.31
$0.37 to $0.56	150,000	4.27	$0.48
$0.57 to $0.80	-	0.00	$0.00
$0.81 to $1.00	1,285,000	3.81	$0.96
Total	**4,505,000**	3.46	**$0.47**

7. CONTRIBUTED SURPLUS

		June 30, 2006		December 31, 2005
Balance, beginning of period	$	2,110,714	$	886,771
Stock based compensation	$	(4,567)	$	1,484,255
Agent's warrants exercised	$	104,031	$	(59,969)
Purchase warrants exercised	$	5,839	$	(200,343)
	$	**2,216,017**	**$**	**2,110,714**

8. RELATED PARTY TRANSACTIONS

(a) Accounts receivable and advances as at June 30, 2006 includes $19,958 due from officers of the Company and the Company's subsidiary. The majority of these advances are related to expenses which, upon reconciliation of advances, will be charged to deferred exploration.

(b) During the period, $8,713 was paid to a director of the Company for consulting services. Ascenta Capital received $30,000 for investor relations services and $37,898 for advertising and promotions expenses; a director of the Company is a principal of Ascenta.

(c) Mineral properties and deferred costs include $887 paid to a director during the period for consulting work on the properties.

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

9. FINANCIAL INSTRUMENTS

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

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

10. SUBSEQUENT EVENTS

Subsequent to the period, 333,378 purchase warrants and agents warrants were exercised for proceeds of $100,013.