



MINDORO  
RESOURCES LTD

Condensed Consolidated Interim Financial Statements  
(Unaudited)

For the three and nine months ended September 30, 2017

(Expressed in Canadian Dollars)

22<sup>nd</sup> Floor BDO Equitable Tower  
8751 Paseo de Roxas St.  
Makati City, 1226  
Philippines  
+63.2.889.8176

[mindoro@mindoro.com](mailto:mindoro@mindoro.com)  
[www.mindoro.com](http://www.mindoro.com)

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



## **Notice of Non-Review by Auditors**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Mindoro Resources Ltd. for the interim reporting period ended September 30, 2017, have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board, and are the responsibility of the Company's management.

The Company's independent auditors, MNP LLP, have not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Dated November 28, 2017.



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## Condensed Consolidated Interim Statements of Financial Position

Unaudited  
(Expressed in thousands of Canadian Dollars)

	As at Note	Sept 2017	December 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		17	93
Trade and other receivables		140	205
Prepaid expenses and other current assets		123	85
		<b>280</b>	<b>383</b>
<b>Non-current assets</b>			
Exploration and evaluation assets		-	-
Property and equipment	6	2	1
Option to purchase contracts	7	-	-
Investment in associates	8	8,444	8,612
		<b>8,446</b>	<b>8,613</b>
<b>TOTAL ASSETS</b>		<b>8,726</b>	<b>8,996</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	2,573	2,722
Borrowings	10	2,360	2,002
Installment payments to Minimax	11	2,945	3,201
Warrants liability	15	-	-
		<b>7,878</b>	<b>7,925</b>
<b>Non-current liabilities</b>			
Borrowings	10	25	-
Installment payments to Minimax	11	1,891	1,959
Defined benefit retirement obligation		131	146
		<b>2,047</b>	<b>2,105</b>
<b>TOTAL LIABILITIES</b>		<b>9,925</b>	<b>10,030</b>
<b>EQUITY</b>			
Share capital	13	52,409	52,403
Share obligation	14	1	1
Other reserves	14	12,726	12,947
Accumulated losses		(66,335)	(66,385)
		<b>(1,199)</b>	<b>(1,034)</b>
<b>Non-controlling interests</b>			
		-	-
<b>TOTAL EQUITY</b>		<b>(1,199)</b>	<b>(1,034)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8,726</b>	<b>8,996</b>

Going concern (Note 1)

Commitments and contingent liabilities (Note 12)

These condensed consolidated interim financial statements were authorised for issue by the board of directors on November 28, 2017 and are signed on its behalf.

"Signed"

Federico C. Zarate, Jr., Director

"Signed"

Arturo P. Delos Santos, Director

# Condensed Consolidated Interim Statements of Income (Loss) & Comprehensive Income (Loss)

Unaudited

(Expressed in thousands of Canadian Dollars)



MINDORO  
RESOURCES LTD

	Note	Three months ended Sept		Period ended Sept 30	
		2017	2016	2017	2016
<b>Operating Expenses</b>					
General and administration expenses		(12)	(65)	(135)	(138)
Salaries and other employee benefits		(41)	(61)	(162)	(201)
Interest expense	10,11	(67)	(71)	(215)	(200)
Stock based compensation		-	-	-	-
Share of net income of associate	8	246	217	704	(638)
Depreciation and amortization	6	(1)	(1)	(1)	(1)
Provision for doubtful accounts		-	-	-	-
Provision for impairment of investment		-	-	-	-
Impairment of exploration and evaluation assets		-	(1)	-	(3)
<b>Operating Income (loss)</b>		<b>125</b>	<b>18</b>	<b>191</b>	<b>(1,181)</b>
Finance income		-	-	-	-
Remeasurement of warrants liability		-	52	-	48
Gain on sale of Red Mountain shares		-	-	-	-
Other Income		-	-	-	-
Loss on disposal of property and equipment		-	-	-	-
Foreign exchange gain (loss)		(107)	(141)	(141)	(116)
Loss before income tax		18	(71)	50	(1,249)
Income tax expense		-	-	-	-
<b>NET INCOME (LOSS)</b>		<b>18</b>	<b>(71)</b>	<b>50</b>	<b>(1,249)</b>
Basic and diluted net loss per share		\$ 0	\$ (0)	0	(0)
Weighted average number of common shares outstanding (thousands)		297,437	297,437	297,437	297,437
Net Income (loss)		18	(71)	50	(1,249)
Other comprehensive income					
Items that will not be reclassified to profit and loss					
E & E adjustment					
Items that may be reclassified to profit and loss					
Exchange differences on translation of foreign operations		(57)	(74)	(221)	(411)
Other comprehensive income		(57)	(74)	(221)	(411)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>(39)</b>	<b>(145)</b>	<b>(171)</b>	<b>(1,660)</b>

## Condensed Consolidated Interim Statements of Changes in Equity

Unaudited

(Expressed in thousands of Canadian Dollars)



**MINDORO**  
RESOURCES LTD

	Attributable to owners of the parent					Total equity
	Note	Share capital	Share obligation	Other reserves (note 15)	Accumulated losses	
<b>Balance as at December 31, 2016</b>		<b>52,403</b>	<b>1</b>	<b>12,947</b>	<b>(66,385)</b>	<b>(1,034)</b>
Net loss		-	-	-	50	50
Actuarial gains (losses)		-	-	-	-	-
Re-measurement of financial assets available for sale		-	-	-	-	-
Impairment of E & E		-	-	-	-	-
Share of other comprehensive loss of associate		-	-	-	-	-
Translation adjustments		-	-	(221)	-	(221)
Comprehensive income (loss)		-	-	(221)	50	(171)
Common shares issued for:						
Private placement		6	-	-	-	6
Transactions with owners		6	-	-	-	6
<b>Balance as at Sept. 30, 2017</b>		<b>52,409</b>	<b>1</b>	<b>12,726</b>	<b>(66,335)</b>	<b>(1,199)</b>

## Condensed Consolidated Interim Statements of Cash Flows

Unaudited

(Expressed in thousands of Canadian Dollars)



**MINDORO**  
RESOURCES LTD

	Note	Three months ended Sept		Period ended Sept 30	
		2017	2016	2017	2016
<b>Cash flows from operating activities</b>					
Net Income (loss)		18	(71)	50	(1,249)
Items in net loss not affecting cash					
provision for doubtful accounts		-	-	-	-
provision for impairment of investment		-	-	-	-
retirement benefit expense (recovery)		-	-	-	-
Interest expense	10,11	67	71	215	200
Stock based compensation		-	-	-	-
Share of equity earnings of associate	8	(246)	(217)	(704)	638
Depreciation and amortization	6	1	1	1	1
Impairment of exploration and evaluation assets		-	1	-	3
Remeasurement of warrants liability		-	(52)	-	(48)
Gain on sale of RMX shares		-	-	-	-
Gain on reversal of Batangas provision		-	-	-	-
Income tax benefit (expense)		-	-	-	-
Accounts receivable		(22)	(85)	(88)	(275)
Prepaid expenses		7	(1)	(50)	(4)
Accounts payable and accrued liabilities		81	11	103	(152)
Exchange differences not affecting cash		63	106	146	269
Interest paid		-	-	-	-
Income tax paid		-	-	-	-
<b>Net cash used in operating activities</b>		<b>(31)</b>	<b>(236)</b>	<b>(327)</b>	<b>(617)</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of Red Mountain shares		-	-	-	-
Expenditure on exploration and evaluation assets		-	(1)	-	(3)
Cost recoveries from associate		-	-	-	-
Gain from other income		-	-	-	-
Purchase of equipment		(0)	-	(0)	-
Purchase of option to purchase contract		-	-	-	-
Investment in associate		-	117	-	117
<b>Net cash received from (used in) investing activities</b>		<b>(0)</b>	<b>116</b>	<b>(0)</b>	<b>114</b>
<b>Cash flows from financing activities</b>					
Cash received from borrowings	10	37	101	257	473
Loan repayments		-	-	-	-
Issue of share capital, net of issuance costs		-	-	-	-
Deposits held for private placement		-	-	-	-
<b>Net cash received from (used in) financing activities</b>		<b>37</b>	<b>101</b>	<b>257</b>	<b>473</b>
Net increase (decrease) in cash and cash equivalents		6	(19)	(70)	(30)
Beginning cash and cash equivalents		17	104	93	118
Exchange gains (losses) on cash and cash equivalents		(6)	(1)	(6)	(4)
<b>Ending cash and cash equivalents</b>		<b>17</b>	<b>84</b>	<b>17</b>	<b>84</b>

# Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ending September 30, 2017

Unaudited

(Expressed in Canadian Dollars)



## 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 Suite 1250, 639 5<sup>th</sup> Avenue SW, Calgary, Alberta, Canada, T2P 0M9.

These condensed consolidated interim financial statements ("Interim 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 income of \$50,000 (September 30, 2016 – net loss \$1,249,000) and operating cash outflows of \$327,000 (September 30, 2016 – \$617,000). At September 30, 2017, the Company has a net working capital deficit of \$7,598,000, excluding warrants liabilities which are not settled in cash (December 31, 2016 - \$7,542,000). In 2014, 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 instalment payments to Minimax in the amount of US\$800,000 for the next five years (Note 11). The Company also has a commitment to Panoro Minerals Ltd. ("Panoro") in total of \$1,000,000, recognized in two \$500,000 payments (Note 5). Mindoro did not make the first and second payments to Minimax or Panoro due to lower than expected metals prices that have resulted in delays in receipt of dividends from AMVI. The Company has contacted both parties to discuss and renegotiate the terms of those payments to better reflect the current market conditions. However, there can be no assurances that these discussions will be successful.

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 5). These joint venture agreements require TVIRD to finance Mindoro's mineral property annual expenditure obligations and maintain the tenements in good standing (Note 5). In October 2014, the Agata DSO project began production and TVIRD earned its 60% interest in AMVI, the joint venture vehicle.

In December 2014, the Company borrowed \$500,000 from TVIRD and was subsequently advanced additional funds 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 was subsequently extended. 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. ("MRL Nickel") (Note 10). As at September 30, 2017, total funds borrowed from TVIRD amounted to \$2,007,000 broken down as \$1,766,000- principal and \$241,000 – interest. (December 31, 2016 - \$1,651,000).

At September 30, 2017, the Company had an ending cash position of \$17,000, and the Company is presently dependent on cash flows from financing activities to continue its 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 as a going concern.

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



## Notes to the Condensed Consolidated Interim Financial Statements

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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 Interim 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 Interim Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. These Interim Financial Statements include the accounts of the Company and its wholly-owned subsidiaries of MRL Nickel Philippines, Inc., El Paso Corp, Talahib Corp., Batangas Metals and Mining Corp (the "Subsidiaries") collectively referred to as "Mindoro" or the "Company".

#### 2.1 BASIS OF PRESENTATION

These Interim Financial Statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting* using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("IASB") and interpretation of the International Financial Reporting Interpretations Committee ("IFRIC")

These Interim Financial Statements have not been reviewed by the Company's auditors.

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 Interim Financial Statements are described in Note 4.

The policies applied in these Interim Financial Statements are based on the IFRS issued, effective and outstanding as of September 30, 2017:

#### (a) Changes in accounting policies and disclosures

The Company did not adopt any new or amended IFRS pronouncements for the six months ended September 30, 2017.

#### (b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 2017 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.

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### *IFRS 2 Share-based Payment (Amendment)*

In June 2016, the International Accounting Standards Board (IASB) issued amendments to IFRS 2 to clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018. The impact of adoption of the amendment has not been determined.

### *IFRS 9 Financial Instruments and Amendments to IFRS 7 Financial Instruments Disclosure*

On July 24, 2014 the IASB issued the complete IFRS 9. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The impact of adoption of the amendment has not yet been determined.

### *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. This standard is effective for reporting period beginning on or after January 1, 2018. The Company has not yet evaluated the impact of adopting IFRS 15 on the financial statements.

### *IAS 12 Income Taxes (Amendment)*

In January 2016, the International Accounting Standards Board (IASB) issued amendments to IAS 12 which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in April 2016. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The amendments clarify the following aspects around the recognition of deferred tax assets for unrealised losses: -

- Decreases in the carrying amount of a fixed-rate debt instrument for which the principal is paid on maturity give rise to a deductible temporary difference if the debt instrument is measured at fair value and its tax base remains at cost.
- An entity's estimate of future taxable profit may include amounts from assets it expects to recover in excess of their carrying amounts if there is sufficient evidence that it is probable the entity will achieve this.

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- An entity's estimate of future taxable profit excludes tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses whether to recognize the tax effect of a deductible temporary difference as a deferred tax asset in combination with other deferred tax assets. If tax law restricts the utilization of tax losses so that an entity can only deduct tax losses against income of a specified type(s) (e.g. if it can deduct capital losses only against capital gains), the entity must still recognize a deferred tax asset in combination with other deferred tax assets, but only with deferred tax assets of the appropriate type.

These amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

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.

### 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 and to meet corporate expenditure requirements to maintain its operations.

Proceeds raised from financing activities, the 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 nine months ended September 30, 2017.

#### 3.2 FOREIGN EXCHANGE RISK

Business is transacted by the Company in Philippine Pesos ("PHP"), United States Dollars ("USD"), Australian Dollars ("AUD"), and Canadian Dollars ("CAD" or "\$"). 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 September 30, 2017 and 2016. The Company has not hedged its exposure to currency fluctuations.

	September 30, 2017			December 31, 2016		
	PHP 000	USD 000	AUD 000	PHP 000	USD 000	AUD 000
Cash and cash equivalents	625	2	-	1,861	1	3
Trade and other receivables	4,533	-	7	6,485	-	7
Trade and other payables	(20,962)	(645)	(30)	(20,841)	(645)	(30)
Installment payments to Minimax	-	(4,000)	-	-	(4,000)	-
<b>Net foreign currency exposure</b>	<b>(15,804)</b>	<b>(4,643)</b>	<b>(23)</b>	<b>(12,495)</b>	<b>(4,644)</b>	<b>(20)</b>
Exchange rate	0.02433	1.24800	0.97830	0.02709	1.34270	0.97070
<b>Foreign currency exposure (CAD 000)</b>	<b>(384)</b>	<b>(5,794)</b>	<b>(23)</b>	<b>(338)</b>	<b>(6,235)</b>	<b>(19)</b>

Based on net exposures at September 30, 2017, 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 income or loss by \$38,000 (December 31, 2016- \$34,000). A 10% fluctuation in the exchange rate between the Canadian Dollar and the United States Dollar would affect the Company's profit or

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loss for the year by \$579,000 (2016- \$623,000). 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 \$2 (2016- \$1).

### 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 trade and other 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 trade and other 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. The recent decrease in the price of nickel has caused delays in the ability of AMVI to provide cash dividends, thereby impacting both internal cash flow and causing delays in the ability to close anticipated project financing given the general concern of the investment community. Further declines in metal prices or their continuing at their current low levels for an extended period are likely to impact the liquidity of the Company.

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

The Company has the following loans as at September 30, 2017 repayable at fixed rates of interest and maturity dates on an undiscounted basis:

	Principal Outstanding \$000	Interest accrued \$000	Interest rate %	Maturity
Current secured promissory note	1,766	241	8.0	No fixed repayment <sup>(1)</sup>
Current loan	175	75	15.0	December 2015 <sup>(2)</sup>
First Minimax installment	998	-	0.0	November 2015 <sup>(3)</sup>
Second Minimax installment	998	-	0.0	November 2016
Third Minimax installment	998	-	0.0	November 2017
Fourth Minimax installment	998	-	0.0	November 2018
Fifth Minimax installment	998	-	0.0	November 2019

(1) TVIRD has extended the term until a subsequent financing is completed.

(2) This loan became due during December 2015 however, Mindoro failed to repay the outstanding balance. Mindoro intends to renegotiate the repayment terms of this loan.

(3) Mindoro is in default as it missed the first and second instalment payments. Mindoro and Minimax are in discussions to renegotiate the payment terms of the Instalment payments.

The Company does not currently generate cash flow from operations. The Company's Interim 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.

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The Company had \$17,000 in cash and cash equivalents at September 30, 2017 (December 31, 2016- \$93,000), 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 September 30, 2017, the Company had borrowings totalling \$2,385,000 (December 31, 2016- \$2,002,000) 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.

	Saturday, September 30, 2017		Saturday, December 31, 2016	
	\$000	Weighted average effective interest rate	\$000	Weighted average effective interest rate
Financial assets				
Cash and cash equivalents	17	0.13%	93	1.33%
Trade and other receivables	140	0.00%	205	0.00%
Financial assets available for sale	-	0.00%	-	0.00%
	157		298	
Financial Liabilities				
Trade and other payables	(2,573)	0.00%	(2,722)	0.00%
Notes and loans payable	(250)	15.00%	(225)	15.00%
Borrowings	(2,135)	8.00%	(1,777)	8.00%
Installment payments to Minimax	(4,836)	4.20%	(5,160)	4.20%
	(9,794)		(9,884)	
Net Exposure	(9,637)		(9,586)	

#### 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. By definition, the resulting accounting estimates will 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) Discount rate used for installment payments to Minimax

The carrying value of the installment payments to Minimax is subject to management's estimates in determining an appropriate discount rate based on similar type of instrument.

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

###### (a) Going concern

Due to the financial condition of the Company at September 30, 2017 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 Interim Financial Statements for further disclosure.

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### (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.

## 5. EXPLORATION AND EVALUATION ASSETS

	Agata \$000	Tapian San Francisco \$000	Pan de Azucar \$000	Total \$000
<b>December 31, 2014</b>	<b>3,752</b>	<b>42</b>	<b>-</b>	<b>3,794</b>
Exploration	4	5	1	10
Recoveries from associate	(4)	-	(1)	(5)
Impairment of exploration and evaluation assets	-	(51)	-	(51)
Currency translation	509	4	-	513
<b>December 31, 2015</b>	<b>4,261</b>	<b>-</b>	<b>-</b>	<b>4,261</b>
Exploration	8	3	-	11
Impairment of exploration and evaluation assets	(4,077)	(3)	-	(4,080)
JV Recoveries	(74)	-	-	(74)
Currency translation	(118)	-	-	(118)
<b>December 31, 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Exploration	-	-	-	-
Impairment of exploration and evaluation assets	-	-	-	-
JV Recoveries	-	-	-	-
Currency translation	-	-	-	-
<b>September 30, 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 5.1 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

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earn-in commitments. In October 2014, having met the spending requirements and commenced production on the AMVI, 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 8) representing Mindoro's 15% shareholding of AMVI. With 25% beneficiary interest in AMVI (Note 8) the company holds 40% direct and beneficiary interest in 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 the 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 DFS, including pilot-scale metallurgical testing, third-party engineering studies, and documentation, prior to September 2016. As at September 30, 2017, TVIRD has met its expenditure commitments on the APJV and completed an acceptable DFS on the project. As TVIRD makes expenditures in the APJV, it receives shares of the joint venture company, Agata Processing Inc. ("API"), which are placed in escrow until such time as the option is fully exercised. Mindoro is required to transfer its rights, titles, and obligations related to the tenements to the joint venture company. Upon exercise of the APJV option by TVIRD, the Company's interest will be reduced to 15%.

Given the uncertainty of API reaching commercial production, the Company recorded full impairment of \$4,077,000 in Exploration and evaluation assets and \$313,000 in Options to purchase contracts during the year ended December 31, 2016.

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 entered into two options 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, the Company's wholly owned subsidiary. Details of these agreements are outlined in Note 7 and 10. However, these agreements have the following impact on the Company's exploration and evaluation assets:

#### (i) *Agata Processing Share Option*

In 2014, the Company has impaired the 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 7). In 2016, the Agata Processing Share Option was fully impaired resulting in an impairment loss of \$313,000 due to the uncertainty of API reaching commercial production.

#### (ii) *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.



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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 \$4,564,000 (Php 177,121,446) 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 been recorded in the books but impaired in full in the year ended December 31, 2012. At September 30, 2017, in addition to the principal noted above, Minimax owed MRL Nickel \$1,101,000 (Php 45,246,070) of accrued interest that the Company has likewise recognized in its Interim Financial Statements but impaired in full 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 issued a non-interest bearing promissory note to be payable upon the below milestone achievements:

- \$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 WMT of Nickel Laterite (the "First Installment"); 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 Installment").

On August 10, 2015, AMVI loaded the one millionth wet metric tonne of nickel laterite from the Agata project, which triggered payment of the first \$500,000 installment to Panoro that is due on August 28, 2015 with the second installment due on August 28, 2016. The Company did not make the first and second installment and is in discussion with Panoro to renegotiate the terms of those payments. The Company has recognized the \$1,000,000 obligation within trade and other payables in the consolidated interim statements of financial position.

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 AMJV and APJV has been reduced to 40% and 22% respectively. The company could increase its interest in APJV by exercising its option to acquire Minimax's 25% interest in API.

### 5.2 PAN DE AZUCAR (PANAY)

The Pan de Azucar MPSA covers approximately 535 hectares 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 ("DMPF") 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 DMPF with the Department of Environment and Natural Resources before February 2015, spending 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.



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As at September 30, 2017, 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 and MRL Nickel filed a request for clarity on the extension of the exploration period of the MPSA and on July 2016, MGB-CO granted Minimax one year within which to file the DMPF. The company fully impaired Pan de Azucar in 2014.

### (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 September 30, 2017, these transfers remain incomplete and subject to approval of the MGB.

As at September 30, 2017, TVIRD had not met its minimum expenditure commitment.

### (c) Impairment

The exploration period under the MPSA (9<sup>th</sup> and 10<sup>th</sup> year) expired in February 2015; however, the Company and Minimax have requested a clarification regarding the extension of the exploration period of the MPSA but have not yet received a response from the MGB. The Company recognised an impairment loss of \$1,525,000 in 2014 and fully impaired its exploration and evaluation assets on PDA.

## 5.3 TAPIAN SAN FRANCISCO (SURIGAO)

The Tapian San Francisco Project consists of one MPSA, one EP, and three EPAs. Mindoro earned a 75% direct and indirect interest in the Tapian San Francisco Project pursuant to the terms of a 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 due on August 15, 2015;
- Consideration in the amount of \$678,000 will be used to offset an existing but unrecognised \$678,000 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. No changes have been made on the option agreement after the lapse of the Restructure Period. However, the Company failed to pay the first payment due to Minimax. The Company has been in discussions with Minimax to renegotiate the terms of the agreement. There can be no assurances that these discussions will be successful.

Pursuant to a 2013 option agreement with Mindanao Gold Resources, Inc., 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

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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. The Company has been in discussions with the holder of the MPSA and the applicant of the EPAs to renegotiate the terms of the agreement. As at September 30, 2017, the Company and the holder of the MPSA has finalized a settlement and mutual release agreement whereby recognizing the uncertainty of litigation and its associated expenses, the parties have agreed to resolve and settle the same. The settlement and mutual release agreement will bind the Company to relinquish Mineral Production Sharing Agreement (MPSA), and two (2) Exploration Permit Applications (EPA) back to its holders. The Company has agreed to pay a one million Philippine Peso or \$26,000 to the tenement holders to compensate for certain obligations which were not met prior to the termination of the option agreement. As at September 30, 2017, no payment has been made as the Company has yet to pool its funds to settle the same. The recorded provision of \$308,191 (US275,000) in trade and other payables for the unpaid payments pertaining to this option agreement will remain in the books of the Company until payment has been made.

In 2015, the Company recognised an impairment loss on Tampilan San Francisco of \$51,000 because the Tampilan Main EP has been pending renewal by the Philippines Department of Energy and Natural Resources for a protracted period of time and the Company cannot predict when said renewal may occur.

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### 6. PROPERTY AND EQUIPMENT

	Office equipment & furnishings \$000	Computer software & hardware \$000	Vehicles \$000	Field equipment \$000	Total \$000
<b>Cost</b>					
<b>December 31, 2014</b>	52	147	44	5	248
Additions	-	3	-	-	3
Disposals	-	-	-	-	-
Translation adjustment	6	19	7	-	32
<b>December 31, 2015</b>	58	169	51	5	283
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Translation adjustment	(2)	(7)	(3)	-	(12)
<b>December 30, 2016</b>	56	162	48	5	271
Additions	1	1	-	-	2
Disposals	-	-	-	-	-
Translation adjustment	-	-	-	-	-
<b>Sept 30, 2017</b>	57	163	48	5	273
<b>Accumulated depreciation</b>					
<b>December 31, 2014</b>	52	147	44	5	248
Depreciation	-	1	-	-	1
Disposals	-	-	-	-	-
Translation adjustment	6	19	7	-	32
<b>December 31, 2015</b>	58	167	51	5	281
Depreciation	-	2	-	-	2
Disposals	-	-	-	-	-
Translation adjustment	(2)	(7)	(3)	-	(12)
<b>December 30, 2016</b>	56	162	48	5	271
Depreciation	-	1	-	-	1
Disposals	-	-	-	-	-
Translation adjustment	-	(1)	-	-	(1)
<b>Sept 30, 2017</b>	56	162	48	5	271
<b>Net book value at:</b>					
December 30, 2016	-	1	-	-	1
Sept 30, 2017	1	1	-	-	2

### 7. OPTION TO PURCHASE CONTRACTS

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

#### 7.1 AGATA MINING OPTION

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

The Company exercised the Agata Mining Option in 2014, and reclassified the aggregate US\$200,000 option payments as investment in associates.

#### 7.2 AGATA PROCESSING OPTION

- US\$250,000 due on May 15, 2015;

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- Consideration equal to the balance of an existing unrecognised debt owing from Minimax to MRL (approximately \$6million) will be used to offset the unrecognised debt (Note 5);
- 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) and
- The Agata Processing Option will be automatically exercised upon payment of the second instalment pursuant to the Agata Mining Option. Upon the exercise of the option, the Company will obtain 25% of interest in the API.

The Company failed to make the payment of US\$250,000 due to Minimax as required by the Agata Processing Option and is in discussions with Minimax to renegotiate this option payment. The payable amount is included in Trade and other payable. In 2016, the company impaired the balance related to Agata Processing Option given the uncertainty of API reaching commercial production.

### 8. INVESTMENT IN ASSOCIATE

The Company has the following investment in associate:

Name	Place of business	Nature of relationship	Proportion of ownership at	
			9/30/2017	Dec. 31, 2016
Agata Mining Ventures Inc	Philippines	associate	40%	40%

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 instalments over five years (Note 11). Title to Minimax's shares in the Agata Mining Joint Venture will be transferred to Mindoro on a pro-rata basis with each instalment payment. However, immediately upon exercise of the Agata Mining Option, Mindoro was entitled to receive all the economic benefits, rights and obligations attached to Minimax's interest. The Agata Mining Option was automatically exercised upon conclusion of the Restructure Period, as described below. In the event that Mindoro fails to pay any of the instalment payments to Minimax, and the breach is not remedied, Mindoro must return any Agata Mining Joint Venture shares previously transferred by Minimax. The Company failed to make the first and second payments to Minimax, however, the two parties are currently renegotiating the payment terms of the agreement. Minimax will retain any instalment 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 instalment payments to acquire the AMVI shares, as an investment in associate. The Company recognized \$84,000 interest expense in the first nine months of 2017 related to the instalment payments (Note 11). The aggregate US\$200,000 option payments were reclassified as an investment in associate in 2014 (Note 7).

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

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Summarized financial information for AMVI:

	Sept 30 2017	Dec 31 2016
<b>Financial Position</b>	\$000	\$000
Current assets	29,057	19,331
Non-current assets	2,087	9,359
Current liabilities	21,897	20,215
Non-current liabilities	4,674	5,005
Share capital and share premium	4,937	4,937
Retained earnings (deficit)	(1,420)	(2,099)
Translation reserve	1,056	632

	Three months ended, Sept 30		Nine months ended Sept 30	
	2017	2016	2017	2016
<b>Operations</b>	\$000	\$000	\$000	\$000
Sale of Nickel	14,648	14,508	43,740	49,647
Cost of sales	(5,239)	(8,466)	(24,334)	(32,860)
General and administrative expenses	(8,880)	(4,952)	(17,615)	(17,429)
Other operating income (expenses)	509	(510)	723	(852)
Provision for income tax	(311)	(54)	(754)	(100)
Net Income (loss) for the period	726	525	1,759	(1,594)
Total comprehensive income (loss) for the period	726	525	1,759	(1,594)

The AMJV agreements (Note 5) require that at least 50% of AMVI's unrestricted retained earnings be distributed to shareholders as dividends on a quarterly basis. As at September 30, 2017 AMVI had accumulated losses of \$1,420,000. Therefore, no dividends have been declared.

### 9. TRADE AND OTHER PAYABLES

	30-Sep 2017	Dec. 31 2016
	\$000	\$000
Trade payables	1,962	2,050
Accrued expenses	480	536
Amounts due to governments	131	136
	2,573	2,722

Trade payables include payments due to Panoro (Notes 5 and 8), option payments due to Minimax for the purchase of the API Share Option and TSF Rights Options (Notes 5 and 7), and general and administrative payments to vendors. Accrued expenses include provisions for option payments due to tenement holders of the Tapian San Francisco project, and accruals of personnel expenses, consulting, and other professional fees.

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### 10. BORROWINGS

Note	TVI Resource			Total \$000
	Bridge-Loans	Development	Directors fees	
	\$000 (a)	\$000 (b)	\$000 (c)	
<b>December 31, 2014</b>	<b>176</b>	<b>501</b>	<b>78</b>	<b>755</b>
Principal paid	-	-	(10)	(10)
Principal drawn	-	296	44	340
Interest expense	30	47	9	86
Interest paid	(13)	-	(1)	(14)
<b>December 31, 2015</b>	<b>193</b>	<b>844</b>	<b>120</b>	<b>1,157</b>
Principal paid	-	-	(22)	(22)
Principal drawn	16	715	25	756
Interest expense	16	92	23	131
Interest paid	-	-	(20)	(20)
<b>December 31, 2016</b>	<b>225</b>	<b>1,651</b>	<b>126</b>	<b>2,002</b>
Principal paid	-	-	(17)	(17)
Principal drawn	-	255	15	270
Interest expense	25	101	4	130
Interest paid	-	-	-	-
<b>Sept 30, 2017</b>	<b>250</b>	<b>2,007</b>	<b>128</b>	<b>2,385</b>

- (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. For the period ending June 30, 2017, the Company incurred \$16,000 of interest expense and no payment was made to the lenders.

One director of the Company, who has since resigned, participated in the loan financing for \$25,000. The Company reserved 100,000 common shares to be issued 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 is in default on the private placement loans as it has failed to repay the principal and accrued interest on the maturity date. The Company continues to accrue interest at 15% on the loans which are now due on demand.

- (b) The Company borrowed \$500,000 from TVIRD pursuant to the terms of a secured promissory note on December 12, 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 until a subsequent financing is completed. 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.

As at September 30, 2017, total funds borrowed amounted to \$2,007,000, inclusive of interests.

- (c) In 2013, following an earlier suspension of payment of non-executive directors' fees ("Directors Fees"), 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 three former non-executive directors of Mindoro. In the fourth quarter of 2014, the Company has again suspended payment of all directors' fees and continue to accrue interest on amounts due.

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- (d) The Company has recorded debts payable to current and former non-executive directors totalling \$128,000 on which it accrues 8% interest per annum. The balance at September 30, 2017 includes \$4,000 of accrued interest. Four current non-executive directors were paid \$6,000 in May 2017, representing 5% of the outstanding Directors' Fees and interest due to them. No payment was made after May, 2017.

### 11. INSTALLMENT PAYMENTS TO MINIMAX

	Undiscounted installment USD 000	Undiscounted installment \$000	Discounted installment \$000	Discount rate %	Interest expense in 2017-YTD \$000	Payment due
First installment	800	998	994	4.2%	-	November 2015
Second installment	800	998	994	4.2%	-	November 2016
Third installment	800	998	989	4.2%	29	November 2017
Fourth installment	800	998	949	4.2%	28	November 2018
Fifth installment	800	998	910	4.2%	27	November 2019
	<b>4,000</b>	<b>4,990</b>	<b>4,836</b>		<b>84</b>	

The Company failed to pay the first and second instalment payments due to Minimax on November 15, 2015 and November 15, 2016, respectively, due to the decline in nickel laterite prices and the resulting delay in receipt of dividends from AMVI. The Company has been in discussions with Minimax to renegotiate the terms of these payments. However, there is no assurances that these discussions will be successful.

### 12. COMMITMENTS AND CONTINGENT LIABILITIES

#### 12.1 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.

#### 12.2 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 \$326,000 (US\$275,000) in trade and other payables for the unpaid payments pertaining to this agreement. In 2016, the Company and the holder of the MPSA has finalized a settlement and mutual release agreement whereby recognizing the uncertainty of litigation and its associated expenses, the parties have agreed to resolve and settle the same. The settlement and mutual release agreement will bind the Company to relinquish a Mineral Production Sharing Agreement (MPSA), and two (2) Exploration Permit Applications (EPA) back to its holders. The Company has offered to pay a one million Philippine Peso or \$26,000 to the tenement holders to compensate for certain obligations which were not met prior to the termination of the option agreement. As at September 30, 2017, no payment has been made as the Company has yet to pool its funds to settle the same. Recorded provision of \$308,000 (US\$275,000) in trade and other payables for the unpaid payments pertaining to this option agreement will remain in the books of the Company until payment has been made.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ending September 30, 2017

Unaudited

(Expressed in Canadian Dollars)



### 13. SHARE CAPITAL

Issued - Common shares	Common shares	Stock Options	Purchase Warrants
December 31, 2014	297,437,399	1,900,000	61,826,578
Expired	-	1,900,000	19,047,225
<b>September 30, 2017</b>	<b>297,437,399</b>	-	<b>42,779,353</b>

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.

The Company has reserved 100,000 common shares for issue to one former director for entering into a December 2013 loan agreement and recorded a share obligation of \$1,000 on the interim statements of financial position.

### 14. OTHER RESERVES

	Note	Employee benefit reserve \$000	Warrants reserve \$000	Currency reserve \$000	Acc. other Comprehensive income \$000	Other reserves \$000
<b>Saturday, December 31, 2016</b>		<b>5,120</b>	<b>5,912</b>	<b>2,010</b>	<b>(95)</b>	<b>12,947</b>
Actuarial gains (losses)		-	-	-	-	-
Share of other comprehensive income of associate		-	-	-	-	-
Translation adjustments		-	-	(221)	-	(221)
<b>Saturday, September 30, 2017</b>		<b>5,120</b>	<b>5,912</b>	<b>1,789</b>	<b>(95)</b>	<b>12,726</b>
<b>Thursday, December 31, 2015</b>		<b>5,120</b>	<b>5,912</b>	<b>2,322</b>	<b>(109)</b>	<b>13,245</b>
Actuarial gains (losses)		-	-	-	(9)	(9)
Share of other comprehensive income of associate		-	-	-	23	23
Translation adjustments		-	-	(312)	-	(312)
<b>Saturday, December 31, 2016</b>		<b>5,120</b>	<b>5,912</b>	<b>2,010</b>	<b>(95)</b>	<b>12,947</b>

### 15. WARRANTS

The following table summarizes information about Common Share purchase warrants outstanding and exercisable as at September 30, 2017:

Expiry date	Exercise Price	December 31	Granted	Exercised	Expired	Sept 30
	\$	2016				2017
Sep 28, 2017	0.100	18,779,353	-	-	-	18,779,353
Oct 10, 2017	0.100	24,000,000	-	-	-	24,000,000
		<b>42,779,353</b>	-	-	-	<b>42,779,353</b>
Weighted average exercise price (\$)		<b>0.100</b>	-	-	-	<b>0.100</b>

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 2016 or in 2015. 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.



## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ending September 30, 2017

Unaudited

(Expressed in Canadian Dollars)



**MINDORO**  
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	Saturday, September 30, 2017	Saturday, December 31, 2016
Risk Free Interest Rate	1.05%	0.59%
Expected Life	0.02 years	0.76 years
Expected Volatility	0%	25%

### 16. RELATED PARTY TRANSACTIONS

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

	Country of Incorporation	Classification	% Ownership at	
			Sep. 30, 2017	Dec. 31, 2016
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%	40%

MRL Nickel Philippines, Inc. has an investment in an associate that has been accounted for using the equity method (Note 8).

The Company borrowed \$2,007,000 from TVIRD, including interest (Note 10). Prime Resources Holdings Inc. ("PRHI") owns 68% of TVIRD and 20% of Mindoro. TVI Pacific Inc. ("TVIP") owns 30% of TVIRD and 14% of Mindoro. From May 7, 2015 until September 1, 2015, the Interim Chairman of Mindoro's board was also the Chairman, President, and CEO of TVIP and Chairman of TVIRD, and the Interim CEO of Mindoro was also a vice president of TVIP.

At September 30, 2017, the Company had reimbursable expenses payable to TVIP in the amount of \$80,000 for travel and legal expenses incurred by Mindoro's former Interim Chairman and Interim CEO related to the June 12, 2015 Annual General Meeting.

The Company has recorded debts payable to current and former non-executive directors totalling \$128,000 on which it accrues 8% interest per annum (Note 10). The balance at September 30, 2017 includes \$4,000 of accrued interest. Four current non-executive directors were paid \$6,000 in May 2017, representing 5% of the outstanding Directors' Fees and interest due to them. No payment was made after May, 2017.

In 2016, the Company recorded a receivable from TVIRD in the total amount of \$ 81,000, billable to AMVI and Pan de Azucar in the amounts of \$78,000 and \$3,000, respectively.

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 (Note 10).

	September 30, 2017	September 30, 2016
	\$000	\$000
Short-term employee benefits	111	115
<b>Key management compensation</b>	<b>111</b>	<b>115</b>

The following remuneration has been paid or is payable to directors and officers of the Company.

## Notes to the Condensed Consolidated Interim Financial Statements

*For the three and nine months ending September 30, 2017*

*Unaudited*

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### **17. SUBSEQUENT EVENTS**

On October 12, 2017, the TSX Venture Exchange issued the results on the review of the Company's full reinstatement application. The Company's securities remain to be suspended as of reporting date pending the resolution on the results of the review of said application.

The third installment payable to Minimax amounting to US\$800,000 became due last November 15, 2017 pursuant to the 2014 AMVI Share Option Agreement and remain unpaid as of reporting date.

Subsequent to September 30, 2017, AMVI completed 3 shipments of an aggregate 165,400 wet metric tonnes of nickel laterite in October.



# MINDORO

RESOURCES LTD

## Management's Discussion and Analysis

For the three and nine months ended Sept 30, 2017

As reported on November 28, 2017

22<sup>nd</sup> Floor BDO Equitable Tower  
8751 Paseo de Roxas St.  
Makati City, 1226  
Philippines  
+63.2.889.8176

[mindoro@mindoro.com](mailto:mindoro@mindoro.com)  
[www.mindoro.com](http://www.mindoro.com)

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

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MINDORO  
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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

Mike Bue, BSc. Eng, M. Eng, P. Eng, an independent Technical Advisor, has acted as the Qualified Person in compliance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") reporting requirements by virtue of his membership in the Professional Engineers of Ontario and Canadian Institute of Mining and Metallurgy. Mr. Bue has approved the scientific or technical information contained in this document and has confirmed compliance with NI 43-101 requirements.

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2017

(Expressed in Canadian Dollars)



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### 1. COMPANY PROFILE AND STRATEGY

During the nine months ended September 30, 2017 (the "period"), Mindoro Resources Ltd. ("Mindoro" or the "Company") continued to monitor operations at the Agata Nickel Laterite Direct Shipping Ore ("DSO") project operated by TVI Resource Development (Phils.) Inc. ("TVIRD"). The Company also worked to obtain financing to fund its acquisition of Minimax Mineral Exploration Corporation's ("Minimax") 25% interest in the Agata and Tapián San Francisco projects, as well as Mindoro's ongoing general and administrative expenditures. The Company has continuing discussions with Minimax, Panoro Minerals Ltd. ("Panoro"), and other parties to renegotiate terms of outstanding payables.

This Management's Discussion and Analysis ("MD&A") presents the operating results and financial status of the Company for the nine months ended September 30, 2017, and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016 ("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 November 28, 2017.

The Company trades on the TSX Venture Exchange and Frankfurt Exchange as MIO and OLM, respectively. On July 6, 2016, the TSX Venture Exchange halted Mindoro's shares from trading for failure to pay its annual sustaining fees. On July 26, 2016, the Exchange proceeded to suspend the Company without further notice. On September 2, 2016, TSXV issued a bulletin reclassifying the Company to Tier 2. On May 26, 2017, Mindoro paid its 2016 and 2017 annual sustaining fees and proceeded to submit its full reinstatement application to the TSX Venture Exchange on July 10, 2017. On October 12, 2017, the Exchange issued the results on the review of the Company's full reinstatement application. The Company's securities remain to be suspended as of reporting date pending the resolution on the results of the review of said application.

Additional information related to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com), and on the Company's website at [www.mindoro.com](http://www.mindoro.com).

### 2. OVERVIEW FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

#### AGATA MINING VENTURES INC. ("AMVI")

Agata Mining Ventures Inc. ("AMVI"), is a company held by Mindoro's Philippine subsidiary, MRL Nickel Philippines, Inc. and TVI Resource Development (Phils.) Inc. ("TVIRD") as operator under a joint venture agreement.

AMVI commenced operations in October 2014 and for the nine months period ending September 30, 2017, it has completed 47 shipments of nickel laterite DSO, with an aggregate volume of 2,539,545 wmt. Subsequent to September 30, additional 3 shipments with a total of 165,400 wet metric tonnes were shipped.

On September 27, 2016, AMVI has been listed among 20 mining firms "recommended for suspension" in an announcement made by Department of Environment and Natural Resources ("DENR"). The announcement was the result of a nationwide audit of 41 metallic mines which called for the assessment of all mining companies on the basis of laws related to mine environmental management, safety and health, social development, mining tenement and compliance with the Clean Air, Clean Water, Hazardous Waste and Solid Waste Acts. AMVI submitted proof to the DENR that it complied with existing laws, rules and regulations and that it did not commit the alleged infractions so as to warrant its suspension. On February 2, 2017, AMVI received its confirmation that it passed the DENR audit. AMVI, together with eleven (11) other mining operations, was allowed to continue its operations, with several firms ordered to close, while some were still under suspension.

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2017

(Expressed in Canadian Dollars)



MINDORO  
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With TVIRD as operator, AMVI has continued to be recognized by the Philippine regulatory agencies and a number of environmental awards have been received.

### FINANCIAL

For the nine months ended September 30, 2017, the Company reported a net income of \$50,000 which included the Company's proportionate share of the net income of the Company's equity investment in AMVI, compared to a net loss of \$1,249,000 in the same period of 2016.

The Company borrowed \$500,000 from TVIRD pursuant to the terms of a secured promissory note on December 12, 2014. The note was originally due on January 31, 2015, but the term has been subsequently extended until a financing agreement is completed. 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. As at September 30, 2017, total funds borrowed from TVIRD amounted to \$2,007,000, inclusive of interests (December 31, 2016 - \$1,651,000).

As at September 30, 2017, Mindoro had an ending cash and cash equivalents balance of \$17,000 and a working capital deficit of \$7,598,000, excluding warrants liabilities, compared with a cash & cash equivalents balance of \$93,000 and working capital deficit of \$7,542,000 at December 31, 2016.

### 3. ACTIVITIES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

Table 1

January	Set up of new HSBCnet online banking ID
	Press Release on AMVI passing the DENR audit
February	Approval of MNP Audit Service Plan
	Change of Mailing Address
	Approval of Budget
March	Release of \$217,528 bridge loan from TVIRD
	Panoro renegotiation of loan terms
	Filing of Annual Audited Financial Statements
May	Filing of Q1 2017 Condensed Consolidated Interim Financial Statements (Unaudited)
	Payment of Annual Sustaining and PIF Fees
June	Filing of 2016 Annual Income Tax
July	Submission of full reinstatement application to TSXV
	Filing of Q2 2017 Condensed Consolidated Interim Financial Statements (Unaudited)
Aug	Filing of Notice of Meeting and Record Date
Sept	Release of \$36,994 bridge loan from TVIRD

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2017

(Expressed in Canadian Dollars)



**MINDORO**  
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### 4. MILESTONE TARGETTED FOR 2017

Table 2

MILESTONE	STATUS
Renegotiate the terms of the contractual obligations with Minimax and Panoro	Renegotiation on-going
Continue shipments of medium-nickel/low-iron and high-iron/low-nickel DSO	47 DSO shipments containing an aggregate 2,539,545 wet metric tonnes were made for the period January to September, 2017
Investigate opportunities to direct ship the abundant limestone at Agata.	Feasibility studies are on-going
Secure additional financing	As at September 30, 2017, total funds borrowed from TVIRD amounted to \$2,007,000, inclusive of interests. Negotiations with TVIRD for larger financing arrangement are ongoing at the reporting date

### 5. FINANCIAL ANALYSIS

TABLE 1: SUMMARY OF QUARTERLY RESULTS

	2016-Q1	2016-Q2	2016-Q3	2016-Q4	2017-Q1	2017-Q2	2017-Q3
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Total revenue	-	-	-	-	-	-	-
General and administrative expenses	(31)	(42)	(65)	(103)	(28)	(95)	(12)
Salaries and employee benefits	(75)	(65)	(61)	(17)	(64)	(57)	(41)
Interest expense	(56)	(73)	(71)	(88)	(72)	(76)	(67)
Stock based compensation	-	-	-	-	-	-	-
Share of equity earnings (losses) of associate	(298)	(557)	217	1,089	(255)	713	246
Depreciation and amortization	-	-	(1)	-	-	-	(1)
Provision for doubtful accounts	-	-	-	(7)	-	-	-
Provision for impairment of investment	-	-	-	(313)	-	-	-
Impairment of exploration and evaluation assets	-	(1)	(1)	(4,078)	-	-	-
Operating Income (Loss)	(460)	(738)	18	(3,517)	(419)	485	125
Finance income	-	-	-	-	-	-	-
Remeasurement of warrants liability	-	(4)	52	55	-	-	-
Gain on sale of Red Mountain shares	-	-	-	-	-	-	-
Gain on reversal of Batangas provision	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-
Mining Asset Impairment	(1)	-	-	1	-	-	-
Impairment of investment held for distribution	-	-	-	-	-	-	-
Gain on curtailment of defined benefit retirement	-	-	-	-	-	-	-
Foreign exchange	151	(126)	(141)	(241)	37	(71)	(107)
Income (loss) before income taxes	(310)	(868)	(71)	(3,702)	(382)	414	18
Income taxes	-	-	-	(8)	-	-	-
Net income (loss) for the period	(310)	(868)	(71)	(3,710)	(382)	414	18
Basic and diluted net income (loss) per share (\$)	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	0	0

#### NET INCOME AND LOSSES

The Company recognized a net income of \$18,000 in the 3<sup>rd</sup> quarter of 2017 alone, compared to a net loss of \$71,000 in the same period of 2016. The recorded net income reflected the recognition of the Company's 40% share in AMVI's net income of \$76,000 for the quarter ending September 30, 2017. This is the second consecutive quarter that AMVI posted a net income.



## Management's Discussion and Analysis

For the three and nine months ended September 30, 2017

(Expressed in Canadian Dollars)



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TABLE 2: GENERAL AND ADMINISTRATION EXPENSES

	Three months ended, Sept 30		Nine months ended, Sept 30	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Legal	2	6	5	9
Insurance	1	3	24	4
Accounting and audit fees	(2)	(1)	49	8
Listing fees	1	5	14	11
Transfer agent fees	2	6	11	13
Advertising & Promotion	0	0	2	1.49
Management fees and outsourced labour	-	-	0	-
Travel	3	11	8	17
Documentary Stamp Tax and bank charges	1	2	3	6
Office Costs	3	32	19	69
<b>GENERAL &amp; ADMINISTRATIVE COSTS</b>	<b>12</b>	<b>65</b>	<b>135</b>	<b>138</b>

Further commentary on the net income in the 3<sup>rd</sup> quarter of 2017 and the nine months ended September 30, 2017 with respective comparatives, are as follows:

- General and administrative costs in the 3<sup>rd</sup> quarter (\$12,000) and for the nine months ending September 30, 2017 (\$135,000) were lower than in 2016 of the same period (\$65,000 & \$138,000, respectively). The decrease was mainly due to reduction in office costs, i.e. consulting fees, rental, postage and communications.
- Legal, listing fees, transfer agent fees, insurance, documentary stamp taxes and travel were also lower in the current quarter compared to the same period in 2016.
- Overall, general and administrative costs totals were relatively unchanged on a nine-month period totals ending 3<sup>rd</sup> quarter as compared to the same period in 2016
- Lower salaries and employee benefits charges in the current period were due to lower compensation package from the new management team including the recovery through the use of Mindoro personnel by AMVI in its operations compared to the same period of 2016.
- Interest expense in Q3 2017 was higher by \$15,000 due mostly to forex translation on the Minimax loan.

### CASH FLOWS

During the period ended September 30, 2017, the Company reported a net income of 50,000 (September 30, 2016 – net loss \$1,249,000) and operating cash outflows of \$327,000 (September 30, 2016 – \$617,000) resulting in a working capital deficit of \$7,598,000, excluding warrants liability (December 31, 2016 - \$7,542,000).



## Management's Discussion and Analysis

For the three and nine months ended September 30, 2017

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### EXPLORATION AND EVALUATION ASSETS

TABLE 3: DETAILED EXPENDITURE ON EXPLORATION AND EVALUATION ASSETS

	Agata \$000	Tapian San Francisco \$000	Pan de Azucar \$000	Total \$000
<b>December 31, 2014</b>	<b>3,752</b>	<b>42</b>	<b>-</b>	<b>3,794</b>
Exploration	4	5	1	10
Recoveries from associate	(4)	-	(1)	(5)
Impairment of exploration and evaluation assets	-	(51)	-	(51)
Currency translation	509	4	-	513
<b>December 31, 2015</b>	<b>4,261</b>	<b>-</b>	<b>-</b>	<b>4,261</b>
Exploration	8	3	-	11
Impairment of exploration and evaluation assets	(4,077)	(3)	-	(4,080)
JV Recoveries	(74)	-	-	(74)
Currency translation	(118)	-	-	(118)
<b>December 31, 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Exploration	-	-	-	-
Impairment of exploration and evaluation assets	-	-	-	-
JV Recoveries	-	-	-	-
Currency translation	-	-	-	-
<b>September 30, 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

In 2016, the Company impaired the exploration and evaluation assets with respect to the Agata processing project joint ventures in a total amount of \$4,261,000 as API has not yet commenced commercial operations.

## 6. DISCUSSION OF PROJECTS

### AGATA NICKEL LATERITE PROJECT

The Agata nickel laterite project is a DSO operation, held by AMVI, a joint venture company between TVIRD and Mindoro, in which TVIRD holds a 60% interest and is operator. Mindoro directly holds a 15% interest 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 instalments of US\$800,000 to Minimax commencing on the 15<sup>th</sup> day of the 12<sup>th</sup> month after the first shipment of the DSO.
- i. Title to Minimax's shares in AMJV 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.
  - ii. In the event that Mindoro fails to make any of the installment payments, Mindoro must return any AMJV shares previously transferred by Minimax. Minimax will retain any installment payments made to date and Mindoro will retain any dividends already received from AMJV.

Mindoro failed to make the first and second installment payments due on November 15, 2015 and November 15, 2016, respectively due to fewer than expected shipments of laterite in the first year of mining operations and significantly lower sales prices due to the broad decline in metals prices, including nickel and iron, since the end of 2014. Mindoro and Minimax are continuing their discussions to renegotiate the payment terms of the US\$4 million dollar purchase price in a manner

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2017

(Expressed in Canadian Dollars)



MINDORO  
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that better reflects current market conditions. As such, no adjustment has been made to Mindoro's interest in AMVI for the 3rd Quarter.

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 Agusan del Norte province. It is accessible by approximately 1.5 hours driving time by 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 almost all year round.

According to an April 10, 2013, NI 43-101 report (available on SEDAR and Mindoro's website at [www.mindoro.com](http://www.mindoro.com)) the Agata project has 33.9 million dry metric tonnes of nickel laterite resource grading 1.1% nickel and 22.5% iron in the measured and indicated resource categories and an additional 2.1 million dry metric tonnes grading 1.0% nickel and 16.3% iron in the inferred resource category.

In a subsequent NI 43-101 Feasibility Study report published on August 30, 2013 (available on SEDAR and Mindoro's website at [www.mindoro.com](http://www.mindoro.com)) the project was shown to have Proven and Probable Reserves of 9.7 million wet metric tonnes of nickel laterite ore with a grade of 48% Fe and 0.9% Ni. These reserves were calculated only on the high-iron/low-nickel ore in the nickel laterite deposit and do not indicate the full amount of both limonite and saprolite ore reserves in the deposit.

From November 2014 to April 2015, AMVI undertook a large-scale 16,768-meter drill program aimed at upgrading and increasing the resources previously disclosed in April 2013.

For the nine months period ending September 30, 2017, the project has completed 47 shipments totalling 2,539,545 wet metric tonnes of nickel laterite DSO. With TVIRD as operator, AMVI has continued to be recognized by the Philippine regulatory agencies and a number of awards have been received.

### 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 CaCO<sub>3</sub> (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% CaCO<sub>3</sub>. The number of holes drilled is not sufficient to classify a mineral resource.

From November 2014 to April 2015 AMVI carried out a 17-hole drill program on the property and results had confirmed the presence of a high-purity recrystallized limestone deposit covering an area of 600 meters by 650 meters.

AMVI will evaluate the feasibility of commencing a limestone DSO operation for the iron industry or producing hydrated lime and a higher value ground calcium carbonate (GCC) product marketable to the paper and plastics industries in Asia. Due to the project's close proximity to the causeway where materials will be shipped, potential operations will benefit from having low transport and handling costs.

### AGATA NICKEL PROCESSING PROJECT

The Agata Nickel Processing Project is held by Agata Processing, Inc. ("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. 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 at October 16, 2015, a PMRC compliant DFS was completed by API which would result in TVIRD earning a total of 60% interest of API shares. The DFS was not done to NI 43-101 standards and therefore the results have not been disclosed in Canada or filed on SEDAR.

The project is located in the middle of the current Agata nickel laterite DSO operation and in close proximity to the causeway facilities that were built to support the DSO operations, which is strategically located near main markets in Asia and provides the opportunity for shipping all year round.



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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.

In 2016, the Company impaired the option to purchase contract with respect to the Agata processing project joint ventures in a total amount of \$4,261,000 as this company has not yet commenced commercial operations.

### PAN DE AZUCAR PYRITE PROJECT

The Pan de Azucar MPSA covers approximately 535 hectares 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 Declaration of Mining Project Feasibility ("DMPF") with the DENR before February 2015. As at September 30, 2017, TVIRD had not met its minimum expenditure commitments, nor had it completed a DMPF by February 2015. However, Minimax subsequently filed an extension of the exploration period and last July, 2016, MGB-CO granted Minimax 1 year within which to file the DMPF. Minimax has requested the Mines and Geosciences Bureau to extend the 1-year period within which to file the DMPF. The Company 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.

Currently there are no permits in place for the mining of the pyrite material.

No technical work was carried out during the period.

### TAPIAN SAN FRANCISCO COPPER-GOLD

Mindoro earned a 75% direct and indirect interest in the Tapan San Francisco Project pursuant to the terms of a Memorandum of Agreement with Minimax.

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;

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

Mindoro failed to make the payment due on August 15, 2015 due to fewer than expected shipments of laterite in the first year of mining operations and significantly lower sales prices due to the broad decline in metal prices, including nickel and iron, since the end of 2014. Mindoro and Minimax are in discussion to renegotiate the payment terms of the 2014 Option Agreement.

In 2016, the Company and the holder of the MPSA, Mindanao Gold Resources, Inc. has finalized a settlement and mutual release agreement whereby recognizing the uncertainty of litigation and its associated expenses, the parties have agreed to resolve and settle the same. The settlement and mutual release agreement will bind the Company to relinquish a Mineral Production Sharing Agreement (MPSA), and two (2) Exploration Permit Applications (EPAs) back to its holders. The Company has agreed to pay a one million Philippine Peso or \$24,326 to the tenement holders to compensate for certain obligations which were not met prior to the termination of the option agreement. As at September 30, 2017, no payment has been made as the Company has yet to pool its funds to settle the same. The recorded provision of \$308,191 (US\$275,000) in trade and other payables for the unpaid payments pertaining to this option agreement will remain in the books of the Company until payment has been made. Mindoro, has, therefore, terminated the agreements and handed back the MPSA and the two EPAs to the tenement holders. The EP and one EPA, which are under the name of Minimax have been retained.

Mindoro and Minimax continue their discussion pertaining to the Tapian San Francisco Project now comprising only of 1 Exploration Permit (EP) and 1 Exploration Permit Application (EPA)

### APICAL

Apical is an APSA that Mindoro has a 15% interest in by way of an incorporated joint venture with Medusa Mining Corp. 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

On October 12, 2017, the TSX Venture Exchange issued the results on the review of the Company's full reinstatement application. The Company's securities remain to be suspended as of reporting date pending the resolution on the results of the review of said application.

The third installment payable to Minimax amounting to US\$800,000 became due last November 15, 2017 pursuant to the 2014 AMVI Share Option Agreement and remain unpaid as of reporting date.

Subsequent to September 30, 2017, AMVI completed 3 shipments of an aggregate 165,400 wet metric tonnes of nickel laterite in October.



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### 8. TRANSACTIONS BETWEEN RELATED PARTIES

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

	Country of Incorporation	Classification	% Ownership at	
			Sep. 30, 2017	Dec. 31, 2016
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%	40%

MRL Nickel Philippines, Inc. has an investment in an associate that has been accounted for using the equity method. In 2015, the Company recorded recoveries from AMVI and Pan de Azucar Mining Ventures Inc. of \$5,000, which are operated by TVIRD.

The Company has a total borrowing, including interests, of \$2,007,000 from TVIRD as of September 30, 2017. Prime Resources Holdings Inc. ("PRHI") owns 68% of TVIRD and 25.42% of Mindoro. TVIP owns 30% of TVIRD and 14% of Mindoro. From May 7, 2015 until September 1, 2015, the Interim Chairman of Mindoro's board was also the Chairman, President, and CEO of TVIP and Chairman of TVIRD, and the Interim CEO of Mindoro was also a vice president of TVIP.

At September 30, 2017, the Company had reimbursable expenses payable to TVIP in the amount of \$80,000 for travel and legal expenses incurred by Mindoro's former Interim Chairman and Interim CEO related to the June 12, 2015 AGM.

The Company has recorded debts payable to current and former non-executive directors totalling \$128,000 on which it accrues 8% interest per annum. The balance at September 30, 2017 includes \$4,000 of accrued interest. Four current non-executive directors were paid \$6,000 in May 2017, representing 5% of the outstanding Directors' Fees and interest due to them. No payment was made after May, 2017.

The following remuneration has been paid or is payable to directors and officers of the Company.

	September 30,	September 30,
	2017	2016
	\$000	\$000
Short-term employee benefits	111	115
<b>Key management compensation</b>	<b>111</b>	<b>115</b>

### 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 September 30, 2017 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 Interim 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.



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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.

### CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Interim Financial Statements follow the same accounting policies and methods of application as the audited consolidated financial statements for the year ended December 31, 2016.

### NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 2017 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.

#### *IFRS 2 Share-based Payment (Amendment)*

In June 2016, the International Accounting Standards Board (IASB) issued amendments to IFRS 2 to clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

The effects of vesting and non-vesting conditions on measurement of cash-settled share-based payments; Share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. The impact of adoption of the amendment has not been determined.

#### *IFRS 9 Financial Instruments and Amendments to IFRS 7 Financial Instruments Disclosure*

On July 24, 2014 the IASB issued the complete IFRS 9. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The impact of adoption of the amendment has not yet been determined.

#### *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. This standard is effective for reporting period beginning on or after January 1, 2018. The Company has not yet evaluated the impact of adopting IFRS 15 on the financial statements.

#### *IAS 12 Income Taxes (Amendment)*



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In January 2016, the International Accounting Standards Board (IASB) issued amendments to IAS 12 which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (ASB) in April 2016. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The amendments clarify the following aspects around the recognition of deferred tax assets for unrealised losses: -

- Decreases in the carrying amount of a fixed-rate debt instrument for which the principal is paid on maturity give rise to a deductible temporary difference if the debt instrument is measured at fair value and its tax base remains at cost.
- An entity's estimate of future taxable profit may include amounts from assets it expects to recover in excess of their carrying amounts if there is sufficient evidence that it is probable the entity will achieve this. An entity's estimate of future taxable profit excludes tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses whether to recognize the tax effect of a deductible temporary difference as a deferred tax asset in combination with other deferred tax assets. If tax law restricts the utilization of tax losses so that an entity can only deduct tax losses against income of a specified type(s) (e.g. if it can deduct capital losses only against capital gains), the entity must still recognize a deferred tax asset in combination with other deferred tax assets, but only with deferred tax assets of the appropriate type.

These amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

### 10. OUTSTANDING SHARE DATA

TABLE 4

Issued - Common shares	Common shares	Stock Options	Purchase Warrants
December 31, 2014	297,437,399	1,900,000	61,826,578
Expired	-	1,900,000	19,047,225
<b>September 30, 2017</b>	<b>297,437,399</b>	-	<b>42,779,353</b>

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.

### 11. LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2017, the Company held cash on hand of \$17,000 (2016 - \$93,000), current assets totalled \$280,000 (2016 - \$383,000) and current liabilities, excluding warrants liabilities which are not settled in cash, totalled \$7,878,000 (2016 - \$7,925,000) which resulted in a working capital deficiency of \$7,598,000 (2016 - \$7,542,000).

The Company also has a commitment to Panoro in the amount of \$1,000,000, recognized in two \$500,000 payments, the first and final instalment became due in August 2015 and August 2016, respectively. The company has continuing discussions with Panoro, and other parties to renegotiate terms of outstanding payables.

In the short term, the Company will continue to use the funds from the loan extension by TVIRD thru a secured promissory note to fund payment of immediate operating costs while it seeks other financing alternatives so that it may continue as a going concern.





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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. AMVI has advised the company that the significant decline in DSO prices has further hampered its ability to pay dividends.

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 Interim 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 disposal of 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 hierarchy 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 instalment payments to Minimax are classified in level 2 of the fair value hierarchy and were initially measured using the discounted cash flow of the instalment 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 value disclosed for the Company's option to purchase contract was classified under Level 3.

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Financial instruments measured at fair value on a recurring basis were presented in the Company's statement of financial position as of September 30, 2017 as follows:

TABLE 5

	Fair value measurement using:			
	30-Sep-17	Level 1 inputs	Level 2 inputs	Level 3 inputs
	\$000	\$000	\$000	\$000
<b>Assets</b>				
Option to purchase contracts	-	-	-	-
Investment in associate	8,444	-	8,444	-
	<b>8,444</b>	-	<b>8,444</b>	-
<b>Liabilities</b>				
Installment payments to Minimax	4,836	-	4,836	-
Warrants Liability	-	-	-	-
	<b>4,836</b>	-	<b>4,836</b>	-

### 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, the 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 nine months ended September 30, 2017.

#### 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 counterparty 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 recent decrease in the price of DSO has caused delays in the ability of AMVI to provide cash dividends, thereby impacting both internal cash flow and causing delays in the ability to close anticipated project financing given the general concern of the investment community. Further declines in DSO or their continuing at their current low levels for an extended period are likely to impact the liquidity of the Company.



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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.

Under the AMVI Share Option, 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. Mindoro failed to make the first and second installment payments due on November 15, 2015 & November 15, 2016, respectively, due to fewer than expected shipments of laterite in the first year of mining operations and significantly lower sales prices due to the broad decline in metals prices, including nickel and iron, since the end of 2014. Mindoro and Minimax are in discussions to renegotiate the payment terms of the US\$4 million dollar purchase price in a manner that better reflects current market conditions. As such no adjustment has been made to Mindoro's interest in AMVI for the third quarter.

### **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. 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.

The Company borrowed \$2,007,000, including interests, 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 was subsequently extended. 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 books for the current period. Negotiations for a larger financing with TVIRD remain ongoing. 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 as at June 30, 2015. The measurement difference has been recorded as interest expense in 2014. Mindoro failed to make the first and second US\$800,000 payments to Minimax on November 15, 2015 & November 15, 2016, respectively, but is in discussions with Minimax to renegotiate the payment terms of that agreement to

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better reflect current market conditions. However, if those negotiations are not successful, 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 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 October 28, 2016, AMVI received from the Department of Environment and Natural Resources (DENR) its findings of the Mine Audit conducted on August 13-17, 2016. AMVI responded to the Audit Team's findings and recommendations in its letter to the Secretary of DENR last November 4, 2016. In an announcement made by the Department of Environment and Natural Resources (DENR) on February 2, 2017, AMVI received its confirmation of passing the DENR audit. Several firms were ordered to close, while some are still under suspension. AMVI, together with eleven (11) other mining firms continued operations unhampered.

Emerging from MO 2016-01 are certain risks faced by Mindoro, including, but not limited to:

- Suspension and/or the imposition of penalties against AMVI. However, AMVI has been operating with the ambit of current mining, environmental and social development regulations. In fact, in the two consecutive years since it began operations, it received the Titanium Award, awarded by the Philippine Mineral Safety and Environmental Association in recognition of AMVI's satisfactory safety, and health management and community development in the conduct of its mining operations.
- Several drafts, independent members' bills, referred to as "Alternative Mining Acts" have been presented for discussion in the Philippine House of Representatives and the Senate. While these bills will undergo rigorous debates in both Chambers, 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.
- On April 27, 2017, former Department of Environment and Natural Resources (DENR) Secretary, Regina Lopez, banned prospective open-pit mines. Roy Cimatu, the new Secretary of the DENR, stated recently that the ban will still be in effect pending discussion in the inter-agency Mining Industry Coordinating Council. Open pit mining is allowed under the Philippine Mining Act.

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.

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2017

(Expressed in Canadian Dollars)



MINDORO  
RESOURCES LTD

There are continuing risks that communities or local politicians could withdraw support for AMVI's mining operations. However, AMVI's 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 costs, 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. In addition, 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, adequate support from host communities, 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 will 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.

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 the internal cash requirements of 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.