MINDORO
RESOURCES LTD

Consolidated Financial Statements
&
Management's Discussion and Analysis

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

2200, 10235 101 Street NW
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mindoro@mindoro.com
www.mindoro.com

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

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RESOURCES LTD

Management's Discussion and Analysis

For the three months and year ended December 31, 2014

As reported on April 30, 2015

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CAUTION FORWARD LOOKING INFORMATION

This Management Discussion & Analysis contains certain forward-looking statements relating to, but not limited to, Mindoro's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as 'anticipate', 'believe', 'expect', 'goal', 'plan', 'intend', 'estimate', 'may' and 'will' or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future outcomes, or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects, and timing of commencement of operations and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from those expressed or implied.

Shareholders and potential investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Mindoro undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

Statements relating to mineral reserve and resource estimates are expressions of judgment, based on knowledge and experience and may require revision based on actual production experience. Such estimates are necessarily imprecise and depend to some extent on statistical inferences and other assumptions, such as metal prices, cut-off grades and operating costs, which may prove to be inaccurate. Information provided relating to projected costs, capital expenditure, production profiles, and timelines are expressions of judgment only and no assurances can be given that actual costs, production profiles or timelines will not differ materially from the estimates contained in this announcement.

TECHNICAL DISCLOSURES

Dallas Cox, Principal Consultant of Crystal Sun Consulting Limited, has acted as the Qualified Person in compliance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") reporting requirements with respect to all Mindoro projects contained in this Management's Discussion and Analysis. Mr. Cox is a member of The Australasian Institute of Mining and Metallurgy, a Chartered Professional (CP), and a qualified person under the guidelines of NI43-101. He has worked as a mining engineer for 28 years, including 10 years as an independent mineral industry consultant. Mr. Cox graduated with a degree in Mining Engineering at the University of New South Wales, Kensington in 1986. Mr. Cox has approved the scientific or technical information contained in this document and has confirmed compliance with NI 43-101 requirements.

1. COMPANY PROFILE AND STRATEGY

During the year ended December 31, 2014 (the "period"), Mindoro Resources Ltd. ("Mindoro" or the "Company") continued to monitor operations at Agata operated by TVI Resource Development (Phils.) Inc. ("TVIRD"). The Company also worked to finalize negotiations with Minimax Mineral Exploration Corporation ("Minimax") to acquire an additional 25% interest in the Agata and Tapian San Francisco projects. Mindoro disposed of most of its holdings in Red Mountain Mining Ltd ("Red Mountain") of Australia and, from the proceeds of the sale, repaid TVI Pacific Inc. ("TVIP") for a loan advanced in 2013. Mindoro delisted from the Australian Securities Exchange, effective June 30, 2014.

This Management's Discussion and Analysis ("MD&A") presents the operating results and financial status of the Company for the three months and year ended December 31, 2014, and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2014 ("Annual Financial Statements"). The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian Dollars. The information in this MD&A is current as of April 30, 2015.

The Company trades on the TSX Venture Exchange and Frankfurt Exchange as MIO and OLM, respectively. Additional information related to the Company is available on SEDAR at www.sedar.com, and on the Company's website at www.mindoro.com.

2. OVERVIEW FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2014

AGATA MINING VENTURES INC. COMMENCES OPERATIONS

An initial offtake agreement was signed in June 2014 by Agata Mining Ventures Inc. ("AMVI"), a company held by Mindoro's Philippine subsidiary, MRL Nickel Phils., Inc. and TVIRD, and Tewoo Hoperay (Singapore) Pte. Ltd ("Teewoo Hoperay"), a subsidiary of Tianjin Hoperay Mineral Limited Company, a major Chinese State Owned Enterprise, to sell one million wet metric tonnes of high-iron/low nickel direct shipping ore ("DSO"). A second agreement was signed in August 2014 to sell five hundred thousand wet metric tonnes. Advance payments of US$2 million were received by AMVI against the initial agreement to fund initial operating costs and a further US$1 million advance was received in the fourth quarter in connection with the second agreement.

Further to construction and mining contracts signed in June 2014, AMVI commenced development of the Agata DSO operation in the third quarter and shipping commenced in October 2014. AMVI completed five shipments of limonite DSO between October 19 and December 20, 2014, for which it expected to receive gross revenue of US$3.85 million (subject to final assays and price adjustments) and has also recorded the sale of 110,000 WMT of saprolite ore in December 2014 for a gross revenue of US$4.9 million.

TVIRD advised the Company in October 2014 that it had fulfilled its earn-in obligations under the Agata Mining Joint Venture agreement and had acquired a 60% interest in the Agata DSO Project. The Company reclassified $2,502,000 of exploration and evaluation assets to investment in associate, and recognised an impairment of $2,239,000 on the remaining Agata exploration and evaluation asset, which relate to Agata processing.

AMENDED AGATA OPTION AGREEMENT

On August 15, 2014, Mindoro announced that it has signed option agreements to acquire the remaining 25% interest in the Agata Mining and Agata Processing Joint Ventures from Minimax. Mindoro will pay Minimax an aggregate of US$4 million over five years to acquire the interest in Agata Mining. Additionally, if the Company exercises the Agata Processing Share Option, Mindoro will pay Minimax a 0.5% net smelter returns royalty on any production from the Agata Processing Joint Venture and an amount equal to an existing unrecognized receivable from Minimax to MRL Nickel (approximately $5.8 million). Mindoro will pay an aggregate $497,000 to acquire the two option agreements. Mindoro has also signed an option agreement to acquire Minimax's 25% interest in Tapian San Francisco.

PAN DE AZUCAR ("PDA") JOINT VENTURES

Mindoro has a 75% direct and indirect interest in both the PDA Mining and PDA Processing Joint Ventures with the remaining 25% held by Minimax. TVIRD had the option to earn a 60% interest in each of the PDA Mining Joint Venture and PDA Processing Joint Venture by making, in addition to other commitments, minimum expenditures of $500,000 prior to December 31, 2014, and keeping the project in good standing by filing a Declaration of Mining Project Feasibility ("DMPF") with the Department of Environment and Natural Resources before February 2015. As at December 31, 2014, TVIRD had not met its minimum expenditure commitments, nor had it completed the DMPF, which would subsequently result in the expiration of the mineral production sharing agreement ("MPSA"). Minimax has filed a request for an extension of the MPSA; the request continues to be pending as of the current reporting date. The Company has fully impaired Pan de Azucar in 2014.

PRHI ACQUISITION OF INTEREST IN MINDORO

After December 31, 2013, Prime Resource Holdings, Inc. ("PRHI") disclosed that it had acquired approximately 25.42% of Mindoro's issued and outstanding common shares through a secondary trade in the market. According to PRHI, it acquired 75,605,083 shares in two trades on January 16 and February 21, 2014 at a price of $0.021 per share. The TSX Venture Exchange has notified the Company that it must seek shareholder approval at its Annual General and Special Meeting on June 12, 2015, for PRHI to hold greater than 20% of Mindoro's stock.

RED MOUNTAIN INVESTMENT

In 2014, Mindoro sold 89.8 million Red Mountain shares for net proceeds of $1,363,000. Mindoro returned four million Red Mountain shares in exchange for the return to Mindoro of a 75% interest in the Tapian San Francisco project. The Company retains 6,198,400 Red Mountain shares, which on December 31, 2014, were worth $24,000.

FINANCIAL

Net loss of $4,432,000 in 2014 includes an impairment charge against the Company's exploration and evaluation assets (4,303,000), the recognition of a termination expense payable to the Company's former CEO ($215,000), a loss on remeasurements of its warrants liability ($370,000), which were off-set by one-time gains on the sale of Red Mountain shares ($833,000), and Mindoro's share of equity earnings from AMVI ($727,000) in the period compared to the net loss of $19,971,000 in the same period of 2013.

Mindoro repaid $399,000 of principal and accrued interest previously lent to Mindoro by TVIP, as well as $41,000 of accrued directors' fees and interest to two directors of the Company and $32,000 of accrued management fees to one officer of the Company.

As announced on December 17, 2014, in press releases by both Mindoro and TVI Pacific, the Company received a $500,000 bridge loan from TVIRD and was negotiating to issue a CDN$2 million convertible debenture to TVIRD on similar financial terms as the interim loan, except with a two year term and a conversion feature in accordance with the rules of the TSX Venture Exchange. As of the current date of this report, the maturity of the bridge loan has been extended to May 15, 2015, and negotiations are ongoing with respect to the larger financing.

At December 31, 2014, the cash balance was $380,000 and working capital deficit was $2,746,000, excluding the warrants liability, compared with a cash balance of $198,000 and a working capital deficit of $607,000 at December 31, 2013.

(Expressed in Canadian Dollars unless otherwise noted)

3. Activities for the Year Ended December 31, 2014

TABLE 1

January	Prime Resource Holdings Inc. acquires 13.3% interest in Mindoro through on-market purchase
February	Prime Resource Holdings Inc. increases interest in Mindoro to 25.4% through on-market purchase.
March	100 million Red Mountain shares released from escrow, 4 million Red Mountain shares returned to reacquire Tapian San Francisco tenements
	30 million Red Mountain shares sold
	Nickel production commenced at Pilot Plant
	Financial results released for the year ended December 31, 2013
April	51.8 million Red Mountain shares sold
	Agata Mining Joint Venture receives Declaration of Mining Project Feasibility and Approval to Develop Port Facility for the Agata High Iron DSO Project
May	Repaid outstanding principal and interest in the amount of $399,176 due to TVI Pacific Inc., pursuant to a Grid Promissory Note signed in 2013
June	Delisted from the Australian Securities Exchange ("ASX"), effective June 30, 2014
	AMVI signs offtake agreement to sell one million WMT of DSO laterite. US$2 million advance received by AMVI from Teewoo Hoperay to fund initial operating costs
August	Signed agreements to acquire additional 25% interests in Agata and Tapian San Francisco Projects
	AMVI signs second offtake agreement to sell 500,000 wet metric tonnes of DSO laterite with Teewoo Hoperay, US$1 million advance received by AMVI against second offtake agreement
September	Penny Gould appointed CEO following retirement and resignation of Tony Climie
	Mr. Federico Zarate appointed director and Clayton Northey appointed corporate secretary
October	Geocel Olanday appointed director
	First shipment of 54,181 WMT of high-iron low-nickel laterite DSO completed at Agata for gross proceeds of US$890,000 (subject to assays and price adjustments)
November	Two shipments containing an aggregate 108,300 tonnes of DSO completed at Agata for gross proceeds of US$1.6 million (subject to assays and price adjustments)
	AMVI acquires US$8 million loan from Chinabank for Agata Project
	Announced AMVI plans to ship higher grade nickel laterites and releases drill results from resource update drill program on the Agata North Nickel Laterite project
	AMVI plans to commence Resource Definition Drill Program at Agata Limestone
December	2014 AGM results released
	Two shipments containing an aggregate 107,200 tonnes of DSO completed at Agata for gross proceeds of US$1.34 million (subject to assays and price adjustments)
	$500,000 short term loan received from TVIRD
	AMVI signs off-take agreement for saprolite (nickel laterite containing >1.5% nickel), draws US$8 million from Chinabank loan facility

4. MILESTONES TARGETED FOR 2015

TABLE 2

MILESTONE	STATUS
TVIRD to complete the Agata processing definitive feasibility study	Pending as of current reporting date
Continue shipments of approximately 55,000 WMT of high-iron low-nickel DSO material approximately every three to four weeks.	Ten DSO shipments containing an aggregate 528,757 tonnes were made between October 19, 2014 and March 27, 2015, for gross proceeds of US$7 million (subject to final assays and price adjustments)
Investigate opportunities to direct ship the abundant limestone at Agata.	Drilling on the limestone commenced November 2014 with the objective of defining an initial resource Marketing studies are on-going
Secure additional financing	Borrowed $500,000 from TVIRD under secured promissory note in December 2014 Negotiations with TVIRD for larger financing arrangement are ongoing at the reporting date

5. FINANCIAL ANALYSIS

TABLE 3: SELECT FINANCIAL INFORMATION

For the years ended December 31	2014	2013	2012
Revenue ($000)	-	-	-
Net loss for the year ($000)	(4,432)	(19,971)	(8,805)
Loss per share ($)	(0.015)	(0.067)	(0.035)
Total assets ($000)	12,491	10,499	38,469
Non-current liabilities ($000)	3,345	282	162
Working Capital ($000)	(2,746)	(1,098)	(895)

TABLE 4: SUMMARY OF QUARTERLY RESULTS

	2013-Q1 $000	2013-Q2 $000	2013-Q3 $000	2013-Q4 $000	2014-Q1 $000	2014-Q2 $000	2014-Q3 $000	**2014-Q4 $000**
Total revenue	-	-	-	-	-	-	-	**-**
General and administrative expenses	(188)	(132)	(195)	(239)	(135)	(123)	(395)	**(198)**
Salaries and employee benefits	(70)	(63)	(107)	(95)	(97)	(84)	(119)	**(85)**
Interest expense	-	-	(11)	(16)	(22)	(13)	(9)	**(39)**
Stock based compensation	4	1	(1)	2	-	1	-	**-**
Share of net income of associate	-	-	-	-	-	-	-	**727**
Depreciation and amortization	(12)	(4)	(4)	(1)	(2)	(1)	-	**(1)**
Impairment of exploration and evaluation assets	-	-	-	(9,979)	-	-	-	**(4,303)**
Operating Loss	(266)	(198)	(318)	(10,328)	(256)	(220)	(523)	**(3,899)**
Finance income	1	-	-	-	-	1	1	**-**
Remeasurement of warrants liability	357	240	(151)	152	(345)	147	(534)	**362**
Gain on sale of Red Mountain shares	-	-	-	-	655	178	-	**-**
Impairment of investment held for distribution	(645)	(6,100)	(1,314)	(98)	-	-	-	**-**
Foreign exchange	537	(1,463)	(47)	(317)	1	(11)	(1)	**13**
Loss on disposal of equipment	(8)	-	-	-	-	-	-	**-**
Income (loss) before income taxes	(24)	(7,521)	(1,830)	(10,591)	55	95	(1,057)	**(3,524)**
Income taxes	-	-	-	(5)	-	-	-	**(1)**
Net income (loss) for the period	(24)	(7,521)	(1,830)	(10,596)	55	95	(1,057)	**(3,525)**
Basic and diluted net income (loss) per share ($)	(0.000)	(0.025)	(0.006)	(0.036)	0.000	0.000	(0.004)	**(0.012)**

NET INCOME AND LOSSES

The Company recognised net loss of $4,432,000 in 2014 period compared to a loss of $19,971,000 in 2013. This reflects an impairment charge on the Company's exploration and evaluation assets, gains realised on the disposal of Red Mountain shares, an unrealised loss from an increase in the fair value of the warrants liability compared to a decrease in the same period of 2013, termination expenses incurred relating to the resignation of the Company's former CEO, and legal and professional fees incurred in relation to the renegotiation of the Minimax agreements, financing negotiations. The Company's general and administration expenses, salaries and employee benefits, and interest expense were higher in the current period than in 2013. The Company's general and administrative expenses and salaries and employee benefits were lower in the fourth quarter of 2014 compared to the third quarter of 2014 and the fourth quarter of 2013.

Commencing in the fourth quarter, the Company began to recognize its share of net income in Agata Mining Ventures Inc. resulting from the Agata DSO Mining operation.

The breakdown of losses on a quarterly basis reflects the timing of specific events noted below:

- Changes in key management in the third quarter of 2014;
- The closure of the Melbourne, Australia office in first quarter 2013; and
- Impairment of the Company's exploration and evaluation assets in the fourth quarters of 2014 and 2013;

TABLE 5: GENERAL AND ADMINISTRATION EXPENSES

	Year ended Dec. 31	
	2014	2013
	$000	$000
Legal	**99**	84
Insurance	**50**	47
Accounting and audit fees	**112**	60
Listing fees	**14**	41
Transfer agent fees	**29**	26
Advertising & Promotion	**47**	18
Management fees and outsourced labour	**329**	206
Travel	**65**	43
Documentary Stamp Tax	**38**	134
Office Costs	**68**	94
General and Administrative Costs	**851**	753

Further commentary on net the loss in the fourth quarter and fiscal year 2014 with respective comparatives:

- In 2014, general and administrative expenses ($851,000) were higher than in 2013 ($754,000). However, fourth quarter general and administration expenses were lower in 2014 ($198,000) than in 2013 ($239,000). The Company recognized a termination expense pursuant to the resignation of its former CEO in September 2014 of $215,000. The Company spent more on legal and accounting fees, travel, and advertising and promotion in 2014 than in 2013, but less on office costs and listing fees. In 2013, the Company recognized a provision for documentary-stamp-tax payable in the Philippines, and in 2014, it increased the provision.

- The Company incurred additional salaries and employee benefits charges due to the recognition of directors' fees in 2014, the termination of Agata based project employees that had been seconded to AMVI, and the decreased use of key staff by AMVI that offsets some of Mindoro's labour costs compared to the same periods of 2013.

- The Company also incurred interest expenses on loans and installment payments disclosed in notes 8 and 10 of the Annual Financial Statements.

- Remeasurement of the warrants liability has resulted in the recognition of a gain of $362,000 in the fourth quarter of 2014 compared to a gain of $152,000 in the same period of 2013. In 2014, the Company has recognised a $370,000 loss on remeasurements compared to a $598,000 gain in 2013. Fluctuations in the fair value of the warrants liability reflect the volatility in the Company's share price.

- As noted above, the Company realized an $833,000 gain in 2014 upon disposal of 89.8 million Red Mountain shares for the return of Tapian San Francisco and net cash proceeds of $1,363,000. In the fourth quarter of 2013, the Company recognized an unrealised loss on the Red Mountain shares of $98,000 because of a decline in that company's share price.

- The Company incurred an impairment loss of $4,303,000 in 2014 on its Agata, Tapian San Francisco, and Pan de Azucar exploration and evaluation assets, reducing the projects to their estimated recoverable value. In 2013, the Company impaired its Agata and Surigao Regional projects resulting in a loss of $9,979,000.

- The Company incurred $2,000 foreign exchange gains in 2014, including gains of $13,000 in the fourth quarter of 2014 which principally reflect fluctuations in the exchange rates for US dollars and Australian dollars. In 2013, the Company incurred $1,290,000 of foreign exchange losses, including foreign exchange losses of $317,000 in the fourth quarter of 2013 resulting from fluctuations in the in the exchange rates for Australian dollars. In 2013, the Company recognised a $1,045,000 foreign exchange loss on its investment in Red Mountain shares, which are traded in Australian dollars on the ASX.

CASH FLOWS

In the fourth quarter of 2014, the Company used $267,000 in cash from operating activities compared to $19,000 generated in the fourth quarter of 2013. This reflects a decrease in non-cash working capital of $1,000 in the current quarter compared to an increase of $327,000 in the fourth quarter of 2013.

On an annual basis, the Company used $1,155,000 in operating activities in 2014 compared to $867,000 in 2013. This reflects an increase in non-cash working capital of $168,000 in the current period compared to an increase of $195,000 in 2013, as well as the changes in operating expenses noted above.

In 2014, the Company received $1,363,000 from the sale of 89.8 million Red Mountain shares. The Company spent $55,000 on exploration and evaluation assets, while recovering $34,000 from AMVI and PMVI, including $1,000 in the fourth quarter. In 2013, the Company spent $360,000 on exploration and evaluation assets, including $118,000 in the fourth quarter, and received cost recoveries from TVIRD of $181,000, including $31,000 in the fourth quarter. In the fourth quarter of 2014, the Company recognized a $319,000 payable to the permit holders of two tenement Permits at Tapian San Francisco. In the second quarter of 2014, the Company paid $31,000 in termination payments to retrench its remaining 13 employees based in Surigao. These employees had previously been seconded to TVIRD and the majority were subsequently employed by the Agata Mining Joint Venture ("AMJV"). Most of the remaining exploration expenditures in the current periods relate to technical support provided to TVIRD related to AMJV.

EXPLORATION AND EVALUATION ASSETS

TABLE 6: DETAILED EXPENDITURE ON EXPLORATION AND EVALUATION ASSETS

	Agata	Surigao Regional	Tapian San Francisco	Pan de Azucar	Total
	$000	$000	$000	$000	**$000**
December 31, 2012	**15,999**	**2,264**	**-**	**1,504**	**19,767**
Acquisition					
Permit applications	-	-	5	-	**5**
Option and Royalty Payments	85	-	50	-	**135**
Shares returned to Red Mountain	-	-	68	-	**68**
	85	-	123	-	**208**
Exploration					
Community and environmental	26	2	-	3	**31**
General exploration	41	1	1	1	**44**
Labour	61	-	1	1	**63**
Travel	13	-	-	1	**14**
	141	3	2	6	**152**
Recoveries from associate	(165)	-	-	(16)	**(181)**
Impairment	(7,741)	(2,238)	-	-	**(9,979)**
Currency translation	(206)	(29)	(2)	(20)	**(257)**
2013 Activity	**(7,886)**	**(2,264)**	**123**	**(30)**	**(10,057)**
December 31, 2013	**8,113**	**-**	**123**	**1,474**	**9,710**
Acquisition					**-**
Option and advance royalty costs	-	-	440	-	**440**
	-	-	440	-	**440**
Exploration					**-**
General exploration	6	-	9	-	**15**
Labour	37	-	3	-	**40**
	43	-	12	-	**55**
Recoveries from associate	(52)	-	-	(7)	**(59)**
Reclassified to option to purchase contract	(87)	-	-	-	**(87)**
Reclassification to investment in associate	(2,502)	-	-	-	**(2,502)**
Impairment of exploration and evaluation assets	(2,239)	-	(539)	(1,525)	**(4,303)**
Currency translation	476	-	6	58	**540**
2014 Activity	**(4,361)**	**-**	**(81)**	**(1,474)**	**(5,916)**
December 31, 2014	**3,752**	**-**	**42**	**-**	**3,794**

The Company recorded an impairment of its Agata, Tapian San Francisco, and Pan de Azucar assets in 2014. After the reclassifications in Agata to option to purchase contracts and investments in associates, the Company has estimated the fair value of Agata to be $3,752,000 based on the estimated costs that TVIRD will need to incur to earn its 60% interest in Agata Processing Inc. ("API"). The Company anticipates that final approval to transfer the Company's rights, obligations, and titles related to the Agata and Surigao regional tenements will be granted by the MGB in 2015 and at that time, the Company will record its carrying value of Agata in its investment in associate rather than exploration and evaluation assets.

The Company has fully impaired its interest in Pan de Azucar in 2014, because the exploration period under the MPSA (9^{th} and 10^{th} year) should have expired in February 2015. The Company and Minimax have requested an extension of the exploration period but have not yet received a response from the MGB or DENR. Therefore, the Company has recognised an impairment loss of $1,525,000 in the period.

In 2014, the Company recognised an impairment loss on Tapian San Francisco of $539,000 because a number of exploration periods ended and are not expected to be renewed by the MGB. The remaining carrying value relates to exploration expenditure incurred on one EP directly adjacent to the Agata Project and which shows signs of similar nickel laterite mineralization as Agata. The Company believes the remaining value represents the fair value less cost to sell and has used level 3 inputs in the fair value hierarchy to determine the recoverable value.

GOING CONCERN

The Company incurred a net loss of $4,432,000 (December 31, 2013 – $19,971,000) and operating cash outflows of $1,155,000 for the year ending December 31, 2014 (December 31, 2013 – $867,000). At December 31, 2014, the Company has a net working capital deficit of $2,746,000, excluding warrants liabilities (December 31, 2013 – $608,000). In addition to its on-going working capital requirements, mining and exploration licences held by the Company have annual expenditure obligations to maintain their "good standing" status. The majority of these expenditure obligations have been assumed by TVIRD. During the year, the Company signed an agreement with Minimax to acquire Minimax's 25% interest in shares of AMVI, the mining entity. The contractual obligation requires annual installment payments to Minimax in the amount of US$800,000 for the next five years. The Company also has a commitment to Panoro Minerals Ltd. ("Panoro") in the amount of $1,000,000, recognized in two $500,000 payments, if certain nickel laterite shipment thresholds are met on the Agata DSO project. Based on current production rates at the Agata project, it is expected that the first payment will become payable during 2015 with the second payment due one year after the first.

In 2012 the Company entered into an agreement with TVIRD where TVIRD has the right to earn a 60% interest in Agata and regional nickel projects by sole funding a DSO project to production and completing a Definitive Feasibility Study ("DFS") on a Nickel processing project, and up to 60% in the Pan de Azucar sulfide project by meeting certain expenditure and earn-in objectives. These joint venture agreements require TVIRD to finance Mindoro's mineral property annual expenditure obligations and maintain the tenements in good standing.

In October 2014, the Agata DSO project began production and TVIRD earned its 60% interest in AMVI, the joint venture vehicle. As at December 31, 2014 AMVI has completed five shipments of nickel laterite DSO for aggregate US$3.85 million gross revenue and has also recorded the sale of 110,000 WMT of saprolite ore in December 2014 for a gross revenue of US$4.9 million. The Company anticipates that the Agata project will generate positive cash flow from operations and the AMVI partners could expect to receive distributions; however, the Company does not control the timing of future distributions and there is no certainty that sufficient distributions will be received before the Company's obligations are due.

In December 2014, the Company borrowed $500,000 from TVIRD pursuant to the terms of a secured promissory note. This agreement is intended as a bridge financing while negotiating a larger financing arrangement with TVIRD and its shareholders. The note was originally due on January 31, 2015, but the term has subsequently been extended to May 15, 2015. The note accrues interest equal to 8% per annum and is secured by Mindoro's interest in its wholly owned subsidiary, MRL Nickel Philippines Inc.

During 2014, the Company sold the majority of its holdings in Red Mountain shares, which provided cash inflows that were used to settle obligations as they fell due throughout 2014. At December 31, 2014, the remaining holding of shares was valued at $24,000.

At December 31, 2014, the Company had an ending cash position of $380,000, and the Company is presently dependent on cash flows from financing activities to continue operations and fund expenses.

These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles to a going concern.

The Company has received $500,000 from TVIRD under a secured promissory note and negotiations for a $2 million convertible debenture to replace as well as to repay the secured promissory note have been delayed given the realization that it is not sufficient in and of itself to enable the Company to fund all aspects of its operations for the next 12 months nor to meet the current working capital deficit. The ability of the Company to continue as a going concern is dependent on obtaining additional funding to finance ongoing operating activities.

Accordingly, management is seeking other financing alternatives to fund the Company's operations so it may continue as a going concern. But there is no assurance that these initiatives will be successful and until the Company begins to receive positive cash flow from AMVI distributions there is material uncertainty related to events or conditions that may cast significant doubt as to whether the Company will be able to continue as a going concern.

The Company is dependent upon its ability to raise additional funds, repay existing borrowings, obtain the support of partners, sell investments, sell interests in or relinquish mining tenements held by the Company, and ultimately generate positive cash flows from operations and recognizes this to be a challenge and a concern in the current environment. The Annual Financial Statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues, expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

6. DISCUSSION OF PROJECTS

AGATA NICKEL LATERITE PROJECT

i. The Agata nickel laterite project is a DSO operation, held by AMVI, a joint venture company between Mindoro and TVIRD, in which TVIRD holds a 60% interest and is operator. Mindoro directly holds a15% interest in AMVI and is acquiring an additional 25% interest from Minimax in exchange for the following consideration:

   - US$80,000 advanced in 2013 and initially recorded as exploration and evaluation assets;
   - US$60,000 paid upon signing the Amended Option Agreements;
   - US$60,000 paid 60 days from the date of signing; and
   - US$4,000,000 to be paid in five annual installments of US$800,000 to Minimax commencing on the 15^{th} day of the 12^{th} month after the first shipment of the DSO.

ii. Title to Minimax's shares in the Agata Mining Joint Venture will be transferred to Mindoro on a pro-rata basis with each installment payment. However, immediately upon exercise Mindoro will receive all the economic benefits, rights and obligations attached to Minimax's interest. Therefore, the Company considers itself to have a 40% participating interest in AMVI.

iii. In the event that Mindoro fails to make any of the installment payments, Mindoro must return any Agata Mining Joint Venture shares previously transferred by Minimax. Minimax will retain any installment payments made to date and Mindoro will retain any dividends already received from the Agata Mining Joint Venture.

The Agata DSO Project site is located in a 4,995-hectare MPSA area located in the adjacent municipalities of Tubay, Jabonga and Santiago in Augusan del Norte province. It is accessible by approximately 1.5 hours driving time from the provincial capital of Butuan. The project mine site is located 3.5 km from AMVI's private port, which is strategically located within proximity to main markets in Asia and provides the opportunity for shipping all year round.

According to an April 10, 2013, NI 43-101 report (available on SEDAR and Mindoro's website at www.mindoro.com) the Agata project has Proven and Probable Reserves of 9.7 million wet metric tonnes ("WMT") of nickel laterite ore with a grade of 48% Fe and 0.9% Ni. In October 2014, AMVI commenced a large-scale drill program at the Agata nickel laterite project consisting of approximately 700 infill and 85 step-out holes with the aim of upgrading and increasing the resources previously disclosed in April 2013. Following program completion, an updated NI 43-101 technical report will be produced.

DSO operations began in October 2014 consisting of shipments of approximately 55,000 WMT of high-iron / low-nickel limonite ore every three to four weeks, generating gross revenues of between US$600,000 and to US$915,000 per shipment. AMVI continues to ramp up its DSO operations with the goal of shipping over 2.5 million WMT in 2015. In order to achieve this goal, AMVI expects to increase its shipment schedule to four shipments of limonite per month and at least one to two shipments of saprolite ore per month, once causeway expansion and stockpile area development work has been completed within the first half of 2015.

AGATA LIMESTONE PROJECT

Based on a December 20, 2011, Agata technical report (available on SEDAR and Mindoro's website), the massive recrystallized limestone deposits at Agata, which are held by AMVI, are of very high purity levels of CaCO3 (calcium carbonate). Five holes drilled into the limestone by Mindoro in 2011 outlined a large area of approximately 400 by 800 meters and yielded intercepts with a weighted average of 60.5 meters of 98.9% CaCO3. The number of holes drilled is not sufficient to classify a mineral resource.

In November 2014, AMVI announced that it commenced an exploration program aimed at defining a NI 43-101 compliant resource estimate by mid-2015. Once an initial resource has been developed, AMVI will evaluate the feasibility of commencing a limestone DSO operation using the same infrastructure developed for the current nickel laterite DSO operations. Due to the project`s close proximity to the causeway where materials will be shipped, potential operations may benefit from having low transport and handling costs. Currently no permits are in place for mining the limestone.

AGATA *NICKEL PROCESSING PROJECT*

The Agata Nickel Processing Project is held by API, a company in which TVIRD has the right to earn a 60% interest from Mindoro by expending a minimum of US$2 million and delivering a DFS by September 25, 2016. As at December 31, 2014, TVIRD had completed its minimum expenditure requirement and has earned 45% of the shares in API, subject to completing the DFS.

As announced on August 15, 2014, Mindoro has negotiated a share option agreement to acquire an additional 25% from Minimax in exchange for the following:

i. Consideration in the amount of $5.5 million will be used to offset an existing $5.5 million Minimax debt due to MRL;

ii. During the processing of ore originating only from the Agata Project, Minimax will receive a 0.5% Net Smelter Returns (NSR) royalty during the lifetime of the processing operations, levied on 100% of production (the NSR does not apply to revenue generated from DSO operations);

iii. The Agata Processing Option will be automatically exercised upon payment of the second installment pursuant to the Agata Mining Option.

As at the end of December 31, 2014, TVIRD was conducting final optimization studies and awaiting the results of an updated resource report on the Agata nickel laterite project, based on an extensive drilling program that commenced in October 2014. Results of the optimized DFS are expected to be published in the second or third quarter of 2015.

PAN DE AZUCAR PYRITE PROJECT

The Pan de Azucar MPSA covers approximately 535 ha on Pan de Azucar Island and adjacent Panay Island. Mindoro has a 75% direct and indirect interest in both the PDA Mining and PDA Processing Joint Ventures with the remaining 25% held by Minimax. TVIRD had the option to earn a 60% interest in each of the PDA Mining Joint Venture and PDA Processing Joint Venture by making, in addition to other commitments, minimum expenditures of $500,000 prior to December 31, 2014, and keeping the project in good standing by filing a DMPF with the Department of Environment and Natural Resources before February 2015. As at December 31, 2014, TVIRD had not met its minimum expenditure commitments, nor had it completed a DMPF by February 2015, which would subsequently result in the expiration of the MPSA. Minimax has filed a request for an extension of the MPSA; the request continues to be pending as of the current reporting date. The Company has fully impaired Pan de Azucar in 2014.

As described in the Company's news release of February 8, 2012, the Pan de Azucar pyrite project located on the Island of Panay is a drill-defined exploration target, which comprises a pyrite-rich mineralized horizon of between 10 and 40 metres in thickness and dipping at a shallow 10 to 15 degrees. The mineralized horizon is exposed at the surface. Mindoro has drilled 30 holes into the mineralized horizon, showing a potential quantity of 8 million to 12.7 million dry metric tonnes with a grade range of 35% to 40% sulphur (70% to 90% pyrite). *The potential quantity and grade has been determined by averaging the intercepts from the drill assays and is conceptual in nature, because there has been insufficient exploration to define a mineral resource (including number of holes drilled) and it is uncertain if further exploration will result in the target being delineated as a mineral resource.*

Commercial opportunities at Pan de Azucar may involve the DSO export of pyrite material to China for the production of sulphuric acid and/or the self-production of sulphuric acid at the Agata nickel processing plant site. Currently there are no permits in place for the mining of the pyrite material.

No technical work was carried out during the period. Work was restricted to community relations programs.

TAPIAN SAN FRANCISCO COPPER-GOLD

Mindoro earned a 75% direct and indirect interest in the Tapian San Francisco Project pursuant to the terms of a Memorandum of Agreement with Minimax. The Company sold its interest to Red Mountain in 2012 but the project was returned to Mindoro in 2014 in exchange for 4 million Red Mountain shares.

In August 2014, Mindoro and Minimax signed an option agreement whereby Mindoro may acquire Minimax's 25% interest in the project for the following consideration:

i. US$120,000 to be paid on the 15th day of the 9th month after the first shipment of DSO;

ii. Consideration in the amount of $678,000 will be used to offset an existing $678,000 Minimax debt due to Mindoro; and

(Expressed in Canadian Dollars unless otherwise noted)

iii. During the processing of ore originating from only the Tapian Project, Minimax will receive a 0.5% gross smelter royalty from 100% of the net sales originating from only the Tapian San Francisco Project or the amount of One Hundred Thousand US Dollars (US$100,000), whichever is higher.

The Tapian San Francisco Project consists of one MPSA, one Exploration Permit ("EP") and four Exploration Permit Applications ("EPA"). Pursuant to a 2013 option agreement with the permit holders of the MPSA and one EPA, the Company was required to make quarterly payments of US$50,000 from 2014 to 2016, and, in 2017, make three quarterly payments of US$50,000 and one quarterly payment of US$25,000 in order to buy out the tenement. To date, Mindoro has not made these payments, nor has it made a payment of US$75,000 that was due on December 31, 2013. In aggregate, as of December 31, 2014, the Company has accrued $317,000 (US$275,000) of unpaid payments pertaining to this option agreement. However, since the MPSA and the EPA are located in an area where there is a ban on issuing new mining permits it is considered highly unlikely the EPA will be approved. The MPSA is already a granted mining permit; however, historical work by Mindoro significantly downgraded the potential of the tenement. Mindoro has, therefore, terminated the option agreement and handed the tenement back to the permit holders.

APICAL

Apical is an EPA that Mindoro has a 15% interest in by way of an incorporated joint venture with Medusa Mining and Minimax, which Mindoro is free-carried to production on narrow vein exploration targets or to the completion of a bankable feasibility study on large volume exploration targets. Apmedoro Mining Corp ("Apmedoro") was incorporated by the joint venture to hold this project.

7. EVENTS AFTER THE REPORTING PERIOD

Subsequent to December 31, 2014, 1,650,000 equity settled stock options with a weighted average exercise price of $0.182 per share expired.

The Company and TVIRD have agreed to extend the term of the secured promissory note entered into in December 2014 to May 15, 2015.

In the first quarter of 2015, AMVI completed five shipments of an aggregate 259 wet metric tonnes of nickel laterite for gross proceeds of US$3,316,000.

8. TRANSACTIONS BETWEEN RELATED PARTIES

The Annual Financial Statements include the results of Mindoro and the following entities:

TABLE 7

	Country of Incorporation	Classification	% Ownership at Dec. 31, 2014	% Ownership at Dec. 31, 2013
MRL Nickel Philippines Inc	Philippines	Active subsidiary	**100%**	100%
El Paso Corp	Philippines	Inactive subsidiary	**100%**	100%
Talahib Corp	Philippines	Inactive subsidiary	**100%**	100%
Batangas Metals and Mining Corp	Philippines	Inactive subsidiary	**100%**	100%
Agata Mining Ventures Inc	Philippines	Investment in associate	**40%**	17%

MRL Nickel has an investment in an associate that has been accounted for using the equity method. In 2014, the Company recorded recoveries from AMVI and PMVI of $59,000, which are operated by TVIRD.

In December 2014, the Company borrowed $500,000 from TVIRD. Prime Resources Holdings Inc. ("PRHI") owns 68% of TVIRD and 25% of Mindoro. TVIP owns 30% of TVIRD and 14% of Mindoro.

The Company repaid $399,000 in principal and interest on a loan from TVIP in April 2014.

The Company has recorded debts payable to current and former non-executive directors totalling $78,000 on which it accrues 8% interest per annum. The balance at December 31, 2014 includes $5,000 of accrued interest. In the period, the Company paid accrued fees and interest totalling $41,000.

The Company repaid a note payable to an executive director totalling $32,000 in March 2014.

In December 2013, a director of the Company participated in a private placement of loans for $25,000. The loan is due in December 2015 and pays interest at a rate equal to 15% per annum on a quarterly basis commencing March 31, 2014. The Company has reserved 100,000 common shares for issue to the director for entering into the loan agreement and recorded a share obligation of $1,000 on the balance sheet. Pursuant to ASX listing rules, the Company must obtain shareholder approval prior to the issue of securities to a director of the Company (Note 10 of the Annual Financial Statements).

The following remuneration has been paid or is payable to directors and officers of the Company. Movements in stock based compensation relate to the remeasurements of the Company's cash settled options.

TABLE 8

	Movements	
	2014	2013
	$000	$000
Short-term employee benefits	**302**	228
Management fees paid to related corporations	**379**	153
Stock based compensation	**(1)**	(5)
Key management compensation	**680**	376

In 2014, the Company incurred $287,000 (2013 - $108,000) in management fees, including a $215,000 termination payment, for the provision of the Company's former CEO's services provided by an entity controlled by Mr. Climie.

In 2014, the Company incurred $92,000 (2013 - $46,000) in management fees for the provision of the Company's current CEO's services provided by an entity controlled by Ms. Gould.

9. SIGNIFICANT ACCOUNTING POLICIES

CRITICAL ACCOUNTING JUDGEMENTS APPLIED IN THE COMPANY'S ACCOUNTING POLICIES

GOING CONCERN

Due to the financial condition of the Company at December 31, 2014 and the contractual obligations and commitments that are outstanding, judgment has been exercised in applying the assumption that the Company will continue as a going concern for the foreseeable future. Refer to Note 1 of the Annual Financial Statements for further disclosure.

EXPLORATION AND EVALUATION ASSETS

The future recoverability of capitalized exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related tenements itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes that could impact the cost of mining, future legal changes (including changes to environmental restoration obligations), and changes to commodity prices and foreign exchange rates.

To the extent that capitalized exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalized if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalized expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

PANORO AGREEMENT COMMITMENT

The Company has a commitment payable to Panoro for its buy out of Panoro's interest in the Surigao Projects in 2007. This contingent consideration is conditional upon nickel laterite production at Agata meeting certain production thresholds, which at the time of the transaction with Panoro, Mindoro had control over achieving production. Therefore, the Company believes the commitment is not a present obligation. The Company will recognise the liability once the payment condition is achieved, which is the shipment of one million wet metric tonnes of nickel laterite from the Agata DSO project.

CLASSIFICATION OF EQUITY INVESTMENTS

During 2013, upon the loss of control of the Company's interest in its subsidiary, Red Mountain, which was previously classified as a held for distribution investment, the Company determined that its remaining equity interest in the shares of Red Mountain should be classified as a financial asset available for sale, rather than a significant influence investment in associate. Judgment was applied in determining the Company's classification of its remaining investment in Red Mountain as a financial asset available for sale.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the new and amended IFRS pronouncements listed below as at January 1, 2014, in accordance with the transitional provisions outlined in the respective standards.

IAS 36 IMPAIRMENT OF ASSETS

In May 2013, the IASB amended IAS 36 – Impairment of Assets, providing guidance on recoverable amount disclosures for non-financial assets.

This amendment did not have a significant impact on the Company's Annual Financial Statements.

IFRIC 21 LEVIES

IFRIC 21, Levies, clarifies that an entity recognizes a liability for a levy when the activity that triggers payment occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the minimum threshold is reached.

The adoption of this interpretation did not have a significant impact on the Company's Annual Financial Statements.

(Expressed in Canadian Dollars unless otherwise noted)

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 2014 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

Effective for annual periods beginning on or after January 1, 2018:
IFRS 9 Financial Instruments and Amendments to IFRS 7 Financial Instruments Disclosure

IFRS 9, Financial Instruments, replaces IAS 39, Financial Instruments: Recognition and Measurement. The IFRS 9 project had three main phases, classification and measurement, impairment, and general hedging. The version of IFRS 9 issued in July 2014 represents the final version of this project. Simultaneously with its issue, IASB issued amendments to IFRS 7 Financial Instruments to reflect IFRS 9 in accordance with specific requirements of IFRS 7. Early adoption is permitted if adopted in its entirety at the beginning of a financial period. The Company is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements.

Effective for annual periods beginning on or after January 1, 2017:
IFRS 15 Revenue From Contracts With Customers

In May 2014, the IASB published IFRS 15, "Revenue From Contracts With Customers" ("IFRS 15") replacing IAS 11, "Construction Contracts", IAS 18, "Revenue", and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded.

Early adoption of the new standard is permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Company has not yet evaluated the impact of adopting IFRS 15 on the consolidated financial statements.

10. OUTSTANDING SHARE DATA

TABLE 9

Issued - Common shares	Common Shares	Stock Options	Purchase Warrants
December 31, 2013	297,437,399	4,735,000	61,826,578
Expired	-	(4,485,000)	-
April 28, 2015	297,437,399	250,000	61,826,578

In December 2013, pursuant to a private placement of loans, the Company issued 600,000 common shares to lenders as a bonus for entering into the loan agreements. The Company allocated $9,000 of the loan proceeds as share capital. The Company also reserved 100,000 common shares for issue to one director as a bonus for entering into the loan agreement and recorded a share obligation of $1,000 on the balance sheet. Pursuant to ASX listing rules, the Company must obtain shareholder approval prior to the issue of securities to a director of the Company.

11. LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2014, the Company held cash on hand of $380,000 (2013 - $198,000), other current assets totalled $110,000 (2013 - $390,000) and current liabilities, excluding warrants liabilities which would not result in an outflow of cash, totalled $3,236,000, (2013 - $1,196,000) which resulted in a working capital deficiency of $2,746,000 (2013 - $608,000).

The Company also has a commitment to Panoro in the amount of $1,000,000, recognized in two $500,000 payments, if certain nickel laterite shipment thresholds are met on the Agata DSO project. Based on current production rates at the Agata project, it is expected that the first payment will become payable during 2015 with the second payment due one year after the first.

In the short term, the Company will use funds received from the $500,000 secured promissory note provided by TVIRD to fund payment of immediate operating costs while it continues to negotiate with TVIRD for a larger, longer term financing arrangement and while it seeks other financing alternatives so that it may continue as a going concern.

In the long term, the Company anticipates that the Agata project will generate positive cash flow from operations and the AMVI partners could expect to receive distributions; however, the Company does not control the timing of future distributions and there is no certainty that sufficient distributions will be received before the Company's obligations are due.

The Company will seek to raise additional funds by obtaining additional borrowing facilities, the sale of new securities, obtaining the support of partners, selling investments, or selling interests in or relinquish mining tenements held by the Company. The Annual Financial Statements have been prepared in accordance with IFRS with the assumption that the Company will continue as a going concern for the foreseeable future. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, and the ability to raise additional capital. Specifically, the recovery of the Company's investment in associate is dependent on the ability of the Company to obtain necessary financing to pay the installment payments to Minimax as they fall due, AMVI's profitable production from Agata, or from the proceeds of AMVI's disposition. The recovery of the Company's investment exploration and evaluation assets is dependent upon the economic feasibility of a nickel processing facility at Agata. The ability of the Company to obtain necessary financing to pay the API Share Option payment due to Minimax and to fund the Company's share of the development of a Nickel Processing operation, and the establishment of future profitable production from a processing operation, or from the proceeds of the Company's the disposal its interest in the Agata Nickel Processing Project. If the Company were unable to continue as a going concern it is likely that assets would be realised at amounts significantly lower than the carrying value and the Company may not be able to satisfy all its obligations.

12. FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

FAIR VALUE ESTIMATION OF FINANCIAL INSTRUMENTS

The fair value of financial instruments traded in active markets is based on quoted prices at the financial statement date. The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables, borrowings, and option to purchase contracts approximate their fair values. The Company's financial assets available for sale, investment held for distribution and warrant liabilities are measured at fair value on a recurring basis.

FAIR VALUE MEASUREMENTS IN THE STATEMENT OF FINANCIAL POSITION

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarch based on the degree to which the fair value is observable.

- Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 – fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

- Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an instrument's assigned level.

Financial assets available for sale and the investment held for distribution are classified in Level 1 of the fair value hierarchy and are measured according to published share price information. The Company's investment in AMVI and its installment payments to Minimax are classified in level 2 of the fair value hierarchy and were initially measured using the discounted cash flow of the installment payments. The Company's warrant liabilities are classified in Level 2 of the fair value hierarchy and are measured using the Black-Scholes valuation method. The fair values disclosed for the Company's option to purchase contract was classified under Level 3.

Financial instruments measured at fair value on a recurring basis were presented in the Company's statement of financial position as of December 31, 2014 as follows:

TABLE 10

		Fair Value measurement at using:		
	December 31, 2014	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Financial assets available for sale	24	24	-	-
Option to purchase contracts	291	-	-	291
Investment in associate	7,916	-	7,916	-
	8,231	24	7,916	291
Liabilities				
Installment payments to Minimax	890	-	890	-
Warrants liability	860	-	860	-
	1,750	-	1,750	-

FINANCIAL RISK FACTORS

The Company defines its capital as shareholders' equity. The Company's objectives in managing capital are to advance exploration and development of its mineral assets, meet annual expenditure requirements for its mining and exploration licenses, and to meet corporate expenditure requirements to maintain its operations.

Proceeds raised from financing activities, sale of financial assets and the Company's joint venture agreements are used to meet these requirements, as well as to service short and long-term borrowings.

The board of directors does not establish quantitative return on capital criteria for management. The Company does not currently pay dividends.

There has been no change with respect to the overall capital risk management strategy during the years ended December 31, 2014 or 2013.

FOREIGN EXCHANGE RISK:

Business is transacted by the Company in Philippine Pesos, United States Dollars, Australian Dollars, and Canadian Dollars. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or a negative direction. The Company was exposed to foreign exchange risk through its cash and cash equivalents, trade and other receivables, financial assets available for sale, trade and other payables, and installment payments to Minimax.

CREDIT RISK:

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and accounts receivable.

LIQUIDITY RISK:

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. The Company's liquidity risk is primarily attributable to its trade and other payables, borrowings and installment payments to Minimax.

The Company's borrowings include a secured promissory note payable to TVIRD which is secured against the Company's subsidiary, MRL Nickel Philippines Inc, which in turn holds the Company's exploration and evaluation assets, and the Company's investment in associate.

In the event that Mindoro fails to make any of the installment payments to Minimax, Mindoro must return any Agata Mining Joint Venture shares previously transferred by Minimax. Minimax will retain any installment payments made to date and Mindoro will retain any dividends already received from the Agata Mining Joint Venture.

INTEREST RATE RISK:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is primarily exposed to interest rate risk through its borrowings and installment payments to Minimax.

13. RISKS AND UNCERTAINTIES

The Company is engaged in the exploration and development of mineral properties. These activities involve a high degree of risk that, even with a combination of experience, knowledge and careful evaluation, may not be overcome. Consequently, no assurance can be given that commercial quantities of minerals will be successfully found or produced.

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to new and developing enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a positive return on shareholders' investment.

In October 2014, the Agata DSO project began production and TVIRD earned its 60% interest in AMVI, the joint venture vehicle. As at December 31, 2014 AMVI has completed five shipments of nickel laterite DSO for aggregate US$3.85 million gross revenue and has also recorded the sale of 110,000 WMT of saprolite ore in December 2014 for a gross revenue of US$4.9 million.. The Company anticipates that the Agata project will generate positive cash flow from operations that will be distributed to the shareholders of AMVI and fund Mindoro's operations in the long term; however, the Company does not control the timing of future distributions and there is no certainty that sufficient distributions will be received before the Company's obligations are due.

In December 2014, the Company borrowed $500,000 from TVIRD pursuant to the terms of a secured promissory note. This agreement is intended as a short term financing while the parties negotiate a larger financing arrangement. The note was originally due on January 31, 2015, but the term has subsequently been extended to May 15, 2015. The note accrues interest equal to 8% per annum and is secured by Mindoro's interest in its wholly owned subsidiary, MRL Nickel Philippines Inc. Interest incurred on the loan is recorded as interest expense in the Company's net loss for the year. Negotiations for a larger financing with TVIRD remain ongoing. But the Company can provide assurances that its efforts will result in a commercially acceptable arrangement. TVIRD has extended the maturity date for the secured promissory note in the past, but is under no obligation to continue to extend the term of that loan.

In the fourth quarter of 2014, the Company exercised its option to acquire Minimax's 25% interest in AMVI for US$4 million payable in five annual installments commencing in October 2015. The Company used a present value measurement technique using a 4.2% discount rate to determine the value of the installment payments at the exercise date and December 31, 2014. The measurement difference has been recorded as interest expense in 2014. If Mindoro fails to make the payments as they fall due, the Company will have to return to Minimax any shares that were transferred to the Company prior to the failure to the default.

The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Therefore, the Company is dependent on cash flows from financing activities to continue operations and fund its expenses. Although the Company has been successful in the past in obtaining financing through the sale of equity securities and debt instruments, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties, the loss of significant assets, or the Company no longer being able to operate.

The Company has secured a strategic partner, TVIRD, to advance the Agata Nickel project. While the Company considers the partnership to add value to existing shareholders, there are risks associated with a cornerstone strategic partner, including the potential for future dilution of interest in the projects and changes in management.

The Company's principal operations are located in the Philippines and are subject to the risks associated with operating in a developing country. These risks include, but not are not limited to; economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, resource rent taxes, repatriation of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

On July 9, 2012, the Philippine Government introduced a new mining policy in the form of a Presidential Executive Order (Executive Order #79, or "EO 79"), which provided direction to agencies of the Administration to carry out certain directives and signaled the Government's intention to seek legislation "rationalizing existing revenue sharing schemes and mechanisms". During the intervening period, no new permits were issued and industry operated in an environment of extreme uncertainty.

The key elements of the policy, in the view of Mindoro Management, were that (a) no new mining projects would be allowed until new fiscal legislation had been passed by Congress; (b) the Government was to cause Local Government Units ("LGU") to rescind and/or not pass legislation contravening the Mining Act; (c) companies would be issued new exploration permits on the condition that they be subject to the fiscal terms passed subsequently by Congress; and (d) there would be a definitive map published of "No Go" areas that would be off limits to minerals exploration and development.

The government also committed to honour existing contracts such as those held by Mindoro, and, in fact, has approved the DMPF for the Agata project (see Mindoro's news release dated April 28, 2014).

Emerging from the above policy environment are certain risks faced by Mindoro, including, but not limited to:

- The government's intention to increase the level of taxation for all new mining projects in the Philippines in its new fiscal regime. However, the new regime will only be applied prospectively; i.e. to new projects and existing projects will be given the option of adopting the new fiscal regime. Currently, three bills proposing a variety of taxation levels on mining projects are pending in the Congressional Ways and Means Committee for deliberation in mid-2015. It remains to be seen whether any of the bills will be passed during the Congressional hearings. However, if certain bills are passed, specifically House Bill No. 5367 which proposes a 10% baseline revenue sharing agreement with the government or a 55% share of adjusted net mining revenues (whichever is higher), it would have a tremendously negative impact on the mining industry and the economics of most new mining projects.

- Government has raised the possibility of a requirement for compulsory and mandatory insurance coverage for the affected environs and communities, as well as perpetual liability for the maintenance and rehabilitation of post mining sites (i.e., setting up trust funds or heritage funds with specified uses).

- Several draft, independent members bills, referred to as "Alternative Mining Acts" have been presented for discussion in the Philippine House of Representatives. While these bills do not currently have the support of the Administration, in the event that they were to be passed into law by Congress, or have significant elements of them adopted as law, they would further impair the fiscal regime and regulatory framework under which the mining industry operates in the country.

Although Mindoro has obtained a title opinion with respect to its Philippine properties, there is no guarantee that title to such mining rights will not be challenged or impugned.

There are continuing risks that communities or local politicians could withdraw support for Mindoro's projects and mount protests or refuse to provide the necessary endorsements to support project titles and applications. Mindoro has been successful to date in gaining community support for its operations, and management is committed to continuing the policies of community development, sustainable development and corporate social responsibility that have been effective and rewarding to this time. Accordingly management believes the risk of the withdrawal of community support is low.

In addition, there is a continuing, background security risk involved in any operation in the Philippines, including Mindanao — over and above the normal security risks of theft and robbery that may generally affect any mine elsewhere.

The Company's property interests are located in relatively remote, less developed areas and the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost, cannot be assured. These are integral requirements for exploration, development and production facilities on mineral properties. Power may need to be generated on site.

Exploration for and development of precious and base metal properties involve significant financial risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of minerals or metals may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling, constructing mining and processing facilities at a site, connecting to a reliable infrastructure, developing metallurgical processes and extracting the minerals or metals. Mindoro cannot ensure that its current exploration and development programs will result in profitable commercial mining operations or replacement of current production at existing mining operations with new reserves. Also, substantial expenses may be incurred on exploration projects that are subsequently abandoned due to poor exploration results or the inability to define reserves that can be mined economically.

The economic feasibility of development projects is based upon many factors, including but not limited to the accuracy of reserve/resource estimates; metallurgical recoveries; capital and operating costs; government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting, environmental protection; and market prices. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits and availability of adequate financing. Development projects have no operating history upon which to base estimates of future cash flow. Estimates of proven and probable reserves and cash operating costs are, to a large extent, based upon detailed geological and engineering analysis. Feasibility studies that derive estimates of capital and operating costs are based upon many factors, including anticipated tonnage and grades of minerals or metals to be mined and processed; ground and mining conditions; expected recovery rates; and anticipated social, environmental and regulatory compliance costs.

It is possible that actual costs and economic returns of current and new mining operations may differ materially from best estimates. It is not unusual for new mining operations to experience unexpected problems during the start-up phase and to require more capital than anticipated or experience higher operating costs. These uncertainties could have an adverse impact on Mindoro's future cash flows, earnings, results of operations and financial condition.

In its investments in Red Mountain, the Company is exposed to risk that it may not realize the expected returns from this investment. Market value of the shares may decline that could affect the valuation of the investments; and further losses may be incurred by Red Mountain that would require write-down in the value of the investment.

Current financial markets remain volatile due to uncertainties in the global economy. Commodity markets have seen substantial volatility and there were delays in obtaining required permits for certain projects. The volatility and uncertainty in the current markets could lead to difficulties in raising funds. There can be no assurance that amounts will be adequate for future financial obligations and internal cash available for Mindoro.

The mineral industry is intensely competitive in all its phases. The Company competes with many other mineral exploration companies who have greater financial resources and technical capacity.

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

MINDORO
RESOURCES LTD

Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

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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

April 30, 2015

Independent Auditor's Report

To the Shareholders of Mindoro Resources Ltd.

We have audited the accompanying consolidated financial statements of Mindoro Resources Ltd. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2014 and December 31, 2013, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
111 5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mindoro Resources Ltd. and its subsidiaries as at December 31, 2014 and December 31, 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Mindoro Resources Ltd.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP
Chartered Accountants

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CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

(Expressed in thousands of Canadian Dollars unless otherwise stated)

As at	Note	Dec. 31 2014	Dec. 31 2013
ASSETS			
Current assets			
Cash and cash equivalents		**380**	198
Trade and other receivables		**58**	69
Prepaid expenses and other current assets		**28**	36
Financial assets available for sale	5	**24**	285
		490	588
Non-current assets			
Exploration and evaluation assets	6	**3,794**	9,710
Property and equipment	7	**-**	4
Option to purchase contracts	8	**291**	-
Investment in associates	9	**7,916**	197
		12,001	9,911
TOTAL ASSETS		**12,491**	10,499
LIABILITIES			
Current liabilities			
Trade and other payables	10	**1,591**	719
Borrowings	11	**755**	476
Installment payments to Minimax	12	**890**	-
Warrants liability	17	**860**	490
Share based liability	19	**-**	1
		4,096	1,686
Non-current liabilities			
Borrowings	11	**-**	166
Installment payments to Minimax	12	**3,241**	-
Defined benefit retirement obligation	13	**104**	116
		3,345	282
TOTAL LIABILITIES		**7,441**	1,968
EQUITY			
Share capital	15	**52,403**	52,403
Share obligation	15	**1**	1
Other reserves	16	**12,439**	11,488
Accumulated losses		**(59,793)**	(55,361)
TOTAL EQUITY		**5,050**	8,531
TOTAL LIABILITIES AND EQUITY		**12,491**	10,499

Going concern (Note 1)
Commitments and contingent liabilities (Note14)
Subsequent events (Note 22)

These consolidated financial statements were authorised for issue by the board of directors on April 30, 2015 and are signed on its behalf.

"Signed"
A. R. Garden, Director

"Signed"
L. Nagy, Director

Consolidated Statement of Loss and Comprehensive Loss

(Expressed in thousands of Canadian Dollars unless otherwise stated)

	Note	Year ended Dec. 31 2014	2013
Operating Expenses			
General and administration expenses		**(851)**	(754)
Salaries and other employee benefits		**(385)**	(335)
Interest expense	*11,12*	**(83)**	(27)
Stock based compensation	*19*	**1**	6
Share of equity earnings of associate	*9*	**727**	-
Depreciation and amortization	*7*	**(4)**	(21)
Impairment of exploration and evaluation assets	*6*	**(4,303)**	(9,979)
Operating loss		**(4,898)**	(11,110)
Finance income		**2**	1
Remeasurement of warrants liability	*17*	**(370)**	598
Gain on sale of Red Mountain shares	*5*	**833**	-
Impairment of investment held for distribution	*5*	**-**	(8,157)
Foreign exchange gain (loss)		**2**	(1,290)
Loss on disposal of property and equipment	*7*	**-**	(8)
Loss before income tax		**(4,431)**	(19,966)
Income tax benefit (expense)	*20*	**(1)**	(5)
NET LOSS FOR THE YEAR		**(4,432)**	(19,971)
Basic and diluted net loss per share		**$ (0.015)**	$ (0.067)
Weighted average number of common shares outstanding (thousands)		**297,437**	296,872
Net Loss for the Year		**(4,432)**	(19,971)
Other comprehensive income (loss)			
Items that will not be reclassified to profit and loss			
Actuarial gains and losses	*13*	**(7)**	81
Items that may be reclassified to profit and loss			
Remeasurement of financial assets available for sale	*5*	**315**	(285)
Exchange differences on translation of foreign operations		**643**	(17)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(3,481)**	(20,192)

Consolidated Statement of Changes in Equity

(Expressed in thousands of Canadian Dollars unless otherwise stated)

		Attributable to owners of the parent					
	Note	Share capital	Share obligation	Other reserves (note 16)	Accumulated losses	Non-controlling interests	Total equity
Balance as at Dec. 31, 2013		**52,403**	**1**	**11,488**	**(55,361)**	**-**	**8,531**
Net loss for the year		-	-	-	(4,432)	-	(4,432)
Actuarial gains (losses)	*13*	-	-	(7)	-	-	(7)
Re-measurement of financial assets available for sale	*5*	-	-	315	-	-	315
Translation adjustments		-	-	643	-	-	643
Comprehensive loss		**-**	**-**	**951**	**(4,432)**	**-**	**(3,481)**
Balance as at Dec. 31, 2014		**52,403**	**1**	**12,439**	**(59,793)**	**-**	**5,050**
Balance as at Dec. 31, 2012		**52,864**	**-**	**11,251**	**(35,396)**	**7,765**	**36,484**
Impact of change in parent's functional currency		**(464)**	**-**	**458**	**6**	**-**	**-**
Net loss for the year		-	-	-	(12,200)	-	(12,200)
Actuarial gains (losses)	*13*			81			81
Re-measurement of financial assets available for sale	*5*	-	-	(285)	-	-	(285)
Translation adjustments		-	-	(17)	-	-	(17)
Comprehensive loss before loss of control of Red Mountain		**-**	**-**	**(221)**	**(12,200)**	**-**	**(12,421)**
Loss of control of Red Mountain				**165**	**(7,771)**	**(8,701)**	**(16,307)**
Comprehensive loss		**-**	**-**	**(56)**	**(19,971)**	**(8,701)**	**(28,728)**
Common shares issued for:							
Private placement	*15*	3	1	-			4
Proceeds from Red Mountain share issuance				(165)		936	**771**
Transactions with owners		**3**	**1**	**(165)**	**-**	**936**	**775**
Balance as at Dec. 31, 2013		**52,403**	**1**	**11,488**	**(55,361)**	**-**	**8,531**

Consolidated Statement of Cash Flows

(Expressed in thousands of Canadian Dollars unless otherwise stated)

MINDORO RESOURCES LTD

	Note	Year ended Dec. 31 **2014**	2013
Cash flows from operating activities			
Net loss for the year		**(4,432)**	(19,971)
Items not affecting cash			
Retirement benefit expense (recovery)	*13*	**(28)**	37
Interest expense	*11,12*	**83**	27
Stock based compensation	*19*	**(1)**	(6)
Share of equity earnings of associate	*9*	**(727)**	-
Depreciation and amortization	*7*	**4**	21
Impairment of exploration and evaluation assets	*6*	**4,303**	9,979
Remeasurement of warrants liability	*17*	**370**	(598)
Gain on sale of RMX shares	*5*	**(833)**	-
Impairment of investment held for distribution	*5*	**-**	8,157
Unrealized exchange differences		**3**	1,284
Loss on disposal of property and equipment	*7*	**-**	8
Interest paid	*11*	**(65)**	-
Net change in non-cash working capital items		**168**	195
Net cash used in operating activities		**(1,155)**	(867)
Cash flows from investing activities			
Proceeds from sale of Red Mountain shares	*5*	**1,363**	-
Expenditure on exploration and evaluation assets	*6*	**(55)**	(360)
Cost recoveries from associate	*6*	**34**	181
Proceeds from disposal of equipment	*7*	**-**	6
Purchase of option to purchase contract	*8*	**(130)**	-
Net cash used in investing activities		**1,212**	(173)
Cash flows from financing activities			
Issue of share capital, net of issuance costs	*15*	**-**	3
Deposits held for private placement	*15*	**-**	1
Cash received from borrowings	*11*	**551**	615
Loan repayments	*11*	**(429)**	-
Net cash from financing activities		**122**	619
Net increase (decrease) in cash and cash equivalents		**179**	(421)
Beginning cash and cash equivalents		**198**	619
Exchange gains (losses) on cash and cash equivalents		**3**	-
Ending cash and cash equivalents		**380**	198

1. GENERAL INFORMATION AND GOING CONCERN

Mindoro Resources Ltd.'s (the "Company" or "Mindoro") principal activities are the acquisition, exploration, and development of mineral properties in the Philippines.

Mindoro is a publicly listed company incorporated in Canada under the legislation of the Province of Alberta. The Company's shares are listed on the TSX Venture Exchange and the Frankfurt Stock Exchange.

The Company's registered office is located at 2200, 10235 101 Street NW, Edmonton, Alberta, Canada, T5J 3G1.

These consolidated financial statements ("Financial Statements") are prepared using International Financial Reporting Standards ("IFRS") that are applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

The Company incurred a net loss of $4,432,000 (December 31, 2013 – $19,971,000) and operating cash outflows of $1,155,000 for the year ending December 31, 2014 (December 31, 2013 – $867,000). At December 31, 2014, the Company has a net working capital deficit of $2,746,000, excluding warrants liabilities (December 31, 2013 – $608,000). In addition to its on-going working capital requirements, mining and exploration licences held by the Company have annual expenditure obligations to maintain their "good standing" status. The majority of these expenditure obligations have been assumed by TVI Resource Development (Phils.) Inc. ("TVIRD"). During the year, the Company signed an agreement with Minimax Mineral Exploration Corporation ("Minimax") to acquire Minimax's 25% interest in shares of Agata Mining Ventures Inc. ("AMVI"), the mining entity. The contractual obligation requires annual installment payments to Minimax in the amount of US$800,000 for the next five years (Note 12). The Company also has a commitment to Panoro Minerals Ltd. ("Panoro") in the amount of $1,000,000, recognized in two $500,000 payments, if certain nickel laterite shipment thresholds are met on the Agata direct shipping ore ("DSO") project (Note 6). Based on current production rates at the Agata project, it is expected that the first payment will become payable during 2015 with the second payment due one year after the first.

In 2012 the Company entered into an agreement with TVIRD where TVIRD has the right to earn a 60% interest in Agata and regional nickel projects by sole funding a DSO project to production and completing a Definitive Feasibility Study ("DFS") on a Nickel processing project, and up to 60% in the Pan De Azucar sulfide project by meeting certain expenditure and earn-in objectives (Note 6). These joint venture agreements require TVIRD to finance Mindoro's mineral property annual expenditure obligations and maintain the tenements in good standing (Note 6).

In October 2014, the Agata DSO project began production and TVIRD earned its 60% interest in AMVI, the joint venture vehicle. As at December 31, 2014 AMVI has completed five shipments of nickel laterite DSO for aggregate US$3.85 million gross revenue and has also recorded the sale of 110,000 WMT of saprolite ore in December 2014 for a gross revenue of US$4.9 million. The Company anticipates that the Agata project will generate positive cash flow from operations and the AMVI partners could expect to receive distributions; however, the Company does not control the timing of future distributions and there is no certainty that sufficient distributions will be received before the Company's obligations are due.

In December 2014, the Company borrowed $500,000 from TVIRD pursuant to the terms of a secured promissory note. This agreement is intended as a bridge financing while negotiating a larger financing arrangement with TVIRD and its shareholders. The note was originally due on January 31, 2015, but the term has subsequently been extended to May 15, 2015. The note accrues interest equal to 8% per annum and is secured by Mindoro's interest in its wholly owned subsidiary, MRL Nickel Philippines Inc. (Note 11).

During 2014, the Company sold the majority of its holdings in Red Mountain shares, which provided cash inflows that were used to settle obligations as they fell due throughout 2014. At December 31, 2014, the remaining holding of shares was valued at $24,000.

At December 31, 2014, the Company had an ending cash position of $380,000, and the Company is presently dependent on cash flows from financing activities to continue operations and fund expenses.

These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles to a going concern.

The Company has received $500,000 from TVIRD under a secured promissory note and negotiations for a $2 million convertible debenture to replace as well as to repay the secured promissory note have been delayed given the realization that it is not sufficient in and of itself to enable the Company to fund all aspects of its operations for the next 12 months nor to meet the current working capital deficit. The ability of the Company to continue as a going concern is dependent on obtaining additional funding to finance ongoing operating activities.

Accordingly, management is seeking other financing alternatives to fund the Company's operations so it may continue as a going concern. But there is no assurance that these initiatives will be successful and until the Company begins to receive positive cash flow from AMVI distributions there is material uncertainty related to events or conditions that may cast significant doubt as to whether the Company will be able to continue as a going concern.

The Company is dependent upon its ability to raise additional funds, repay existing borrowings, obtain the support of partners, sell investments, sell interests in or relinquish mining tenements held by the Company, and ultimately generate positive cash flows from operations and recognizes this to be a challenge and a concern in the current environment. These Financial Statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues, expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. These Financial Statements are for the consolidated group consisting of Mindoro Resources Ltd. (the "Parent") and its subsidiaries, collectively referred to as "Mindoro" or the "Company".

2.1 BASIS OF PRESENTATION

These Financial Statements have been prepared in accordance with IFRS and IFRIC Interpretations, as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein. The Financial Statements have been prepared under the historic cost convention, except as outlined in the Company's accounting policies that follow.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are described in Note 4.

The policies applied in these Financial Statements are based on the IFRS issued, effective and outstanding as of April 30, 2015, the date the board of directors approved the statements.

(a) Changes in accounting policies and disclosures

The Company has adopted the new and amended IFRS pronouncements listed below as at January 1, 2014, in accordance with the transitional provisions outlined in the respective standards.

(i) IAS 36 Impairment of Assets

In May 2013, the IASB amended IAS 36 – Impairment of Assets, providing guidance on recoverable amount disclosures for non-financial assets.

This amendment did not have a significant impact on the Company's Financial Statements.

(ii) IFRIC 21 Levies

IFRIC 21, Levies, clarifies that an entity recognizes a liability for a levy when the activity that triggers payment occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the minimum threshold is reached.

The adoption of this interpretation did not have a significant impact on the Company's Financial Statements.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 2014 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

Effective for annual periods beginning on or after January 1, 2018:
IFRS 9 Financial Instruments and Amendments to IFRS 7 Financial Instruments Disclosure

IFRS 9, Financial Instruments, replaces IAS 39, Financial Instruments: Recognition and Measurement. The IFRS 9 project had three main phases, classification and measurement, impairment, and general hedging. The version of IFRS 9 issued in July 2014 represents the final version of this project. Simultaneously with its issue, IASB issued amendments to IFRS 7 Financial Instruments to reflect IFRS 9 in accordance with specific requirements of IFRS 7. Early adoption is permitted if adopted in its entirety at the beginning of a financial period. The Company is currently evaluating the impact of adopting IFRS 9 on its Financial Statements.

Effective for annual periods beginning on or after January 1, 2017:
IFRS 15 Revenue From Contracts With Customers

In May 2014, the IASB published IFRS 15, "Revenue From Contracts With Customers" ("IFRS 15") replacing IAS 11, "Construction Contracts", IAS 18, "Revenue", and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded.

Early adoption of the new standard is permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Company has not yet evaluated the impact of adopting IFRS 15 on the Financial Statements.

There are no other standards or interpretations issued that are not yet effective that the Company anticipates will have a material impact on its Financial Statements once adopted.

2.2 CONSOLIDATION

(a) Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are deconsolidated from the dated that control ceases.

(b) Changes in ownership interests in subsidiaries without change of control

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Company ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Company's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of equity earnings of associate" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Company and its associate are recognised in the Financial Statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies of the Company.

2.3 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's Chief Executive Officer ("CEO").

The Company has determined that it has only a single operating segment, which consists of its mining operations in the Philippines.

2.4 FOREIGN CURRENCIES

The Company has presented these Financial Statements in Canadian Dollars ("CAD" or "$"). The functional currency of Mindoro Resources Ltd. is the Canadian Dollar. The functional currency of MRL Nickel is the Philippine Peso ("PHP").

(a) Changes in functional currency

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency is conducted through an analysis of the factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates and may involve certain judgments to determine the primary economic environment. The Company reconsiders the functional currency of its entities if there is a change in events and conditions that determine the primary economic environment.

The functional currency of Mindoro, the parent company, changed on January 1, 2013 to the CAD from the Australian dollar ("AUD") following a series of corporate transactions resulting in the closure of the Company's Australian office and the return of the Company's management to Canada. In 2013, a majority of forecast expenditures were denominated in CAD and the Company experienced an increasing trend of cash inflows from financing activities denominated in CAD. On the date of change of functional currency, all assets, liabilities, issued capital and other components of equity were translated into CAD at the exchange rate on that date. As a result, the translation reserve that had arisen up to the date of the change of functional currency was reallocated to other components within equity (table below). These changes in accounting treatment were applied prospectively. As a result of the change in functional currency the Company's functional and presentation currency are now the same. There was no change in the functional currency of the Company's subsidiaries during 2014 or 2013.

The change in functional currency on January 1, 2013 has had the following impact on the Company's Financial Statements:

	Share capital	Employee benefit reserve	Warrants reserve	Currency reserve	Accumulated losses
Impact of change in parent's functional currency	(465)	(42)	(49)	550	6

(b) Functional and presentation currency

The financial statements of entities that have a functional currency different from the presentation currency are translated into CAD as follows: assets and liabilities – at the closing rate at the date of the balance sheet, and income and expenses – at the average rate of the reporting period (as this is considered a reasonable approximation to the actual rates). All resulting changes are recognized in other comprehensive income as currency reserves.

When an entity disposes of its interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains and losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

(c) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the statement of loss and comprehensive loss.

2.5 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at banks, and other short-term highly liquid investments with original maturities of less than 90 days.

2.6 Trade Receivables

Trade receivables are amounts due from joint venture partners and suppliers for expenditures made by the Company on behalf of other parties, advances to employees, or input tax credits recoverable from government agencies in the ordinary course of business. If collection is expected within one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.7 Exploration and Evaluation Assets

Exploration and evaluation expenditure is stated at cost less accumulated impairment loss and is accumulated in respect of each identifiable area of interest. Such costs are only carried forward to the extent that they are expected to be recovered through the successful development of the area of interest (or alternatively by its sale), or where activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable resources, and where active work is continuing.

Accumulated costs in relation to an abandoned area are written off as impaired in profit or loss in the period in which the carrying amount may exceed the recoverable amount.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

2.8 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 its 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 following annual rates and methods:

Computer Hardware & Software	30 percent straight line
Vehicles	20 percent straight-line
Field Equipment	20 percent straight-line
Office Equipment & Furnishings	20 percent straight line
Leasehold Improvements	straight-line over the lease term

Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

The Company estimates the useful life and residual values of property and equipment and reviews these estimates at each financial year end. The Company also tests for impairment when an indication of impairment exists.

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Investment held for distribution, property and equipment, and exploration and evaluation assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGU).

Evidence of impairment may include observable data that indicates there is a measurable decrease in the estimated future cash flows or fair value less costs of disposal such as a binding sale transaction or reasonable expectation for there to be a binding sale transaction because only limited conditions are outstanding.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount in the statement of loss and comprehensive loss for the period in which the impairment arises.

The Company evaluates impairment losses for potential reversals where there are objective indicators that the circumstances that resulted in the impairment have reversed. Impairment reversals are recognized in the statement of loss and comprehensive loss for the period in which the reversal arises.

The Company considers the recoverability of exploration and evaluation assets to be a critical accounting estimate (Note 4).

2.10 NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE OR DISTRIBUTION

Non-current assets and liabilities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Non-current assets are classified as held for distribution to owners when the Company is committed to distribute the asset (or disposal group) to the owners and the distribution is highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell or distribute, except for assets such as deferred tax assets that are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell or distribute. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale or distribution of the non-current asset is recognized at the date of derecognition.

Non-current assets classified as held for sale or distribution and the assets of a disposal group classified as held for sale or distribution are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

If after assets and liabilities are classified as held for sale or distribution, the Company decides not to sell or distribute, the asset or liability is remeasured at the lower of:

- carrying amount prior to classification as held for sale or distribution; and
- fair value on the date the Company decides not to sell or distribute.

Any gain or loss resulting from remeasurements is recognized in profit or loss.

2.11 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are initially recognized at their fair value and are subsequently measured at amortized cost. Trade payables are classified as current liabilities if payment is due within one year or less.

2.12 PROVISIONS

Provisions for legal claims and other obligations are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of each reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.13 EMPLOYEE BENEFITS

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of each reporting period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All other short term employee benefit obligations are presented as payables.

(b) Defined benefit retirement obligation

The Company’s Philippine subsidiary has an unfunded, statutory, defined benefit retirement obligation pursuant to Philippines employment legislation covering the retirement, separation, death, and disability benefits of all its eligible employees.

The liability recognized in the balance sheet in respect of defined benefit retirement obligations is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of Philippines government bonds that are denominated in PHP and have terms to maturity approximating to the terms of the related retirement obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in net income or loss.

When a restructuring of a benefit obligation gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

2.14 COMMITMENTS AND CONTINGENT LIABILITIES

Commitment for the purchase of assets shall be disclosed as a contingent liability when the conditions that would trigger payment thereof are controlled by the Company and are reasonably avoidable.

The Company discloses contingent liabilities unless the possibility of an outflow of resources is considered remote. For each class of contingent liability, the Company discloses a brief description of the nature of the contingent liability and, where practicable, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow, and the possibility of any reimbursement.

The Company shall recognize commitment as a provision only when the condition triggering the payment thereof has been met. Where a minimum threshold exists that would trigger payment, the Company shall recognize the provision when that threshold has been met. Otherwise, the Company will recognize the liability on a basis that is consistent with the condition that triggers the payment.

The Company considers the accounting related to the Panoro commitment to be a critical accounting judgement in the application of the Company's accounting policies (Note 4).

2.15 SHARE CAPITAL

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 SHARE BASED PAYMENT TRANSACTIONS

The Company recognizes an increase in equity when it receives goods or services for an equity settled share based payment, and a liability when goods or services are received for cash settled share based payment.

The Company issues shares pursuant to a stock option plan (the "Stock Option Plan"). Options issued under this Plan, which allows the Company’s employees and consultants to acquire shares of the Company, are classified as equity settled share based payments. The fair value of the options granted is recognized as a stock based compensation expense with a corresponding increase in employee benefit reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee), or provides services similar to those performed by a direct employee.

Options issued under the Company’s incentive plan, which allows holders to receive a cash payment when exercised equal to any excess of the Company’s share price over the exercise price, are classified as cash settled share based payments. The fair value of the cash settled options granted are recognized as a stock based compensation expense with a corresponding increase in the share-based liability. The fair value of the share-based liability is remeasured at each balance sheet date with adjustments being recognized as stock based compensation.

The fair value of cash and equity settled options is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of equity settled options issued to consultants are remeasured at each balance sheet date until the options vest. The fair value of cash settled options is remeasured at each balance sheet date until the options expire. Fair value is estimated using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

2.17 WARRANTS

The fair value of warrants granted is estimated at the date of grant. For warrants classified as liabilities, the Company measures the fair value of its warrants at each reporting period through profit and loss (Note 17). The Company accounted for warrants granted by fair valuing the warrants using the Black-Scholes valuation method.

The Company considers the fair value measurement of warrants classified as liabilities to be a critical accounting estimate (Note 4).

2.18 INCOME TAXES

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting loss nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognized to the extent that is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2.19 LOSSES PER SHARE

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. Diluted loss per share does not adjust the weighted average number of common shares outstanding when the effect is anti-dilutive.

2.20 FINANCIAL INSTRUMENTS

(a) Financial assets

(i) Classification

The Company classifies its financial assets in the following categories: "fair value through profit or loss", "loans and receivables", and "financial assets available for sale". The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(ii) Fair value through profit or loss

A financial asset is classified as fair value through profit or loss if it is classified as held for trading. Derivatives are also categorized as held for trading. The option to purchase contracts with Minimax, are classified at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value with changes ¡n those fair values recognized in net income.

(iii) Loans and receivables

Cash and cash equivalents and trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

(iv) Financial assets available for sale

The Company recognizes the fair value of its investments in equity instruments that are not held for trading purposes in other comprehensive loss. These instruments are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in other comprehensive income and presented within equity in the fair value reserve.

(v) Recognition and de-recognition

Regular purchases and sales of financial assets are recognized on trade date being the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(vi) Impairment

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired by completing qualitative and quantitative analysis of factors impacting the investment.

With respect to investments in debt and equity securities, the Company assesses at each reporting date whether there is objective evidence that a financial asset is impaired by completing a quantitative or qualitative analysis of factors impacting the investment. If there is determined to be objective evidence of impairment, the Company internally values the expected discounted cash flows using observable market inputs and determines whether the decline below carrying value is other than temporary. If the decline is determined to be other than temporary, an impairment charge is recorded in earnings with an offsetting reduction to the carrying value of the asset.

With respect to other financial assets, the Company assesses the assets for impairment when it no longer has reasonable assurance of timely collection. If evidence of impairment is noted, the Company reduces the value of the financial asset to its estimated realizable amount, determined using discounted expected future cash flows.

(b) Financial liabilities

(i) Classification

The Company classifies its financial liabilities in the following categories: "other liabilities", and "financial liabilities at fair value through profit or loss".

(ii) Other liabilities

Trade and other payables, borrowings, and installment payments to Minimax are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. The Company's borrowings are presented net of their respective transaction costs.

(iii) Financial liabilities at fair value through profit or loss

The Company initially recognizes its warrants classified as liabilities at fair value. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in profit and loss.

(iv) De-recognition

Financial liabilities are derecognized when the obligation is discharged, cancelled, or expired.

(c) Fair value measurements

The Company must disclose financial instruments carried at fair value, based on inputs used to value the Company's instruments. The hierarchy of inputs and description of inputs is as follows:

- Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 – fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

- Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an instrument's assigned level.

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables, borrowings, and option to purchase contracts approximate their fair values. The Company's financial assets available for sale, investment held for distribution and warrant liabilities are measured at fair value on a recurring basis.

Financial assets available for sale and the investment held for distribution are classified in Level 1 of the fair value hierarchy and are measured according to published share price information. The Company's investment in AMVI and its installment payments to Minimax are classified in level 2 of the fair value hierarchy and were initially measured using the discounted cash flow of the installment payments. The Company's warrant liabilities are classified in Level 2 of the fair value hierarchy and are measured using the Black-Scholes valuation method. The fair values disclosed for the Company's option to purchase contract was classified under Level 3.

3. FINANCIAL RISK MANAGEMENT

3.1 CAPITAL MANAGEMENT

The Company defines its capital as shareholders' equity. The Company's objectives in managing capital are to advance exploration and development of its mineral assets, meet annual expenditure requirements for its mining and exploration licenses, and to meet corporate expenditure requirements to maintain its operations.

Proceeds raised from financing activities, sale of financial assets and the Company's joint venture agreements are used to meet these requirements, as well as to service short and long-term borrowings.

The board of directors does not establish quantitative return on capital criteria for management. The Company does not currently pay dividends.

There has been no change with respect to the overall capital risk management strategy during the years ended December 31, 2014 or 2013.

3.2 FOREIGN EXCHANGE RISK

Business is transacted by the Company in PHP, United States Dollars ("USD"), AUD, and CAD. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or a negative direction.

The Company was exposed to foreign exchange risk through the monetary assets and liabilities in the table below at December 31, 2014 and 2013. The Company has not hedged its exposure to currency fluctuations;

	December 31, 2014			December 31, 2013	
	PHP 000	USD 000	AUD 000	PHP 000	AUD 000
Cash and cash equivalents	567	1	5	2,129	4
Trade and other receivables	1,763	-	7	2,234	10
Financial assets available for sale	-	-	25	-	300
Trade and other payables	(26,525)	(645)	(30)	(21,240)	(34)
Installment payments to Minimax	-	(4,000)	-	-	-
Net foreign currency exposure	**(24,195)**	**(4,644)**	**7**	(16,877)	280
Exchange rate	0.02590	1.16010	0.94790	0.02395	0.94960
Foreign currency exposure (CAD 000)	**(627)**	**(5,388)**	**7**	(404)	266

Based on net exposures at December 31, 2014, and assuming all other variables remain constant, a 10% fluctuation in the exchange rate between the Canadian dollar and the Philippine peso would affect Mindoro's other comprehensive loss by $62,000 (December 31, 2013 - $40,000). A 10% fluctuation in the exchange rate between the Canadian Dollar and the United States Dollar would affect the Company's profit or loss for the year by $538,000 (December 31, 2013 - $Nil). A 10% fluctuation in the exchange rate between the Canadian dollar and

Australian dollar would affect the Company's profit or loss for the year by less than $1,000 (December 31, 2013 - $27,000).

3.3 CREDIT RISK

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and accounts receivable.

The majority of the Company's cash and cash equivalents are held with major financial institutions in Canada and the Philippines. A significant portion of the Company's accounts receivable is due from its associate, AMVI, and from government agencies in Canada and the Philippines. The resulting credit risk exposure is deemed immaterial by management of the Company.

3.4 LIQUIDITY RISK

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Trade and other payables, current borrowings, and current installment payments are due within twelve months of the balance sheet date.

For the year ended December 31, 2014, the Company has the following loans repayable at fixed rates of interest and maturity dates on an undiscounted basis:

	Undiscounted Principal Outstanding $000	Interest accrued $000	Interest rate %	Maturity
Current secured promissory note	500	1	8.0	May 2015*
Current loan	175	7	15.0	December 2015
First Minimax installment	928	-	0.0	October 2015
Second Minimax installment	928	-	0.0	October 2016
Third Minimax installment	928	-	0.0	October 2017
Fourth Minimax installment	928	-	0.0	October 2018
Fifth Minimax installment	928	-	0.0	October 2019

** The term was extended from January 31, 2015 to May 15, 2015 after the reporting period (Note 22).*

The Company has an unrecognized commitment to pay Panoro two payments of $500,000 once certain shipment thresholds are met on the Agata DSO Project (Notes 6 and 14).

The Company does not currently generate cash flow from operations. The Company's consolidated Financial Statements are presented on a going-concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations (Note 1).

3.5 INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company had $380,000 in cash and cash equivalents at December 31, 2014 (December 31, 2013 - $198,000), on which it earns variable rates of interest, and is therefore subject to a certain amount of interest rate risk. The resulting interest rate risk is not considered material to the Company.

At December 31, 2014, the Company had borrowings totalling $755,000 (December 31, 2013 - $642,000) on which it accrues interest expense at various fixed rates of interest.

Warrants that are classified as liabilities are financial liabilities but are not subject to interest rate risk.

	December 31, 2014		December 31, 2013	
	$000	Weighted average effective interest rate	$000	Weighted average effective interest rate
Financial assets				
Cash and cash equivalents	380	0.48%	198	0.32%
Trade and other receivables	58	0.00%	69	0.00%
Financial assets available for sale	24	0.00%	285	0.00%
	462		552	
Financial Liabilities				
Trade and other payables	(1,591)	0.00%	(719)	0.00%
Notes and loans payable (15%)	(176)	15.00%	(547)	15.00%
Borrowings (8%)	(579)	8.00%	(61)	8.00%
Installment payments to Minimax	(4,131)	4.20%	-	n/a
	(6,477)		(1,327)	
Net Exposure	(6,015)		(775)	

At December 31, 2014, if variable interest rates paid on cash and cash equivalents had increased/decreased by 100 basis points from the period end rates with all other variables held constant, the loss for the period would have been $4,000 (2013: $3,000) higher/lower, as a result of higher/lower interest income.

At December 31, 2014, if variable interest rates accrued on installment payments to Minimax had increased/decreased by 100 basis points from the period end rates with all other variables held constant, the loss for the period would have been $5,000 higher/lower, as a result of higher/lower interest expense.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 CRITICAL ACCOUNTING ESTIMATE AND ASSUMPTIONS

(a) Warrants classified as liabilities

The fair value of warrants classified as liabilities are based on several assumptions, including the risk-free interest rate, forfeiture rate, and the expected volatility of the Company's share price, which may not be indicative of future volatility. Accordingly, those amounts are subject to measurement uncertainty.

(b) Option to purchase contracts

The fair value of the option to purchase contract is estimated to be equal to its carrying value, but are classified as level 3 in the fair value hierarchy because they do not trade in an active market.

4.2 CRITICAL ACCOUNTING JUDGMENTS APPLIED IN THE COMPANY'S ACCOUNTING POLICIES

(a) Going concern

Due to the financial condition of the Company at December 31, 2014 and the contractual obligations and commitments that are outstanding, judgment has been exercised in applying the assumption that the Company will continue as a going concern for the foreseeable future. Refer to Note 1 of the Financial Statements for further disclosure.

(b) Exploration and evaluation assets

The future recoverability of capitalized exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related tenements itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes that could impact the cost of mining, future legal changes (including changes to environmental restoration obligations), and changes to commodity prices and foreign exchange rates.

To the extent that capitalized exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalized if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalized expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

(c) Panoro agreement commitment

The Company has a commitment payable to Panoro for its buy out of Panoro's interest in the Surigao Projects in 2007 (Note 14). This commitment is conditional upon nickel laterite production at Agata meeting certain production thresholds, which at the time of the transaction with Panoro, Mindoro had control over achieving production. Therefore, the Company believes the commitment is not a present obligation. The Company will recognise the liability once the payment condition is achieved, which is the shipment of one million wet metric tonnes of nickel laterite from the Agata DSO project.

(d) Classification of equity investments

During 2013, upon the loss of control of the Company's interest in its subsidiary, Red Mountain, which was previously classified as a held for distribution investment, the Company determined that its remaining equity interest in the shares of Red Mountain should be classified as a financial asset available for sale, rather than a significant influence investment in associate. Judgment was applied in determining the Company's classification of its remaining investment in Red Mountain as a financial asset available for sale.

5. FINANCIAL ASSETS AVAILABLE FOR SALE

During the periods ended December 31, 2014 and 2013, the Company recorded the following transactions for its investment in Red Mountain:

	Note	Financial asset $000	Investment $000	NCI $000	Transactions with NCI $000	Impairments / remeasurement gain (loss) $000	Foreign exchange gain (loss) $000
December 31, 2012		**-**	**17,537**	**7,765**	**-**	**-**	**-**
Proceeds of Red Mountain private placement	(a)	-	1,101	936	165	-	-
De-consolidation on loss of control of Red Mountain	(b)	-	(16,638)	(8,701)	(165)	(6,754)	(1,018)
Remeasurement upon decision not to distribute Red Mountain shares	(c)	593	(2,000)	-	-	(1,403)	(4)
Remeasurement after decision not to distribute Red Mountain shares	(d)	(23)	-	-	-	-	(23)
Impact on loss						**(8,157)**	**(1,045)**
Remeasurement after decision not to distribute Red Mountain shares	(d)	(285)				(285)	-
Impact on other comprehensive loss						**(285)**	**-**
December 31, 2013		**285**	**-**	**-**	**-**		
Returned to Red Mountain to reacquire TSF	(e)	(69)				-	-
Sold through ASX	(f)	(1,371)				(8)	-
Remeasurement	(f)(g)	864				841	23
Impact on loss						**833**	**23**
Remeasurement	(g)	315				(315)	-
Impact on other comprehensive income						**(315)**	**-**
December 31, 2014		**24**	**-**	**-**	**-**		

(a) In January 2013, pursuant to a private placement Red Mountain issued 8,512,000 fully paid ordinary shares for $0.129 (A$0.125) per share;

(b) On June 25, 2013, pursuant to a rights offering, Red Mountain issued 55 million fully paid ordinary shares for $0.010 (A$0.01) per share reducing the Company's ownership interest in Red Mountain to 41% and resulting in a loss of control of Red Mountain. Therefore, the Company de-consolidated its interest in Red Mountain and recorded an impairment to reduce the carrying value of the investment to its fair value. The Company estimated the fair value of its investment in Red Mountain at June 25, 2013 to be

$2,000,000 (A$2,058,000) or $0.020 (A$0.021) per share and recorded an impairment loss of $6,754,000 as well as a foreign exchange loss of $1,018,000 as a result of depreciation of the Australian dollar to 0.9721 CAD per AUD from 1.0363 CAD per AUD at acquisition;

(c) October 15, 2013, the Company and Red Mountain agreed to remove the provision in the sale agreement that required Mindoro to distribute a majority of the Red Mountain shares to its shareholders after October 30, 2013. Under the terms of this amendment, Mindoro has agreed to hold the Red Mountain shares until the earlier of April 30, 2014 and the time when Mindoro meets certain regulatory requirements related to the transfer of the Batangas tenements;

As a result of this change in plan, the Company re-measured the Red Mountain shares at their fair value, recorded an impairment loss of $1,403,000 and an foreign exchange loss of $4,000, and reclassified the Red Mountain shares as a financial assets available for sale; and

(d) Subsequent to its classification as a financial asset available for sale, Red Mountain's share price declined to $0.003 (A$0.003), resulting in a $285,000 loss and $23,000 foreign exchange loss during the year ended December 31, 2013.

(e) On March 4, 2014, the Company returned 4 million Red Mountain shares to reacquire the contractual rights for several tenements in the Philippines including Tapian San Francisco ("TSF") following their release from escrow and obtaining approval from Red Mountain shareholders (Note 6), the return of these shares settled an outstanding liability recognised in 2013;

(f) In 2014, the Company sold 89.8 million Red Mountain shares through the facilities of the ASX for net proceeds of $1,363,000. The Company recycled $840,000 of accumulated other comprehensive income to net loss for the year as a remeasurements gain on the available for sale financial asset in the current period because of these sales.

(g) Red Mountain's share price increased to $0.004 (A$0.004) during 2014 compared to $0.03 (A$0.003) at December 31, 2013, resulting in a $315,000 gain and $22,000 foreign exchange gain in 2014.

The non-controlling interests in Red Mountain at December 31, 2012 represented the 44% of Red Mountain shares that were not owned by the Company.

6. EXPLORATION AND EVALUATION ASSETS

	Agata $000	Surigao Regional $000	Tapian San Francisco $000	Pan de Azucar $000	Total $000
December 31, 2012	**15,999**	**2,264**	**-**	**1,504**	**19,767**
Acquisition	85	-	125	-	**210**
Exploration	141	3	-	6	**150**
Recoveries from associate	(165)	-	-	(16)	**(181)**
Impairment	(7,741)	(2,238)	-	-	**(9,979)**
Currency translation	(206)	(29)	(2)	(20)	**(257)**
December 31, 2013	**8,113**	**-**	**123**	**1,474**	**9,710**
Acquisition	-	-	440	-	**440**
Exploration	43	-	12	-	**55**
Recoveries from associate	(52)	-	-	(7)	**(59)**
Reclassified to option to purchase contract	(87)	-	-	-	**(87)**
Reclassification to investment in associate	(2,502)	-	-	-	**(2,502)**
Impairment of exploration and evaluation assets	(2,239)	-	(539)	(1,525)	**(4,303)**
Currency translation	476	-	6	58	**540**
December 31, 2014	**3,752**	**-**	**42**	**-**	**3,794**

6.1 AGATA (SURIGAO)

The Agata Project consists of one Mineral Production Sharing Agreement ("MPSA"), three Exploration Permits ("EP"), and three Exploration Permit Applications ("EPA") with a defined nickel laterite resource. Through a series of agreements with Minimax, Panoro, and local claimholders, the Company had acquired a 75% direct and indirect interest in the Agata Project prior to entering into the TVIRD and Minimax agreements detailed below.

(a) TVIRD Agreements

In 2012, Mindoro and Minimax entered into the following two Joint Venture Agreements with TVIRD:

(i) Agata Mining Option and Joint Venture Agreement ("AMJV")

TVIRD had the exclusive right and option to earn 60% of the AMJV, which includes the right to develop and mine the tenements for materials that may be mined by DSO methods, by sole funding a mining project into commercial production within three years on the Agata MPSA or Surigao Regional tenements (excluding the Tapian San Francisco Tenements ("TSF tenements"). As TVIRD made expenditures in the AMJV, it received shares of the joint venture company, AMVI, which were placed in escrow until such time as it fully met its earn in commitments. In October 2014, having met the spending requirements and commenced production on the AMJV, TVIRD exercised the Agata Mining Joint Venture Option. Shares of AMVI that had previously been issued to TVIRD but that had been held in escrow were released to TVIRD.

In September 2014, the Philippines Mines and Geosciences Bureau ("MGB") approved an operating agreement granting AMVI the exclusive right to explore, develop and operate the Agata MPSA for the purposes of the AMJV. As a result, Mindoro has reclassified $2,502,000 of exploration and evaluation assets related to AMVI to investment in associate (Note 9) representing Mindoro's 15% shareholding of AMVI.

Mindoro does not have joint control over the AMJV, and therefore the AMJV does not constitute a joint venture as defined in IFRS 11 *Joint Arrangements*.

(ii) Agata Processing Option and Joint Venture Agreement ("APJV")

TVIRD has exclusive right and option to earn up to 60% of the APJV and a 60% interest in the tenements by incurring a minimum expenditure of $2 million by the first anniversary of the agreement and sole funding a definitive feasibility study ("DFS"), including pilot-scale metallurgical testing, third-party engineering studies and documentation, within four years. As at December 31, 2014, TVIRD has met its expenditure commitments on the APJV, however it has yet to complete a DFS on the project. As TVIRD makes expenditures in the APJV, it receives shares of the joint venture company, API, which are placed in escrow until such time as it fully meets its earn in commitments. TVIRD will retain no interest in the APJV if it withdraws prior to completing the DFS. Mindoro is required to transfer its rights, titles, and obligations related to the tenements to the joint venture company. However, as at December 31, 2014, these transfers remain incomplete and subject to approval of the MGB.

Upon exercise of the APJV option by TVIRD, Mindoro's interest in the APJV will be 15%.

Mindoro does not have joint control over the APJV, and therefore the APJV does not constitute a joint venture as defined in IFRS 11 *Joint Arrangements*.

(b) Minimax Agreements

On August 14, 2014, the Company purchased entered into two option to purchase contracts with Minimax to acquire Minimax's interest in AMVI and API. The Company also agreed to amend the terms of an accrued debt owed by Minimax to MRL Nickel Philippines Inc. Details of these agreements are outlined in Note 8. However, they have the following impact on the Company's exploration and evaluation assets:

(i) Agata Mining Share Option

An $87,000 (US$80,000) advance to Minimax in 2013 was reclassified from exploration and evaluation expenditures to investment in associate in 2014.

(ii) Agata Processing Share Option

In 2014, the Company has impaired the remaining balance of Agata exploration and evaluation expenditures, which relate only to API, based on the Company's estimated fair value of its remaining interest in API through both the Agata Processing Share Option and the APJV with TVIRD (Note 6.1(e)).

(iii) Debt Amending Agreement

Pursuant to the 1997 Memorandum of Agreement (the "MOA") between Mindoro and Minimax through which Mindoro acquired its interest in the Agata, Tapian San Francisco, and Pan de Azucar projects, once the Company earned a 75% interest in a project, Mindoro would fund Minimax's share of exploration costs until a development was approved. Minimax would be required to reimburse Mindoro for its 25% share of exploration costs through deductions to its share of cash flows from the project once production commenced.

On August 14, 2014, Mindoro signed an agreement with Minimax to amend the terms of a debt due from Minimax pursuant to the 1997 MOA as described above The amending agreement fixed the interest rate payable on the debt at 5% per annum and the balance of the principal at PHP 177,121,446 ($4,587,000) which shall be deducted and repaid from Minimax's share of cash flows from API production except that Minimax shall have the right to receive up to US$200,000 per annum before any debt payments are deducted.

The receivable owing from Minimax has not been recognised by the Company. At December 31, 2014, in addition to the principal noted above, Minimax owed MRL Nickel $1,260,000 (PHP 48,679,028) of accrued interest that the Company has not recognized in its Financial Statements because the recoverability of principal and interest remains uncertain.

(c) Panoro Agreement

Pursuant to the 2007 agreement whereby the Company purchased a 40% direct and indirect participating interest in the Surigao Projects, including the Agata properties, from its then joint venture partner, Panoro, Mindoro must pay Panoro:

- $500,000 on the fifteenth day following the loading on board a ship or other conveyance for transport to a purchaser or treatment facility by Mindoro, Minimax or MRL of an aggregate one million wet metric tonnes ("WMT") of Nickel Laterite (the "First Payment"); and

- $500,000 on the first anniversary of the loading on board a ship or other conveyance for transport to a purchaser or treatment facility by Mindoro, Minimax or MRL of an aggregate one million WMT of Nickel Laterite (the "Second Payment").

Prior to the Panoro buy-out agreement, Mindoro held a 35% participating interest in the Surigao Projects. As a result of the Panoro agreement, the Company's interest increased to 75%. However, due to the TVIRD and Minimax agreements noted above Mindoro's interest in the AMJV has been reduced to 40% and will reduce the Company's interest in the APJV to 40% if TVIRD exercises its option to acquire 60% from Mindoro and Mindoro exercises its option to acquire Minimax's 25% interest in API.

(d) Delta Earth Moving

Pursuant to an agreement in 2011 whereby the Company terminated a Management Services Agreement with Delta Earth Moving ("Delta"), the Company has agreed to pay Delta a 1% royalty on gross smelter returns for any future production on three non-contiguous blocks in Agata South. The Company identified a nickel laterite mineral resource on Agata South indicating 5.04 million WMT of nickel laterite containing 0.86% nickel and 22% iron in its November 4, 2011 technical report. The resource is presently considered by the Company to be too small to commercialize as a DSO operation and significant additional exploration would be required before development of the resource could occur.

(e) Impairment

In 2014, the Company recorded an impairment of exploration and evaluation asset of $2,2239,000 on the Agata Project in its net loss for the year. The Company has calculated the recoverable value of Agata based on the cost that Mindoro paid Minimax to acquire its 25% interest in the Agata projects, which implies a fair value of Mindoro’s interest in the projects. This method is level 2 in the fair value hierarchy since the Minimax purchase price is in the form of installment payments over a period of five years and was therefore discounted to its present value at a rate of 4.2% per annum. Previously, in 2013 the Company estimated the recoverable value of the Agata project by estimating the cost TVIRD would likely incur to exercise the AMJV and APJV options.

In 2013, Mindoro recognised an impairment of the Agata and Surigao Regional projects exploration and evaluation assets of $9,979,000. The Company estimated the recoverable value of these projects based on the estimated costs that TVIRD will need to incur in order to earn its 60% interests in the AMJV and APJV, which implies a fair value of Mindoro’s interest in the projects. This method is level 3 in the fair value hierarchy. It relied upon estimating unobservable inputs including TVIRD's approved budgets and programs for work required to exercise the AMJV and APJV options.

The Company anticipates that final approval to transfer the Company's rights, obligations, and titles related to the Agata and Surigao regional tenements will be granted by the MGB in 2015 and at that time, the Company will record its carrying value of these projects as investments in API rather than exploration and evaluation assets.

6.2 PAN DE AZUCAR (PANAY)

The Pan de Azucar Mineral Production Sharing Agreement ("MPSA") covers approximately 535 ha on Pan de Azucar Island and adjacent Panay Island. Mindoro has a 75% direct and indirect interest in both the PDA Mining and PDA Processing Joint Ventures with the remaining 25% held by Minimax.

In 2012, Mindoro and Minimax entered into the following two joint venture agreements with TVIRD:

(a) Pan de Azucar Mining Joint Venture ("PMJV")

TVIRD has the exclusive right and option to earn 60% of the mining project by sole funding a mining project into commercial production within three years of receiving the declaration of mining project feasibility from the MGB on the Pan de Azucar MPSA. To exercise the option, TVIRD must maintain the tenements in good standing including applying for a Declaration of Mining Project Feasibility ("DMPF") with the Department of Environment and Natural Resources before February 2015, spend a minimum of $500,000 prior to December 31, 2014, and spend at least $2 million within one year of receiving the DMPF. TVIRD will retain no interest in the PMJV if it withdraws prior to commencing a mining operation.

As at December 31, 2014, TVIRD had not met its minimum expenditure commitments nor had it completed the DMPF, which would subsequently result in the expiration of the MPSA. Minimax has filed a request for an extension of the MPSA; the request continues to be pending as of the current reporting date.

(b) Pan de Azucar Processing Joint Venture ("PPJV")

TVIRD has the exclusive right and option to earn 51% of the PPJV and a 51% interest in the tenements by spending at least $2 million within 2 years of receiving a declaration of mining feasibility from the MGB. In addition, TVIRD will have the exclusive right and option to earn an additional 9% interest by spending another $3 million within 4 years of receiving a declaration of mining feasibility from the MGB, increasing its total interest to 60%. To exercise these options, TVIRD has committed to maintain the tenements in good standing including applying for a DMPF with the DENR in 2014, and must spend a minimum of $500,000 before withdrawing from the project. Mindoro is required to transfer its rights and obligations related to Pan de Azucar MPSA to the joint venture company. However, as at December 31. 2014, these transfers remain incomplete and subject to approval of the MGB.

As at December 31, 2014, TVIRD had not met its minimum expenditure commitment.

(c) Impairment

The exploration period under the MPSA (9^{th} and 10^{th} year) should expire in February 2015; however, the Company and Minimax have requested an extension of the exploration period but have not yet received a response from the MGB or DENR. The Company has recognised an impairment loss of $1,525,000 and fully impaired its exploration and evaluation assets on PDA on the basis that management believes that it is more likely than not that the requested extension of the exploration period will not be granted.

6.3 TAPIAN SAN FRANCISCO (SURIGAO)

The Tapian San Francisco Project consists of one MPSA, one EP, and four EPAs. Mindoro earned a 75% direct and indirect interest in the Tapian San Francisco Project pursuant to the terms of an MOA with Minimax and sold its interest to Red Mountain in 2012. The project was returned to Mindoro in 2014 in exchange for 4 million Red Mountain shares (Note 5).

In August 2014, Mindoro and Minimax signed an option agreement whereby Mindoro may acquire Minimax's 25% interest in the project for the following consideration:

- US$120,000 to be paid on the 15th day of the 9th month after the first shipment of DSO;
- Consideration in the amount of $717,000 will be used to offset an existing but unrecognised $717,000 Minimax debt due to Mindoro; and
- During the processing of ore originating from only the Tapian Project, Minimax will receive a 0.5% gross smelter royalty from 100% of the net sales originating from only the Tapian San Francisco Project or the amount of One Hundred Thousand US Dollars (US$100,000), whichever is higher.

The Tapian San Francisco Option also contains a 60 day "Restructure Period" during which time, with the consent of both parties, certain terms of the amended option agreement may be modified if more favourable tax structures are identified.

Pursuant to a 2013 option agreement with the permit holder of the MPSA and one EPA, the Company is required to make quarterly payments of US$50,000 from 2014 to 2016 and make three quarterly payments of US$50,000 and one quarterly payment of US$25,000 in 2017 in order to buy out the tenement. To date, Mindoro has not made these payments, nor has it made a payment of US$75,000 that was due on December 31, 2013. In aggregate, the Company has recorded a provision of $319,000 (US$275,000) in trade and other payables for the unpaid payments pertaining to this option agreement. However, since the MPSA and the EPA are located in an area where there is a ban on issuing new mining permits it is considered highly unlikely the EPA will be approved. The MPSA is already a granted mining permit; however, historical work by Mindoro significantly downgraded the potential of the tenement. Mindoro has, therefore, terminated the option agreement and handed the tenement back to the permit holders.

In 2014, the Company recognised an impairment loss on Tapian San Francisco of $539,000 because a number of exploration periods ended and are not expected to be renewed by the MGB. The remaining carrying value relates to exploration expenditure incurred on one EP directly adjacent to the Agata Project and which shows signs of similar nickel laterite mineralization as Agata. The Company believes the remaining value represents the fair value less cost to sell and has used level 3 inputs in the fair value hierarchy to determine the recoverable value.

7. PROPERTY AND EQUIPMENT

	Office equipment & furnishings $000	Computer software & hardware $000	Vehicles $000	Field equipment $000	Building & leasehold improvements $000	Total $000
Cost						
December 31, 2012	105	239	125	55	223	**747**
Disposals	(22)	(20)	(33)	-	(223)	**(298)**
Translation adjustment	(1)	(3)	(2)	(1)	-	**(7)**
December 31, 2013	82	216	90	54	-	**442**
Disposals	(34)	(80)	(51)	(52)	-	**(217)**
Translation adjustment	4	11	5	3	-	**23**
December 31, 2014	**52**	**147**	**44**	**5**	**-**	**248**
Accumulated depreciation						
December 31, 2012	88	228	117	55	221	**709**
Depreciation	6	6	8	-	1	**21**
Disposals	(12)	(17)	(33)	-	(222)	**(284)**
Translation adjustment	(2)	(3)	(2)	(1)	-	**(8)**
December 31, 2013	80	214	90	54	-	**438**
Depreciation	1	3	-	-	-	**4**
Disposals	(34)	(80)	(51)	(52)	-	**(217)**
Translation adjustment	5	10	5	3	-	**23**
December 31, 2014	**52**	**147**	**44**	**5**	**-**	**248**
Net book value at:						
December 31, 2012	17	11	8	-	2	**38**
December 31, 2013	2	2	-	-	-	**4**
December 31, 2014	**-**	**-**	**-**	**-**	**-**	**-**

8. OPTION TO PURCHASE CONTRACTS

On August 14, 2014, the Company entered into the following two option to purchase contracts with Minimax to acquire Minimax's interest in AMVI and API.

8.1 AGATA MINING OPTION

- US$80,000 ($87,000) advanced for the options in 2013 and initially recorded as exploration and evaluation assets was reclassified to option to purchase contracts;
- US$60,000 ($65,000) paid upon signing the Amended Option Agreements;
- US$60,000 ($65,000) paid in December 2014;

The Company exercised the Agata Mining Option in 2014, and reclassified the aggregate $217,000 (US$200,000) option payments as an investment in associate.

(Expressed in Canadian Dollars unless otherwise stated)

8.2 AGATA PROCESSING OPTION

- US$250,000 ($291,000) to be paid on May 15, 2015; and
- Consideration equal to the balance of an existing unrecognised debt owing from Minimax to MRL (approximately $5.8 million) will be used to offset the unrecognised debt (Note 6);
- During the processing of ore originating only from the Agata Project, Minimax will receive a 0.5% Net Smelter Returns (NSR) royalty during the lifetime of the processing operations, levied on 100% of production (the NSR does not apply to revenue generated from DSO operations);
- The Agata Processing Option will be automatically exercised upon payment of the second installment pursuant to the Agata Mining Option.

9. INVESTMENT IN ASSOCIATE

The Company has the following investment in associate:

Name	Place of business	Nature of relationship	Proportion of ownership at Dec. 31, 2014	Proportion of ownership at Dec. 31, 2013
Agata Mining Ventures Inc	Philippines	associate	**40%**	17%

Mindoro owns directly a 15% interest in AMVI. The Company also has beneficial ownership over 25% of AMVI's shares registered to Minimax for which it owes US$4 million to Minimax and will be paid in installment over five years (Note 12). Title to Minimax's shares in the Agata Mining Joint Venture will be transferred to Mindoro on a pro-rata basis with each installment payment. However, Mindoro will immediately upon exercise, receive all the economic benefits, rights and obligations attached to Minimax's interest. The Agata Mining Option will automatically be exercised upon conclusion of the Restructure Period, as described below. In the event that Mindoro fails to pay any of the installment payments to Minimax, Mindoro must return any Agata Mining Joint Venture shares previously transferred by Minimax. Minimax will retain any installment payments made to date and Mindoro will retain any dividends already received from the Agata Mining Joint Venture.

The Company exercised the Agata Mining Option in 2014, and recorded $3,953,000, the present value of the installment payments to acquire the AMVI shares, as an investment in associate. The Company recognized $27,000 interest expense in 2014 related to the installment payments (Note 12). The aggregate $217,000 (US$200,000) option payments have been reclassified as an investment in associate (Note 8).

This investment in associate is measured using the equity method. AMVI's shares are not quoted on an active market.

Summarized financial information for the Company's material associate:

	Agata Mining Ventures Inc	
	Dec. 31, 2014	Dec. 31, 2013
	$000	$000
Current assets	**20,132**	187
Non-current assets	**4,882**	686
Current liabilities	**13,373**	228
Non-current liabilities	**6,866**	-
Retained earnings (deficit)	**(279)**	(2,086)
Revenue	**10,135**	-
Profit (loss) from continuing operations	**1,807**	(1,869)

The AMJV agreements (Note 6) require that at least 50% of any positive retained earnings in AMVI be distributed to shareholders as dividends on a quarterly basis. At December 31, 2014, AMVI had a deficit of $279,000, therefore no dividends were declared.

	Note	**Investment in AMVI $000**
December 31, 2012		**199**
Translation adjustment		(2)
December 31, 2013		**197**
Reclassification from exploration and evaluation asset	*6*	2,502
Purchase of Minimax's interest in AMVI	*6,8*	4,170
Share of equity earnings in associate		727
Translation adjustment		320
December 31, 2014		**7,916**

10. TRADE AND OTHER PAYABLES

	As at December 31	
	2014	2013
	$000	$000
Trade payables	**476**	155
Accrued expenses	**1,016**	472
Amounts due to governments	**99**	92
	1,591	719

11. BORROWINGS

	Loans	TVI Resource Development	TVI Pacific Inc	Directors fees	Management fees	Total
	$000	$000	$000	$000	$000	**$000**
Note	*(a)*	*(b)*	*(c)*	*(d)*	*(e)*	
December 31, 2012	-	-	-	-	-	-
Principal drawn	164	-	358	61	32	**615**
Interest accrued	2	-	23	2	-	**27**
December 31, 2013	**166**	**-**	**381**	**63**	**32**	**642**
Principal paid	-	-	(358)	(39)	(32)	**(429)**
Principal drawn	-	500	-	51	-	**551**
Interest expense	32	1	18	5	-	**56**
Interest paid	(22)	-	(41)	(2)	-	**(65)**
December 31, 2014	**176**	**501**	**-**	**78**	**-**	**755**

(a) In December 2013, the Company closed a private placement of loans aggregating $175,000 maturing in December 2015 and bearing interest at a rate of 15% per annum to be paid quarterly commencing March 31, 2014. The Company also issued an aggregate 600,000 common shares to the lenders for entering into the loan agreements. The Company allocated $9,000 of the loan proceeds as share capital. In 2014, the Company incurred $32,000 of interest expense and paid $22,000 of accrued interest to the lenders. Subsequent to December 31, 2014, the Company paid an additional $7,000 of accrued interest to the lenders (Note 22).

One director of the Company has participated in the loan financing for $25,000. The Company has also reserved 100,000 common shares for issue to the director as a bonus for entering into the loan agreement and recorded a share obligation of $1,000 on the balance sheet. The Company issued the shares after the period end.

(b) The Company borrowed $500,000 from TVIRD pursuant to the terms of a secured promissory note on December 19, 2014. This agreement is intended as a bridge financing while negotiating a larger financing arrangement with TVIRD and its shareholders. The note was originally due on January 31, 2015, but the term has subsequently been extended to May 15, 2015. The note accrues interest equal to 8% per annum and is secured by Mindoro's interest in its wholly owned subsidiary, MRL Nickel Philippines Inc. In addition to the principal and interest on the note, the Company will reimburse legal and other issue costs to TVIRD up to a maximum of $30,000.

(c) The Company and TVI Pacific Inc. ("TVIP") signed a secured promissory note in June 2013 whereby TVIP may, but was not obligated to, lend the Company up to $1.3 million in a series of drawdowns. The note will be repayable June 24, 2014, and accrued interest equal to 15%. The note was secured by Mindoro's interest in its wholly owned subsidiary, MRL Nickel Philippines Inc. On April 29, 2014, the Company repaid the outstanding principal and accrued interest on this loan.

(d) Since the fourth quarter of 2011, the payment of non-executive directors' fees ("Directors Fees") for board and committee work have been suspended until the financial condition of the Company improves. In 2013, the Board approved the re-instatement of Directors Fees on the condition that they should be accrued along with interest of 8% per annum until such time that the financial condition of the Company is improved. In April 2014 following the disposition of the majority of the Company's Red Mountain shares, the Company paid $41,000 of accrued Directors Fees and interest payable to current independent non-executive directors. However, fees and accrued interest remain payable to one non-independent, non-executive director, and to two former non-executive directors of Mindoro.

(e) In June 2013, the Company entered into a management consulting agreement with an executive director of the Company whereby the director shall earn $6,500 per month for her services, but that $4,000 per month shall be deferred without interest until such time that the financial condition of the Company is improved. In March 2014 following the disposition of the majority of the Company's Red Mountain shares, this debt was repaid and fees were no longer being deferred.

12. INSTALLMENT PAYMENTS TO MINIMAX

	Undiscounted installment USD 000	Undiscounted installment $000	Discounted installment $000	Discount rate %	Interest expense in 2014 $000	Payment due
First installment	800	928	890	4.2%	6	October 2015
Second installment	800	928	853	4.2%	6	October 2016
Third installment	800	928	819	4.2%	5	October 2017
Fourth installment	800	928	786	4.2%	5	October 2018
Fifth installment	800	928	783	4.2%	5	October 2019
	4,000	**4,640**	**4,131**		**27**	

13. DEFINED BENEFIT RETIREMENT OBLIGATION

Pursuant to Philippines employment legislation, the Company's Philippines subsidiary must pay a one-time lump sum payment upon normal retirement to each employee who attains age 60 and who has provided at least five years of continuous service. The retirement payment is equal to one half month's salary for every year of continuous service since the date of hire based on their final monthly salary. Since this retirement obligation is unfunded, the Company meets the obligation as it falls due.

The amounts recognized in the balance sheet are determined as follows:

	As at December 31	
	2014	2013
	$000	$000
Defined benefit obligation	**104**	116
Net liability	**104**	**116**

The movements in the defined benefit obligation are as follows:

	2014 **$000**	2013 $000
Defined benefit obligation at end of prior year	**116**	162
Service costs		
Current service cost	**13**	28
Gain on curtailment	**(45)**	-
Interest expense	**4**	9
Defined benefit expense included in profit and loss	**(28)**	37
Remeasurements		
Effect of changes in financial assumptions	**1**	(86)
Effect of experience adjustments	**6**	5
Remeasurements included in other comprehensive income	**7**	(81)
Translation adjustments	**9**	(2)
Defined benefit obligation at end of year	**104**	116

The significant weighted average actuarial assumptions were as follows:

	2014	2013
Discount rate	**3.25%**	3.50%
Salary growth rate	**4.00%**	4.00%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**decrease in assumption**
Discount rate	1.0%	-3.1%	3.0%
Salary growth rate	1.0%	3.2%	-3.1%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognized within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

14. COMMITMENTS AND CONTINGENT LIABILITIES

14.1 PANORO AGREEMENT

Pursuant to the 2007 agreement whereby the Company purchased a 40% direct and indirect participating interest in the Surigao Projects, including the Agata properties, from its then joint venture partner, Panoro, Mindoro must pay Panoro:

- $500,000 on the fifteenth day following the loading on board a ship or other conveyance for transport to a purchaser or treatment facility by Mindoro, Minimax or MRL of an aggregate one million wet metric tonnes ("WMT") of Nickel Laterite (the "First Payment"); and

- $500,000 on the first anniversary of the loading on board a ship or other conveyance for transport to a purchaser or treatment facility by Mindoro, Minimax or MRL of an aggregate one million WMT of Nickel Laterite (the "Second Payment").

Prior to the Panoro buy-out agreement in 2007, Mindoro held a 35% participating interest in the Surigao Projects.

14.2 DELTA EARTH MOVING

Pursuant to an agreement in 2011 whereby the Company terminated a Management Services Agreement with Delta Earth Moving ("Delta"), the Company has agreed to pay Delta a 1% royalty on gross smelter returns for any future production on three non-contiguous blocks in Agata South. The Company identified a nickel laterite mineral resource on Agata South indicating 5.04 million WMT of nickel laterite containing 0.86% nickel and 22% iron in its November 4, 2011 technical report. The resource is presently considered by the Company to be too small to commercialize as a DSO operation and significant additional exploration would be required before development of the resource could occur.

14.3 TAPIAN SAN FRANCISCO

Pursuant to a 2013 option agreement with the permit holder of the MPSA and one EPA, the Company is required to make quarterly payments of US$50,000 from 2014 to 2016 and make three quarterly payments of US$50,000 and one quarterly payment of US$25,000 in 2017 in order to buy out the tenement. To date, Mindoro has not made these payments, nor has it made a payment of US$75,000 that was due on December 31, 2013. In aggregate, the Company has recorded a provision of $319,000 (US$275,000) in trade and other payables for the unpaid payments pertaining to this agreement and is currently attempting to renegotiate the terms of the agreement.

15. SHARE CAPITAL

	Number of shares	Share capital $000
December 31, 2012	296,837,399	52,864
Impact of change in parent's functional currency (Note 2.4)	-	(464)
Private placement	600,000	3
December 31, 2013	297,437,399	52,403
December 31, 2014	**297,437,399**	**52,403**

The authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value and all issued shares are fully paid.

In December 2013, pursuant to a private placement of loans, the Company issued 600,000 common shares to lenders for entering into the loan agreements. The Company has allocated $9,000 of the loan proceeds as share and incurred share issuance costs of $6,000. The Company has also reserved 100,000 common shares for issue to one director for entering into the loan agreement and recorded a share obligation of $1,000 on the balance sheet.

16. OTHER RESERVES

	Note	Employee benefit reserve $000	Warrants reserve $000	Currency reserve $000	Accumulated other comprehensive loss $000	Transactions with NCI $000	**Other reserves $000**
December 31, 2013		**5,120**	**5,912**	**856**	**(400)**	**-**	**11,488**
Actuarial gains (losses)		-	-	-	(7)	-	**(7)**
Remeasurement of financial assets available for sale	*5*	-	-	-	315	-	**315**
Translation adjustments		-	-	643	-	-	**643**
December 31, 2014		**5,120**	**5,912**	**1,499**	**(92)**	**-**	**12,439**
December 31, 2012		**5,162**	**5,961**	**324**	**(196)**	**-**	**11,251**
Impact of change in parent's functional currency		(42)	(49)	549	-	-	**458**
Actuarial gains (losses)		-	-	-	81	-	**81**
Re-measurement of financial assets available for sale		-	-	-	(285)	-	**(285)**
Translation adjustments		-	-	(17)	-	-	**(17)**
Proceeds from Red Mountain share issuance		-	-	-	-	165	**165**
Loss of control of Red Mountain		-	-	-	-	(165)	**(165)**
December 31, 2013		**5,120**	**5,912**	**856**	**(400)**	**-**	**11,488**

17. WARRANTS

The following table summarizes information about Common Share purchase warrants outstanding and exercisable as at December 31, 2014:

Expiry date	Exercise price $	**December 31 2013**	Granted	Exercised	Expired	**December 31 2014**
Jul 09, 2015	0.310	**5,881,632**	-	-	-	**5,881,632**
Jul 22, 2015	0.310	**13,165,593**	-	-	-	**13,165,593**
Sep 28, 2017	0.100	**18,779,353**		-	-	**18,779,353**
Oct 10, 2017	0.100	**24,000,000**		-	-	**24,000,000**
		61,826,578	-	-	-	**61,826,578**
Weighted average exercise price ($)		**0.165**	-	-	-	**0.165**

The grant date fair values of common share purchase warrants are classified as either equity or liability and are recorded as an increase to warrants reserve or warrants liability respectively and a decrease to share capital as an issue cost of each private placement. There were no warrants issued in 2014 or in 2013. Warrants issued in 2012 had a fair value of $1,825,000 on their grant date and were classified as financial liabilities since their exercise price was denominated in a currency other than the Company's functional currency at the time of initial recognition. All warrants issued before 2012 have been classified as equity.

(Expressed in Canadian Dollars unless otherwise stated)

The fair value of warrants classified as liabilities outstanding on the balance sheet date was $860,000 or $0.021 per warrant (2013 – $490,000 or $0.011 per warrant). A remeasurement loss of $370,000 (2013 – gain of $598,000) has been recognised in the statement of loss and comprehensive loss for the period. The fair value was estimated using the Black-Scholes option-pricing model based on the following assumptions:

	December 31, 2014	December 31, 2013
Risk Free Interest Rate	1.02%	1.51%
Expected Life	2.76 years	3.76 years
Expected Volatility	156%	126%
Expected Dividend	-	-
Expected Forfeitures	-	-

18. EQUITY SETTLED OPTIONS

Expiry date	Exercise price $	**December 31 2013**	Vested	Granted	Exercised	Expired	**December 31 2014**
Feb 11, 2014	0.360	**550,000**	-	-	-	(550,000)	**-**
Apr 20, 2014	0.260	**300,000**	-	-	-	(300,000)	**-**
Aug 04, 2014	0.130	**1,535,000**	-	-	-	(1,535,000)	**-**
Aug 18, 2014	0.250	**450,000**	-	-	-	(450,000)	**-**
Jan 12, 2015	0.125	**200,000**	-	-	-	-	**200,000**
Mar 15, 2015	0.190	**1,450,000**	-	-	-	-	**1,450,000**
Jul 04, 2015	0.100	**250,000**	-	-	-	-	**250,000**
Options outstanding and exercisable		**4,735,000**	-	-	-	(2,835,000)	**1,900,000**
Weighted average exercise price ($)		**0.193**	**-**	**-**	**-**	**0.207**	**0.171**

The Company has a stock option plan under which directors, officers, consultants, and employees of the Company are eligible to receive equity settled options. The maximum number of shares reserved for issuance upon exercise of all equity settled options granted under the plan shall not exceed 8% of the issued and outstanding common shares. The Board of Directors shall determine the terms and provisions of the equity settled options at the time of grant.

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

No equity settled options were issued in 2014 or in 2013.

19. CASH SETTLED OPTIONS

Expiry date	Exercise price $	**December 31 2013**	Vested	Granted	Exercised	Expired	**December 31 2014**
Aug 18, 2014	0.250	**900,000**	-	-	-	(900,000)	**-**
Options outstanding and exercisable		**900,000**	-	-	-	(900,000)	**-**
Weighted average exercise price ($)		**0.250**	**-**	**-**	**-**	**0.250**	**-**

The Company has an incentive plan to issue cash settled options where the Company will, upon request from the option holder, make a cash payment to the holder equal to any excess in the share price above the exercise price for the options held at the date of exercise.

For the purposes of this incentive plan, the share price is interpreted as the closing weighted average price for common shares in the Company traded on TSX-V during the five trading days prior to the relevant date.

No cash settled options were issued in 2014 or in 2013 and all outstanding cash settled options issued under the plan expired in August 2014. The Company recorded a benefit of $1,000 as a result of cash settled options expiring in 2014.

The fair value of outstanding cash settled options outstanding on December 31, 2013 was $0.001. The Company recorded a benefit of $6,000 on remeasurements of the share based liability in 2013. The fair value was estimated using the Black-Scholes option-pricing model based on the following assumptions:

	December 31, 2013
Risk Free Interest Rate	1.07%
Expected Life	0.63 years
Expected Volatility	170%
Expected Dividend	-
Expected Forfeitures	-

20. INCOME TAX

	2014 $000	2013 $000
Current tax expense (benefit)	**1**	5
Deferrred tax expense (benefit)	**-**	-
Income tax expense (benefit)	**1**	**5**

Income tax expense (recovery) differs from that which would be expected from applying the Canadian statutory income tax rates of 25% (2013 – 25%) to the loss as follows:

	2014	2013
	$000	$000
Loss before tax per consolidated financial statements	**(4,431)**	(19,966)
Expected income tax recovery	**(1,108)**	(4,992)
Foreign tax rate differential	**(140)**	(165)
Stock based compensation	**-**	(2)
Unrealized (gain) loss on warrants liability	**93**	(149)
Share of associates net profit	**(218)**	-
Change in valuation allowance	**1,366**	5,254
Other non-deductible items	**8**	59
Tax charge	**1**	5

	As at December 31	
	2014	2013
	$000	$000
Deferred tax assets		
Assets carried below their tax value on the balance sheet	**2,064**	1,797
Retirement benefit	**31**	35
Share issue costs	**14**	90
Losses available for tax deductions in future periods	**7,692**	1,434
Net deferred tax assets (unrecognized)	**9,801**	3,356

The Company has not recognized the benefit of deferred tax assets at December 31, 2014 or at December 31, 2013 because there is material uncertainty as to whether the Company can realize the related tax benefits through future taxable profits. At December 31, 2014, the Company has non-capital tax losses of $17,026,000 (2013 – $17,290,000) available to reduce Canadian taxable income in future years that expire at various dates until 2034. The Company has other deductible tax pools of approximately $ 17,249,000 (2013 - $8,829,000) for Canadian income tax purposes that are available to reduce the taxable income of future years. The Company's subsidiaries in the Philippines have losses for income tax purposes of $4,282,000 (2013 - $9,897,000) which may be carried forward for three years from occurrence.

21. RELATED PARTY TRANSACTIONS

These Financial Statements include the results of Mindoro and the following entities:

	Country of Incorporation	**Classification**	**% Ownership at**	
			Dec. 31, 2014	Dec. 31, 2013
MRL Nickel Philippines Inc	Philippines	Active subsidiary	**100%**	100%
El Paso Corp	Philippines	Inactive subsidiary	**100%**	100%
Talahib Corp	Philippines	Inactive subsidiary	**100%**	100%
Batangas Metals and Mining Corp	Philippines	Inactive subsidiary	**100%**	100%
Agata Mining Ventures Inc	Philippines	Investment in associate	**40%**	17%

MRL Nickel has an investment in an associate that has been accounted for using the equity method (Note 9). In 2014, the Company recorded recoveries from AMVI and Pan de Azucar Mining Ventures Inc. of $59,000, which are operated by TVIRD.

In December 2014, the Company borrowed $500,000 from TVIRD (Note11). Prime Resources Holdings Inc. ("PRHI") owns 68% of TVIRD and 25% of Mindoro. TVIP owns 30% of TVIRD and 14% of Mindoro.

The Company repaid $399,000 in principal and interest on a loan from TVIP in April 2014 (Note11).

The Company has recorded debts payable to current and former non-executive directors totalling $78,000 on which it accrues 8% interest per annum (Note11). The balance at December 31, 2014 includes $5,000 of accrued interest. In the period, the Company paid accrued fees and interest totalling $41,000.

The Company repaid a note payable to an officer totalling $32,000 in March 2014 (Note11).

In December 2013, a director of the Company participated in a private placement of loans for $25,000. The loan is due in December 2015 and pays interest at a rate equal to 15% per annum on a quarterly basis commencing March 31, 2014. The Company has reserved 100,000 common shares for issue to the director for entering into the loan agreement and recorded a share obligation of $1,000 on the balance sheet (Note11).

The following remuneration has been paid or is payable to directors and officers of the Company. Movements in stock based compensation relate to the remeasurements of the Company’s cash settled options.

	Movements	
	2014	2013
	$000	$000
Short-term employee benefits	**302**	228
Management fees paid to related corporations	**379**	153
Stock based compensation	**(1)**	(5)
Key management compensation	**680**	376

In 2014, the Company incurred $287,000 (2013 - $108,000) in management fees, including a $215,000 termination payment, for the provision of the Company's former CEO's services provided by an entity controlled by Mr. Climie.

In 2014, the Company incurred $92,000 (2013 - $46,000) in management fees for the provision of the Company's current CEO's services provided by an entity controlled by Ms. Gould.

22. EVENTS AFTER THE REPORTING PERIOD

Subsequent to December 31, 2014, 1,650,000 equity settled stock options with a weighted average exercise price of $0.182 per share expired.

The Company and TVIRD have agreed to extend the term of the secured promissory note entered into in December 2014 to May 15, 2015.

In the first quarter of 2015, AMVI completed five shipments of an aggregate 259 wet metric tonnes of nickel laterite for gross proceeds of US$3,316,000.