



MINDORO  
RESOURCES LTD

Consolidated Year End Financial Statements

December 31, 2008

*(Expressed in Canadian Dollars, Except Where Otherwise Noted)*

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

## Management's Discussion and Analysis

Year Ended December 31, 2008



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### 1. GENERAL

This discussion and analysis of financial position and results of operation is prepared as at April 20, 2009, and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2008 and December 31, 2007, which have been prepared in accordance with Canadian generally accepted accounting principals. All amounts are expressed in Canadian dollars, unless otherwise indicated. Additional information related to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com)

### 2. FORWARD LOOKING INFORMATION

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

### 3. NATURE OF THE BUSINESS AND GOING CONCERN

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

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

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

The Company has experienced a decline in its share price during the year, along with capital markets in general. This decline has caused management to reconsider original plans to pursue additional sources of funding through equity offerings. Management's amended plans include continuing to pursue additional sources of financing through the exercise of outstanding warrants, seeking joint venture partners to fund exploration, reducing exploration activity and reducing overhead costs. As disclosed in note 16, on February 13, 2009, the Company closed a private placement for gross proceeds of \$465,785. As a result of these actions, management expects that the Company will have sufficient capital to fund operations and keep its mineral properties in good standing for the upcoming fiscal year.

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### 4. OVERVIEW OF EXPLORATION ACTIVITIES

The Company's mineral exploration projects are located in the Agusan del Norte, Surigao del Norte (jointly the Surigao District), Iloilo and Batangas Provinces of the Philippines. Mindoro's field programs are carried out under the supervision of Tony Climie, P.Geol, who approved the technical content of this document and who is a qualified person as defined by National Instrument 43-101.

#### SURIGAO DISTRICT, NORTHERN MINDANAO

The Company has a direct and indirect 75 percent interest in the Agata, Tapian San Francisco and Tapian Main projects, and a 10 percent direct interest in the Mat-I project, collectively referred to as the Surigao Projects, which are located in Surigao del Norte and Agusan del Norte Provinces of northern Mindanao, Philippines. The granted tenements consist of a Mineral Production Sharing Agreement (MPSA) on Agata and Exploration Permits (EPs) on Tapian San Francisco and Tapian Main. The remaining ground is held under MPSA and EP applications that are advancing normally through the approval process. Mindoro has defined multiple porphyry copper-gold and epithermal gold prospects on the Surigao Projects; however, work in the fourth quarter continued to focus on advancing the Agata North nickel laterite prospect on the Agata MPSA, as well as the American Tunnels gold and copper-gold prospects on the same MPSA. As of December 31, 2008, the Company had \$8,076,431 in exploration expenditures recorded to the Surigao Projects, including expenditures of \$611,801 in the fourth quarter of 2008.

#### Nickel Laterite Markets

Focus for the Company has always been to evaluate the Agata North Nickel Laterite prospect for its potential for an integrated mining and processing operation. A short term plan had been to commence direct shipping ore operation (DSO) in 2008 to supply feedstock to the nickel pig iron industry in China. However, the softening of nickel prices and decline in demand for low grade Philippine nickel laterite ores led to a shelving of this short term plan and renewed emphasis on defining the Company's "global" nickel laterite resources with a view to establishing an integrated mining and processing operation.

Nickel demand from China over the past two to three years resulted in an unprecedented demand for DSO production from nickel laterite deposits, used in the production of nickel pig iron, a low-grade ferro-nickel product, which has become a key nickel supply source for the Chinese stainless steel sector. Small steel and ferro-alloy makers in China switched to producing nickel pig iron during record high nickel prices in 2007. An oversupply of DSO nickel laterite material in the first half of 2007 flooded the Chinese markets and demand dropped dramatically in the second half of the year.

During the fourth quarter, nickel prices continued to decline and have essentially collapsed to very low levels of under U.S. \$11,000 a tonne in the first quarter of 2009. It is unlikely that nickel prices will recover to a level that will sustain the DSO market for low-grade Philippine nickel laterite in the medium term.

#### Enhanced Value, On-Site Processing Alternatives

Once regarded as too difficult to process, more recent advances and technological refinements, still in their relative infancy, are leading to a new generation of nickel production centers from laterite deposits. There is now an increasing trend towards advancing on-site, value-added processing of nickel laterite within the Philippines itself, rather than just shipping out low-value product. The prolifically nickel laterite-mineralized Surigao District will likely be an important part of this evolution.

Local processing alternatives include; on-site blast or electric arc furnaces for nickel pig iron production (a low grade ferronickel product); ferronickel smelting (a ferronickel smelter recently commenced operation in NW Mindanao, not far away from the Company's projects); heap-leaching; atmospheric (tank) leaching; and an improved generation of High Pressure Acid Leach (HPAL) plants. HPAL technology is currently being used with

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great success by Sumitomo and Asia Nickel on their Philippine Coral Bay operation, and the partners recently announced plans for a second HPAL plant to be constructed in the Surigao District.

While options for DSO production have been kept open, on-site processing offers more attractive opportunities. During the reporting period, the Company continued to evaluate various nickel laterite processing technologies to determine the potential for the establishment of an enhanced value, on-site processing plant.

To date, the Company has identified two main areas of nickel laterite mineralization on its Agata Project: the Agata North and Agata South nickel laterite prospects.

### Agata North Nickel Laterite Resource

On December 15, 2008 Mindoro announced a final National Instrument 43-101 compliant mineral resource estimate for its Agata North Nickel Laterite Project, Surigao District, Philippines.

The estimate for combined Measured and Indicated Resources is 13.17 million wet metric tonnes (WMT) grading 1.13 percent nickel, 0.078 percent cobalt and 30.93 percent iron, at a cut-off grade of 0.5 percent nickel for the limonite and 0.8 percent nickel for the saprolite horizon; containing 230.11 million pounds nickel. In addition, the Inferred Resource estimate is an additional 18.1 million WMT grading 1.13 percent nickel, 0.083 percent cobalt and 31.44 percent iron, also at a cut-off grade of 0.5 percent nickel for the limonite and 0.8 percent nickel for the saprolite; containing 317.47 million pounds nickel. The resource estimate includes 13.95 million pounds cobalt in the measured and indicated categories, and an additional 20.58 million pounds cobalt in the inferred category. The resource consists of approximately 54 per cent limonite and 46 per cent saprolite.

The estimate covers about 80 per cent of Agata North and is within the current Exploration Target range. Additional resource potential exists at Agata and other Surigao projects, however, Mindoro management believes that an adequate resource has now been established to form the basis for a detailed evaluation of potential development alternatives.

During 2009, Mindoro will seek financing to advance the project via a liaison or alliance with an Asian end-user.

*The reader is cautioned that mineral resources which are not mineral reserves do not have demonstrated economic viability. There has been insufficient exploration to define mineral resources other than those disclosed in this release, and it is uncertain if further exploration will result in the targets delineating additional mineral resources or that these resources, if delineated, will be economic or sufficient to support a commercial mining operation. Until a feasibility study has been completed there is no certainty that the company's projections will be economically viable.*

The Mineral Resource model was generated by Dallas Cox, BE (Min), an independent qualified person as defined by NI 43-101. A total of 408 drill holes, comprising 7300 meters of diamond drill core, and 7271 assayed samples, were used for the estimate. These drill holes cover approximately 80% of the currently delineated laterite area at Agata North. An Inverse Distance Squared grade estimation method was utilized within tightly constrained lithological and grade domains. Mr. Cox has indicated that the density of drilling and continuity of mineralization is sufficient to classify the estimated resource and has verified and authorized the technical information detailed in this disclosure. Both dry metric tonnes (DMT) and wet metric tonnes (WMT) are quoted. The NI 43-101 compliant Technical Report has been filed on SEDAR.

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Summary of Mineral Resource Estimate:

### Resource @ 0.5 % Ni cutoff grade (Limonite) and 0.8% cutoff grade (Saprolite)

Category	Laterite Horizon	Mil. WMT	Mil. DMT	Ni%	Co%	Fe%	Contained Ni (Mil. pounds)	Contained Co (Mil. pounds)
Measured	Limonite	1.92	1.25	1.00	0.107	43.80	27.58	2.94
	Saprolite	0.37	0.30	1.26	0.023	10.00	8.18	
Indicated	Limonite	6.57	4.27	1.02	0.117	44.70	95.99	11.01
	Saprolite	4.31	3.45	1.29	0.025	11.00	98.36	
Combined Measured + Indicated	Limonite	8.49	5.52	1.02	0.115	44.50	123.57	13.95
	Saprolite	4.68	3.74	1.29	0.024	10.92	106.54	
	<b>Total</b>	<b>13.17</b>	<b>9.26</b>	<b>1.13</b>	<b>0.078</b>	<b>30.93</b>	<b>230.11</b>	<b>13.95</b>
Inferred	Limonite	11.87	7.71	1.02	0.121	44.40	172.80	20.58
	Saprolite	6.23	4.99	1.32	0.025	11.40	144.68	
	<b>Total</b>	<b>18.10</b>	<b>12.70</b>	<b>1.13</b>	<b>0.083</b>	<b>31.44</b>	<b>317.47</b>	<b>20.58</b>

- Total metal contents in the reported resources represent metal in the ground and have not been adjusted for metallurgical recoveries and other factors which will be considered in later study.
- Mineral resources which are not mineral reserves do not have demonstrated economic viability.
- The tonnage and nickel grades above have been rounded to the nearest 2nd decimal, and iron grades to the nearest whole number, which may have resulted in minor discrepancies.
- The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
- It is uncertain if further exploration will result in upgrading the Inferred mineral resource to an Indicated or Measured mineral resource or the Indicated mineral resource to a Measured Resource category.

#### Agata South Nickel Laterite Prospect, In Joint Venture with Delta

On August 23, 2007, the Company announced it had reached an agreement with Delta Earthmoving Inc., an experienced nickel laterite mining contractor, to explore, and advance to production if warranted, the Agata South nickel laterite project. The agreement does not cover Agata North. Delta will, at its sole cost and risk, carry out exploration over a target area of 1,800 hectares on the Southern Prospect and, if results warrant, may select an area of up to 250 hectares to advance to production.

With the collapse in the DSO market, Delta ceased drilling at Agata South after drilling 241 holes and 2,989 meters. Delta's exploration results were evaluated by an independent nickel laterite expert commissioned by the Company. It appears that both resource potential and the quality of the Agata South Nickel Laterite are of much lower potential than for Agata North.

#### American Tunnels Porphyry Prospect, Agata Project

In a geological coincidence, the nickel laterite mineralization at Agata is juxtaposed in close proximity to both epithermal gold and porphyry copper-gold prospects occur at American Tunnels. During the reporting period mapping and sampling were carried out at American Tunnels.

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### (i) Epithermal Gold Target

The American Tunnels area has a long and continuing history of small scale, artisanal gold mining, which peaked with about 3000 miners in the mid 1980s. The artisanal miners are mining gold from a honeycombing of shallow (5 to 20 meters) underground workings, estimated to total more than a kilometer in extent, within an area of about 200 meters by 225 meters at American Tunnels. Free gold is also present in streams draining ultramafic cap rocks several hundred meters north of American Tunnels. There are dozens of artisanal gold workings within other erosional windows to the south.

The miners follow narrow high-grade veins, stock-works and fracture-filled zones near the top of an intrusive complex. Given the primitive mining and low-recovery processing methods, break-even is about 5 grams per tonne (g/t) gold- a general rule of thumb in Mindanao at current gold prices. Bonanza gold zones were not unusual during the high-grading in the 1980's and 1990's, and are still encountered. Mindoro's underground sampling was restricted to wall rock in mined-out areas and does not reflect the mineralization grades. It has not been possible to sample working faces due to their inaccessibility and dangerous conditions.

Small scale miners provided some grade information, of varying degrees of reliability, from more recent workings. Unfortunately, most information has been lost for ever. Recovered gold grades were reportedly in a wide range from 2 g/t gold to as high as plus 1,000 g/t gold.

### (ii) Porphyry Copper-Gold Target

During 2008 small scale miners were actively mining high-grade copper from shallow workings over an area of about 150 m by 50 m at American Tunnels. These were mined by manual methods and ore grading 5 percent to 15 percent copper was sent by local buyers to China for processing. Recently, lower copper prices have terminated the copper mining; gold workings are still active.

American Tunnels is characterized by a chargeability anomaly, extending over 800 meters by 300 meters, with associated resistivity and magnetic anomalies. Underground rock channel and rock chip samples taken over several tens of meters at various orientations along mine tunnels gave encouraging results – with several five-meter intervals assaying well over 1 percent copper, together with significant gold, silver and molybdenum values in places.

Mineralization is at the top of multi-phase intrusives, on the cusp of the chargeability anomaly, and is interpreted as a high-grade, late-stage concentration at the upper contact of the intrusive stocks and dykes, and derived from porphyry copper-gold mineralization below. American Tunnels is in the center of a six kilometer trend of chargeability anomalies and at a point where the chargeability is near-surface, and actually daylights.

Petrology indicates mineralization is principally within late, more-fractionated monzonite phases of a syenite, monzonite, monzodiorite and diorite intrusive complex of dykes, sills, and small stocks intruding ultramafic rocks. Mineralization is associated with complex alteration assemblages of chlorite, epidote, actinolite, biotite, sericite, magnetite and albite. Copper minerals are chalcopyrite and bornite. These features, as well as the high molybdenum values, are consistent with a porphyry copper-gold setting.

It is planned to carry out an initial drill test at American Tunnels in April-May 2009. The currently planned program is an initial drill test only of a large target area.

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### BATANGAS PROJECTS, LUZON

The Batangas land package comprises approximately 29,000 hectares. Within this, both the Lobo and Archangel Projects are held under a Mineral Production Sharing Agreement (MPSA), which is a legally binding contract with the Philippine Government allowing for mineral exploration and, subject to various permitting requirements, development, and the Calo and El Paso prospect are held under Exploration Permits (EP). The remaining Batangas Regional ground is held under either MPSA or EP applications, which are in various stages of approval. As of December 31, 2008, the Company had \$12,079,880 in exploration expenditures on the Batangas Projects, including expenditures of \$255,461 in the fourth quarter of 2008.

The Company's Batangas tenements cover over 29,000 hectares in the well-mineralized southern Luzon porphyry copper-gold belt. Projects include Lobo and Archangel, where early-stage NI 43-101-compliant gold resources have been defined (SWB and Kay Tanda), which are both open to upgrading and extension, and at least fifteen promising porphyry copper-gold prospects, including the Calo, Talahib, Pica and El Paso prospects.

#### Kay Tanda-Pulang Lupa Epithermal Gold Prospects, Archangel Project

On February 6, 2008, a NI 43-101 compliant mineral resource estimate was released. The Mineral Resource Report was completed jointly by Dean Fredericksen, Principal Consultant, of Ravensgate Mineral Industry Consultants of Australia, who carried out the Mineral Resource estimate, and Dr. Bruce Rohrlach, geological consultant, also of Australia, who completed the geological and quality control / quality assurance components of the report. The report is available on SEDAR ([www.sedar.com](http://www.sedar.com)) and Mindoro's website ([www.mindoro.com](http://www.mindoro.com)).

Summary results of the NI 43-101 report were:

- **Total Inferred Resource: 11,599,000 tonnes @ 0.70 g/t Au, 3.0 g/t Ag (262,000 contained ounces Au)**
- **Total Indicated Resource: 3,365,000 tonnes @ 0.88 g/t Au, 8.0 g/t Ag (95,000 contained ounces Au)**

*The tonnage and contained ounces figures above have been rounded to the nearest thousand and gold grades to the nearest 2nd decimal.*

As noted in the first quarter report, many gold mineralized intercepts, including much of the high grade material, were not included in the resource estimate due to wide drill spacing, averaging 50 meter centers, and lack of information on geological controls. Additional drilling is required to understand these geological controls and further upgrade the resource estimate.

Archangel includes the Kay Tanda epithermal gold-silver resource as well as several porphyry copper-gold prospects.

#### Acquisition of Remaining Equity in Batangas Projects

On July 2, 2008, the Company announced that, through its wholly owned subsidiary MRL Gold Phils., Inc., it had entered into a Letter of Intent with Egerton Gold Philippines, Inc. to acquire the remaining 49% direct and indirect interest in the company's Batangas Projects, located in southern Luzon, in exchange for eight million Common shares in the Company. The Company previously had the right to earn up to a 75% interest in the Batangas Projects and was vested at 51%. The acquisition will result in the Company acquiring an immediate 100% direct and indirect interest in the Batangas Projects. The final agreement was reached November 28, 2008, and regulatory approval was received subsequent to the period, in January 2009. See section **8. CAPITAL RESOURCES** below for specific details

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This agreement has opened the door for greater flexibility in structuring joint ventures. The Company has been in advanced joint venture discussions since early 2008 with several parties and has now entered into initial agreements with two joint venture partners noted below. Acquisition of the residual Egerton interest has freed up sufficient equity to attract these substantial joint venture partners, and to leave the Company with a significant equity position at the feasibility stage.

### Gold Fields Joint Venture

On September 3, 2008, the Company reported that a non binding letter agreement (the "Agreement") was signed with a member of the Gold Fields group of companies (see Section 8. CAPITAL RESOURCES below for specific details). The Company granted Gold Fields a 90 day due diligence period, which was subsequently extended to allow Gold Fields additional time to draft a complicated series of legal joint venture agreements. It is expected that the formal agreements will be concluded in the first quarter of 2009. During this period, the Company has granted Gold Fields exclusivity in relation to participation in these projects. Upon signing of the formal joint venture agreements, Gold Fields will reimburse the company for any expenditures made by the company on the subject properties after January 1, 2009. Gold Fields may earn up to a 75 percent interest in each of the three projects by sole funding exploration and a feasibility study on each project, subject to certain expenditure limits. The Company will retain a 25 percent interest at a production decision. Gold Fields will manage each project whilst it is farming into each project. Program planning is well advanced and expected to commence immediately upon signing of the joint venture agreements.

### Avocet Joint Venture

On September 24, 2008, the Company reported that a Memorandum of Understanding (the "MOU") was signed with Avocet Mining PLC ("Avocet"), a London-based AIM listed gold producer (see Section 8. CAPITAL RESOURCES below for specific details). Under the terms of the MOU, Avocet may earn up to a 75% economic interest in the Property from Mindoro's Philippine subsidiary, MRL Gold Phils, Inc., by funding all exploration on the Property until reaching a Decision to Mine. At Decision to Mine, Mindoro will receive a cash payment of four million dollars, a two percent net smelter royalty on identified ounces, and may participate at production with a 25 percent interest; Avocet and Mindoro would then be responsible for funding their share of capital and operating costs. Avocet will undertake a preliminary six month program, including a minimum 1,500 meters of diamond drilling, designed to complete a fast-tracked, but comprehensive evaluation of the Kay Tanda Project, with a view to making a decision to enter Pre-Feasibility and progress to Feasibility. The drilling program commenced in February, 2009.

### PAN DE AZUCAR PROJECT, PANAY ISLAND

On October 24, 2008, the Company extended its right to earn a 75 percent interest in the Pan de Azucar Project, Iloilo Province, Philippines. The immediate objective is to evaluate the Valderama massive pyritic sulphide prospect for its potential to provide feedstock pyrite for a stand-alone sulphuric acid producing plant to supply the Philippine fertilizer industry, as well as the growing nickel laterite processing operations in the Philippines. Sulphuric acid is the major cost-component (greater than 50 per cent) in the hydrometallurgical processing of nickel laterite. A cheap source of supply of sulphuric acid has the potential to enhance the economics and competitiveness of Mindoro's Agata North nickel laterite project.

Community relations activities are in progress, and in-house research on is being carried out on potential processing and economic scenarios.

## 5. RESULTS OF OPERATIONS

*For the three months ended December 31, 2008*

Interest revenue for the fourth quarter of 2008 was \$9,492 compared to interest revenue of \$73,198 for the fourth quarter of 2007. The Company had lower cash balances in the current quarter than the same period in 2007 when private placement financing activities were just completed.



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The net loss for the fourth quarter was \$1,623,253 compared to a net loss of \$490,420 in the fourth quarter of 2007.

Advertising and promotion expense for the fourth quarter of 2008 was \$40,133 compared to \$15,981 in the same quarter of 2007. The Company carried out more promotion work in the fourth quarter in both Canada and Europe. Conferences and trade shows expense was \$35,406 for the fourth quarter of 2008 compared to \$9,442 spent in the fourth quarter of 2007. In the fourth quarter, the Company attended national and international conferences and participated in Canadian investment forums. Investor relations consultants' fees for the fourth quarter in 2008 were \$28,899. The amount expended in the same quarter in 2007 was \$43,865. The services of two Europe-based investor relations consultants were suspended in the fourth quarter of 2008.

Consulting and professional fees expense of \$103,229 in the fourth quarter of 2008 compares to \$80,280 for the fourth quarter in 2007. Stock based compensation-employees expense was \$252,187 for the fourth quarter of 2008 compared to \$99,185 for the same quarter in 2007. The current quarter includes expense for two separate issues of employee stock options as compared to the same quarter in 2007 where the expense was for one issue of employee stock options. Travel expense for the fourth quarter of 2008 was \$30,695 compared to \$54,757 during the same quarter in 2007. The Company utilized the services of European representatives to attend several of the local area conferences.

### *For the year ended December 31, 2008*

Interest revenue for the year ended December 31, 2008, was \$103,490 compared to interest revenue of \$113,551 for the year ended December 31, 2007. Because of financing activities during 2007, the Company had higher cash balances compared to 2008. The net loss of \$3,245,327 for the year ended December 31, 2008 was higher than the net loss of \$2,109,569 for the year ended December 31, 2007. The Company recorded higher stock-based compensation-employees expense, consulting and professional fee expense, rent expense and salaries and benefits expense in 2008 compared to 2007. The Company also recorded a higher provision for future income tax expense for the year ended December 31, 2008 than the year ended December 31, 2007. However travel expense, advertising and promotion expense and printing expense were lower in 2008 than in 2007. Operations in 2008 continue to focus on exploration and the Company did not generate any operating revenue.

Advertising and promotion expense was \$139,548 for the year ended December 31, 2008 compared to \$227,096 for the year ended December 31, 2007. There was reduced use of outside advertising media and services in 2008 compared to 2007. Travel expense for the year ended December 31, 2008 in the amount of \$134,273 compares to \$261,079 for the year ended December 31, 2007 when more corporate and investor relations travel activities throughout the year were undertaken in North America, Europe and the Philippines. Printing expense in 2008 was \$12,647 compared to \$32,664 in 2007 resulting from a decrease in use of promotional and corporate materials.

Consulting and professional fees of \$202,967 for the year ended December 31, 2008 was higher than the total of \$138,379 for the year ended December 31, 2007. Consulting and professional fees in 2008 includes accounting fees for 2007 audit services billed after the 2007 year end audit in the amount of \$41,265.

Salaries & benefits expense was \$646,324 for the year ended December 31, 2008. This compares to \$566,757 in salaries and benefits expense for the year ended December 31, 2007. Additional corporate personnel were added and salary adjustments were processed in 2008.

Income tax expense for the year ended December 31, 2008 is \$812,073. This compares to an income tax recovery amount of \$3,804 for the year ended December 31, 2007.

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Stock based compensation expense for employees of \$738,927 for the year ended December 31, 2008, was higher than the year ended December 31, 2007 expense total of \$299,085 for 2007, when a smaller number of stock options had vested compared to 2008. The current year expense results from the stock based compensation associated with stock options issued in the second quarter of 2007 and in the third quarter of 2008. The 2007 options vest every six months for two years and the 2008 options vest every three months for one year. Stock-based compensation granted to employees, directors, officers and non-employees is accounted for using the fair value method. Compensation expense is amortized over the vesting period of the options, with a corresponding increase in contributed surplus. Any consideration paid on the exercise of stock options is credited to share capital. Contributed surplus recognized as a result of granting options will be credited to share capital when the options are exercised.

### 6. SUMMARY OF QUARTERLY RESULTS

Quarter Ending	Net Earnings (Loss)	Earnings (Loss) Per Share	Total Assets
December 31, 2008	\$(1,623,253)	\$(0.018)	\$22,864,941
September 30, 2008	(643,895)	(0.007)	23,293,711
June 30, 2008	(559,587)	(0.006)	23,536,194
March 31, 2008	(418,592)	(0.005)	24,484,053
December 31, 2007	(490,420)	(0.006)	24,627,244
September 30, 2007	(541,695)	(0.007)	23,987,219
June 30, 2007	(705,564)	(0.009)	17,039,659
March 31, 2007	(371,890)	(0.008)	14,579,772

The Company's quarterly results are not subject to seasonal trends.

### 7. FINANCIAL CONDITION & LIQUIDITY

The Company continues to rely on raising capital in order to fund its ongoing operations. As of December 31, 2008, the Company's cash position was \$1,387,898 down from \$6,673,559 as at December 31, 2007. During the year ended December 31, 2008 the Company received net proceeds of \$119,664 from the exercise of stock options.

Working capital at December 31, 2008, was \$1,112,132 as compared to \$5,844,031 at December 31, 2007.

Accounts receivable balance is \$49,627 as of December 31, 2008 down from \$57,062 as of December 31, 2007. Included in accounts receivable are input tax credits receivable of \$20,054, reimbursement receivable due from a potential joint venture partner for \$22,928 and sundry other amounts receivable. Prepaid expenses increased in the period to \$78,924 from \$40,100 at the end of 2007. This increase includes deposits for memberships, travel, an investor relations program and sundry other prepaid expenses. The property and equipment balance of \$354,601 has increased from the December 31, 2007 balance of \$286,717, pursuant to the Company's increased field programs in the Philippines. Accounts payable and accrued charges of \$404,317 as at December 31 2008 is lower than the balance of \$926,690 as at December 31, 2007, The reduction is the result of the April 2008 payment of \$500,000 to Panoro Minerals that was accrued at December 31, 2007.

In 2008 \$3,307,894 was spent on Investing Activities (\$7,241,445 in 2007) including \$3,162,780 spent on exploration activities (\$7,076,034 in 2007). The total amount of mineral properties and exploration expenditures as of December 31, 2008, was \$20,993,891 (\$17,569,806 as at December 31, 2007).

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### 8. CAPITAL RESOURCES

Some of the following commitments are denominated in Philippine Pesos ("PP"). At December 31, 2008, 39.0566PP = \$1CDN.

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

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

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

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

- (i) Phase one – incurring an aggregate amount of 20,000,000 PP in eligible mining expenditures allocated to the properties as defined in the MOA;
- (ii) Phase two – incurring an additional aggregate amount of 75,000,000 PP in eligible mining expenditures allocated to the properties as defined in the MOA; and
- (iii) Phase three – incurring an additional aggregate amount of 75,000,000 PP in eligible mining expenditures allocated to the properties as defined in the MOA;

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

Pan de Azucar - The Company is in Phase three of this project and was to have incurred 15,000,000 PP in eligible mining expenditures by January 4, 2004. Although the Company did not meet these requirements the Company negotiated an extension to the 2004 deadline. On October 28, 2008 an Amending Agreement to the January 1997 Memorandum of Agreement between the Company and Minimax Mineral Exploration Corporation was completed. The Amending Agreement extends the deadline for the Phase three expenditure requirement of 15,000,000 PP on the Pan de Azucar property to October 27, 2010. As consideration for the extension provided therein, the Company paid Minimax U.S. \$25,000 upon signing the Amending Agreement and will pay U.S.\$15,000 on the one year anniversary of the signing.

- (i) Mat-I - The Company is in Phase two of this project and must incur 15,000,000 PP in eligible mining expenditures to earn an additional 30% interest. These expenditures must be made within a two year period from the approval and execution of the Mineral Production Sharing Agreement ("MPSA") on this project. The MPSA on this project was filed in 1997 and has not yet been approved.
- (ii) Lahuy - The Company is in Phase one of this project and must incur 5,000,000 PP in eligible mining expenditures. There is currently more than one party claiming title to the mining claims over this property, and as such, the Company has not been able to obtain a MPSA or an exploration permit. The Company is of the opinion they will be able to successfully resolve this dispute. In keeping with Canadian GAAP to write-down projects dormant for three years or longer, however, \$102,136 in Lahuy assets were written off in 2005.

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As of December 31, 2008, the Company has met phase one expenditure requirements on all properties under this agreement; phase two expenditure requirements on Agata, Tapan, and Pan de Azucar properties; and phase three expenditure requirements on Agata and Tapan properties.

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

Pursuant to an agreement dated October 5, 2005, the Company's subsidiary, MRL Gold Phil's Inc., acquired an option to purchase an additional 15 percent direct and indirect participating interest (the Additional Interest Option) from Minimax in future mining reserves located in the Surigao Projects. Under the Additional Interest Option, after completion of a Bankable Feasibility Study but before commencing mining operations, MRL has the option to purchase an additional 15 percent interest from Minimax in each and any mining reserve located on the Surigao Projects.

Payment shall be equivalent to 0.75 percent of the gross value of each mining reserve, to a minimum of U.S. \$7.5 million. In addition MRL shall make initial cash payment of U.S. \$75,000, and, thereafter, make further payments of U.S. \$75,000 annually for 4 years. Beginning in year five to commencement of production, annual payments of U.S. \$125,000 will be made. A net smelter royalty of one percent against the additional 15 percent interest in mineral reserves shall also be payable to Minimax. MRL may, at any time, terminate the Additional Interest Option without penalty. In May 2006, the Company issued 75,000 Common shares to Minimax as consideration for granting the option with a total value of \$63,690.

### ***SURIGAO OPTION AGREEMENT: AGATA, MAT-I, AND TAPIAN PROJECTS***

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

- (i) \$350,000 during the first expenditure period;
- (ii) \$450,000 second expenditure period; and
- (iii) \$600,000 in each of the third and fourth expenditure periods.

Panoro was granted an additional interest option to earn 2.5 percent of the additional 10 percent interest in each of the Agata, Tapan and Mat-I properties by reimbursing the Company 25 percent of the costs incurred by the Company under the Interest Option at the time the option is exercised. As consideration for granting the additional interest option, Panoro is obligated to deliver to the Company 50,000 Common shares of the Company. These 50,000 Company shares were netted against the obligation to issue 100,000 Company shares to Minimax upon entering Phase three of the Tapan project. Thus, 50,000 net shares, previously recorded as Common shares issuable, were issued to Minimax during the second quarter of 2005.

If the phase expenditures on the properties are not met, the properties become excluded from the SOA. Panoro reached its earn-in threshold of \$2,000,000 in July 2006 and in October 2006 formally notified Mindoro that it was exercising its option pursuant to the SOA. The Mat-I property became an Excluded Property as a work program and budget were not approved during the required period for that project. The ownership interest in the Agata and Tapan properties was now Panoro 40 percent, Mindoro 35 percent, and Minimax 25 percent, and in the Mat-I property, Mindoro 75 percent and Minimax 25 percent.

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

- (i) Issue 100,000 Common shares to the vendor upon the approval of the exploration permit; On October 11, 2006, the Mines Department approved the exploration permit for this property and the requisite 100,000 Common shares were issued to the vendor in January 2007.
- (ii) Commence payment to the vendor of quarterly royalty advances of 50,000 PP per quarter three months following the approval of the exploration permit;
- (iii) Issue 250,000 Common shares to the vendor one year following the approval of the exploration permit, and
- (iv) Issue 500,000 Common shares to the vendor upon decision to commence commercial production.

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

On December 8, 2004, the Company entered into an Agreement to Explore, Develop and Operate Mineral Property ("the Bautista-Tapan Agreement") and acquired mineral exploration, development and production rights.

On signing the agreement, the Company paid a signing bonus of 1,500,000 PP to the vendor. The Company was also obligated to issue to the vendor 40,000 Common shares of the Company and 40,000 Common shares of Panoro on signing of the agreement. The Common shares were issued accordingly. The Company has the following additional obligations under the terms of the Bautista-Tapan Agreement:

- (i) Commence payment to the vendor of quarterly royalty advances of 150,000 PP per quarter on June 8, 2005;
- (ii) Issue 50,000 Company Common shares and 50,000 Panoro Common shares to the vendor on December 8, 2005 and these shares were issued accordingly;
- (iii) Issue 250,000 Company Common shares and 250,000 Panoro Common shares to the vendor at feasibility study stage on the property. The Company has not yet met the requirements to issue these shares; and
- (iv) Issue 250,000 Company Common shares and 250,000 Panoro Common shares to the vendor upon decision to commence commercial production on the property. The Company has not yet met the requirements to issue these shares.

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



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

- (i) Issue 62,500 Company Common shares upon registration of each EP. The Company has not yet met the requirements to issue these shares; and
- (ii) Issue 87,500 Company Common shares on the first anniversary of the registration of each EP. The Company has not yet met the requirements to issue these shares.
- (iii) Payment to the vendor of quarterly advance royalties in the amount of 88,000 PP and 87,000 PP commencing after registration of the Tibur and Macana EPs, respectively.

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

On March 14, 2007 the Company agreed to the purchase of Panoro's 40 percent interest in the Surigao projects previously earned by Panoro under the Surigao Option Agreement. The purchase and sale agreements received regulatory approval on April 10, 2007. Upon closing on that date, as consideration for the purchase of the interest, Mindoro paid Panoro \$750,000 cash plus 500,000 Mindoro Common shares and made a second payment on April 10, 2008 of \$500,000 cash plus 500,000 Mindoro Common shares. Furthermore, in the event that the nickel laterite prospect located on the Agata project should proceed to production and upon shipment of an aggregate one million tonnes of nickel laterite, Mindoro will pay Panoro \$500,000 cash plus an additional \$500,000 cash payment on the first anniversary of the shipment. Pursuant to the purchase of Panoro's interest, the Company will assume all of Panoro's obligations under the Surigao Option Agreement.

On February 6, 2008, MRL Gold Phils., Inc. signed a Memorandum of Agreement (MOA) with the Mamanwa and Manobo Tribes and the National Commission on Indigenous Peoples. The MOA will allow the people of the Mamanwa and Manobo Tribes to participate in the Company's future by granting a royalty of one percent of the gross output of any mining project. In addition to the royalty payments, Mindoro has committed to provide skills training, employment opportunities, educational scholarships, and medical and dental services. The MOA also ensures the preservation and development of the community's culture, traditions and institutions, and the protection of burial grounds and sacred places.

### ***EGERTON AGREEMENT: ARCHANGEL, LOBO AND BATANGAS REGIONAL PROJECTS***

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

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

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

Pursuant to the Agreement, the Company issued 500,000 Common shares to Egerton upon receipt of the related MPSA's on the properties during 2003. The Company met its phase one expenditure requirements in 2005 and has exercised its option to enter into phase two; 500,000 Common shares were issued to Egerton on November 7, 2005. Upon completion of phase two, the Company must issue an additional 500,000 Common shares to Egerton. At that point, Egerton will have the option to participate at 25 percent interest at production, or convert to a 2 percent gross smelter royalty. Pursuant to the terms of each MPSA, the Company is required to spend certain minimum amounts on eligible expenditures to maintain the MPSA in good standing. These minimum requirements have been met as at December 31, 2008.

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

In November 2008, Egerton agreed to waive the Phase Two performance requirements and the Company issued the requisite 500,000 common shares to Egerton and received an additional 24% indirect interest in the Batangas Projects, bringing the Company's total direct and indirect interest to 75%.

### Purchase of Egerton Interest and Option

On November 28, 2008, the Company entered into purchase and option agreements with the Egerton shareholders (the "Egerton Shareholder Agreements") whereby the Company may acquire 100% direct and indirect interest in Egerton, thereby indirectly acquiring the remaining 25% interest in the Batangas Projects. Under the Egerton Shareholder Agreements, the Company may:

- (i) Purchase 40% the outstanding capital stock of Egerton;
- (ii) Acquire the rights and interest in, and an irrevocable option to acquire, the remaining 60% of Egerton's outstanding capital stock;
- (iii) Acquire a non-interest bearing loan owed by Egerton to Egerton shareholders for advances in the amount of CDN\$571,968.

As compensation for the acquisitions under the Egerton Shareholder Agreements, and pursuant to receiving regulatory approval on January 15, 2009, the Company issued 7,500,000 Common shares to the Egerton shareholders. These shares are subject to a hold period with 1,500,000 shares restricted from trading for six months, two million shares restricted for 12 months, two million shares restricted for 18 months and two million shares restricted for 24 months. The Egerton shareholders will also receive a one time payment of U.S.\$1,000,000 at the start of production, applicable to the first deposit to start production only, and will be granted a one percent Net Smelter Royalty on all metals produced from the Batangas Projects.

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A non-binding letter agreement was signed September 1, 2008 with a member of the Gold Fields group of companies ("Gold Fields"), establishing the basic commercial framework whereby Gold Fields may earn up to a 75% interest in three of the Batangas properties: El Paso, Lobo and Talahib. From the date of signing, there is a 90 day period within which Gold Fields may complete its due diligence and have exclusivity in relation to participation in these projects. Should Gold Fields decide to continue beyond the 90 day period and agreements are completed, the earn-in terms include:

- (i) Gold Fields may earn a 51% interest in the El Paso project and the Lobo project by spending AU \$4,000,000 on the relevant project within sixty months of the earn-in period formally commencing;
- (ii) Gold Fields may earn a 51% interest in the Talahib project by spending AU \$2,000,000;
- (iii) Gold Fields must maintain a minimum annual expenditure commitment of AU \$350,000; and,
- (iv) Upon earning 51% interest, Gold Fields may elect to continue sole funding of a project. Completing a feasibility study or contributing a milestone amount of expenditure will earn Gold Fields a further 24% interest in the relevant project. The milestone amount for each of the El Paso and Lobo projects is AU \$16,000,000 and the milestone amount for the Talahib project is AU \$12,000,000. The milestone amounts are in addition to the expenditure amounts for the initial earn-in phase of 51%.

In November 2008, Gold Fields advised it was working on a draft of the formal joint venture agreement and the Company agreed to an extension of the terms under the letter agreement. The Company received a draft of the joint venture agreement for review in January 2009.

A Memorandum of Understanding ("MOU") was signed September 22, 2008 with Avocet Mining PLC ("Avocet"), an experienced gold mining company with expertise in the region, to advance and potentially co-develop Kay Tanda. This MOU establishes the basic commercial framework whereby Avocet can earn up to a 75% interest in the Archangel project. Pursuant to the terms of the MOU, Avocet has been granted a six month period in which to complete its due diligence and have exclusivity in relation to participation in the project. During the due diligence period, Avocet is also required to fund an initial drill program, consisting of a minimum 1,500 meters of diamond drilling. Should Avocet decide to continue beyond the six month period and agreements are completed, the earn-in terms of the MOA include:

- (i) Avocet may earn up to 75% economic interest and 75% equity interest by funding all exploration on the Archangel property until reaching a Decision to Mine. Avocet will initially undertake a drilling program in the first six months and complete a minimum of 1,500 meters of diamond drilling; and,
- (ii) At Decision to Mine, Avocet will pay the Company \$4,000,000 and a Net Smelter Royalty of 2% on identified ounces. The Company may also participate at production with a 25% interest and the two parties will then be responsible to fund their share of the capital and operating costs.

### ***MEDUSA AGREEMENT: APICAL GOLD PROJECT***

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



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- (i) In the case of lode deposits, commencing development and by producing the first 500 tonnes of ore, after which Mindoro and its Philippine partner have the option to contribute to ongoing expenditures, each retaining a 15% participating interest, or to reduce to a 3% Net Smelter Royalty ("NSR"), each retaining a 1.5% NSR;
- (ii) In the case of large, bulk tonnage deposits such as porphyry copper-gold deposits or disseminated or stockwork gold deposits, completing a Bankable Feasibility Study, after which Mindoro and its partner have the right to contribute to ongoing expenditures or dilute to a 3% NSR.

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

### ***DELTA EARTHMOVING AGREEMENT: AGATA SOUTH NICKEL-IRON LATERITE PROSPECT***

On March 7, 2008 the Company signed a Memorandum of Agreement and Mining Services Agreement (collectively, "the Agreements") with Delta Earthmoving Inc.. Under the terms of the Agreements, Delta will, at its sole cost and risk, carry out exploration over a target area of 1,800 hectares on the Agata South Nickel-Iron Laterite Prospect and may select an area of up to 250 hectares to advance to production. Delta will finance all exploration and, if warranted, mine development and production costs, as well as market the product. Delta will receive U.S. \$10.50 per wet metric tonne mining cost and 55 percent of net profits. Mindoro Resources Ltd. and its partner Minimax will receive 45 percent of net profits (Mindoro Resources Ltd. 75% and Minimax 25%). Although Delta was required to select the final 250 hectares within six months of signing the agreement, the Company has informally agreed to an indefinite extension of the Agreements.

## **9. TRANSACTIONS WITH RELATED PARTIES**

- (i) Ascenta Capital received \$15,000 for investor relations services and \$6,561 for advertising and promotions expenses; a director of the Company, who resigned in March 2008, is a principal of Ascenta Capital. MacPherson Leslie & Tyerman, LLP received \$17,018 for corporate legal counsel; a director of the Company is counsel to the law firm. Virtus Group, LLP was paid \$400 for corporate employee benefits consulting; a director of the Company is a partner in Virtus Group, LLP.
- (ii) Directors of the Company were reimbursed for travel expenses amounting to \$21,597.
- (iii) An officer of the Company was compensated for management consulting services in the amount of \$44,466.
- (iv) Mineral properties and exploration costs include \$10,752 paid to a director during the year for consulting work and expenses on the properties and \$78,500 paid to MacPherson Leslie & Tyerman, LLP for legal work in connection with the properties.
- (v) A director of the Company was paid \$1,694 during the year for consulting services to the Company's subsidiary, MRL Gold Phils Inc.. A total of \$3,203 has been paid to a law firm by the subsidiary for consulting services and is included in mineral and exploration costs. An officer of the subsidiary who resigned during the year is a founding partner with the law firm.
- (vi) Three officers and two directors of the Company and the Company's subsidiary exercised a total of 505,000 stock options in February 2008 and March 2008. A director of the Company who resigned in March 2008 from the board of directors of the Company exercised 50,000 stock options in April 2008. In July 2008, three officers of the Company were granted 1,000,000 stock options and five directors were granted 950,000 stock options.

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### 10. CAPITAL STRUCTURE

Authorized:

Unlimited number of Common shares

Unlimited number of Preferred shares

<b>Issued - Common shares</b>	<b>Number</b>
Balance, December 31, 2007	89,202,405
Issued on exercise of purchase warrants	-
Issued pursuant to private placements	-
Issued upon exercise of stock options (a)	555,000
Issued for mining properties (b)	1,000,000
<b>Balance, December 31, 2008</b>	<b>90,757,405</b>
<b>Common share purchase warrants</b>	
Balance, December 31, 2007	20,846,941
Issued on exercise of agent's warrants	-
Issued pursuant to private placements	-
Warrants exercised	-
Warrants expired	(2,232,407)
<b>Balance, December 31, 2008</b>	<b>18,614,534</b>
<b>Stock options</b>	
Balance, December 31, 2007	5,887,000
Issued	2,745,000
Exercised (a)	(555,000)
Forfeited/expired (c)	(931,500)
<b>Balance, December 31, 2008</b>	<b>7,145,500</b>

- (a) Pursuant to the exercise of stock options, the Company issued 555,000 Common shares for net proceeds of \$119,664. A total of 250,000 stock options with an exercise price of \$0.28, 50,000 stock options with an exercise price of \$0.23 and 255,000 stock options with an exercise price of \$0.15 were exercised during the period. Proceeds after regulatory fees amounted to \$118,914. Stock-based compensation costs amounting to \$99,700 were re-classified to share capital upon exercise of these options.
- (b) Pursuant to an agreement with Panoro Minerals Ltd. ("Panoro") to purchase the forty percent interest in the Surigao projects previously earned by Panoro under the Surigao Option agreement, the payment due on the first anniversary of the April, 2007 closing of \$500,000 cash and the issue of 500,000 common shares in the Company were completed April 10, 2008. Under an original October 2000 agreement with Egerton Gold Philippines Inc. the Company had earned a fifty-one percent direct and indirect interest in the Batangas Projects and had the right to acquire an additional twenty-four percent indirect interest by taking any one deposit to feasibility and issuing 500,000 Common shares to Egerton or its assignees. Egerton agreed to waive the feasibility requirement and the Company issued the requisite 500,000 common shares in November 2008, bringing the Company's total direct and indirect interest to seventy-five percent.
- (c) A total of 931,500 stock options were cancelled due to forfeiture or expiration during the period, including: 15,000 options with an exercise price of \$0.23; 70,000 options with an exercise price of \$0.29; 300,000 options with an exercise price of \$0.60; 274,000 options with an exercise price of \$0.84; and 272,500 options with an exercise price of \$0.96.



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The following table summarizes information about Common share purchase warrants outstanding and exercisable as at December 31, 2008:

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
105,000	\$0.70	Jan-09
2,392,500	\$0.15	May-09
208,756	\$0.70	May-09
2,037,561	\$1.25	May-09
388,717	\$0.60	Sep-09
13,482,000	\$1.10	Sep-09
<b>18,614,534</b>		

The following table summarizes the information about stock options outstanding at December 31, 2008:

<b>Range of Exercise Prices</b>	<b>Number Outstanding</b>	<b>Weighted Average Contractual Life (Years)</b>	<b>Weighted Average Exercise Price</b>
\$0.10 to \$0.14	50,000	4.83	\$0.13
\$0.15 to \$0.23	50,000	0.73	\$0.23
\$0.24 to \$0.36	3,830,000	3.90	\$0.30
\$0.37 to \$0.56	150,000	1.76	\$0.48
\$0.57 to \$0.80	300,000	2.64	\$0.60
\$0.81 to \$1.00	2,765,500	2.91	\$0.88
<b>Total</b>	<b>7,145,500</b>	<b>3.41</b>	<b>\$0.54</b>

*Share Data as of April 20, 2009*

A total of 101,362,638 Common shares were issued and outstanding as of April 20, 2009. The Company had a total of 21,737,467 purchase warrants and 7,073,811 stock options outstanding as of April 20, 2009.

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### 11. SCHEDULE OF DEFERRED EXPLORATION EXPENDITURES

	For the Year Ended December 31, 2008			For the Year Ended December 31, 2007		
	Lobo	Archangel	Regional	Lobo	Archangel	Regional
<b>BATANGAS PROJECTS</b>						
General Exploration	29,832	180,325	319,589	22,084	763,059	64,759
Camp, Road Construction	-	687	3,259	-	40,306	1,147
Travel	1,429	4,644	21,328	249	60,205	57,301
Geology, Geophysics	1,013	16,407	8,305	-	351,450	328,852
Drilling	-	36,926	-	4,284	1,853,663	832,600
Mapping, Sampling	1,167	100	13,092	523	34,330	64,679
Acquisition Costs	35,357	11,795	117,406	-	25,534	7,353
Community, Environmental	2,785	12,443	40,009	5,139	88,703	66,440
<b>Total additions</b>	<b>\$ 71,583</b>	<b>263,327</b>	<b>522,988</b>	<b>\$ 32,279</b>	<b>3,217,250</b>	<b>1,423,131</b>
<b>SURIGAO PROJECTS</b>						
	<b>Agata</b>	<b>Tapian</b>		<b>Agata</b>	<b>Tapian</b>	
General Exploration	1,231,006	202,312		688,188	352,040	
Camp, Road Construction	9,585	1,943		7,290	26,875	
Travel	65,060	11,183		69,972	37,639	
Geology, Geophysics	206,049	16,671		97,361	58,319	
Drilling	298,446	7,529		366,556	104,447	
Mapping, Sampling	25,960	1,836		11,390	5,751	
Acquisition Costs	9,505	88,895		622,603	668,355	
Community, Environmental	146,755	34,999		97,230	17,990	
Development Costs	132,446	-		-	-	
<b>Total additions</b>	<b>\$ 2,124,812</b>	<b>365,368</b>		<b>\$ 1,960,590</b>	<b>1,271,416</b>	
<b>OTHER PROJECTS</b>						
	<b>Pan de Azucar</b>	<b>Mat-I</b>		<b>Pan de Azucar</b>	<b>Mat-I</b>	
General Exploration	9,709	-		2,936	603	
Acquisition Costs	31,454	-		-	-	
<b>Total additions</b>	<b>\$ 41,163</b>	<b>-</b>		<b>\$ 2,936</b>	<b>603</b>	

### 12. FINANCIAL INSTRUMENTS

#### Fair value

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to the short term nature of these instruments.

#### Risk management

The Company may be exposed to risks of varying degrees associated with its financial instruments. The Company has not used derivative instruments, nor has it designated any hedging relationships to manage these risks. There has been no change to how the Company manages each of the below risks from the prior period. The principal risks to which the company is exposed are described below.

#### *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.

## Management's Discussion and Analysis

Year Ended December 31, 2008



MINDORO  
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The Company had approximately \$1.4 million in cash and cash equivalents at December 31, 2008, on which it earns variable rates of interest, and is therefore subject to a certain amount of interest rate risk, deemed to be immaterial by management of the Company.

### *Credit risk*

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

The majority of the Company's cash and cash equivalents are held with major financial institutions in Canada and the Philippines. A significant portion of the Company's Canadian accounts receivable is owing from the Canadian and other governments for the reimbursement of sales taxes. The resulting credit risk exposure is deemed to be immaterial by management of the Company.

### *Foreign currency risk*

Foreign currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates.

The Company's functional and reporting currency is the Canadian dollar. Foreign operations are conducted in the Philippines and operating expenditures are primarily made in Philippine Pesos. There is immaterial exposure to exchange rate fluctuations in the Peso as the financial assets and liabilities of this subsidiary are not material to the operations of the Company.

### *Liquidity risk*

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due.

The Company's working capital, (current assets less current liabilities), at December 31, 2008 is \$1.096 Million. The Company manages liquidity risk through management of its capital as disclosed in Section 13. As disclosed in Section 3, the continuing operations of the Company are dependent upon its ability to obtain adequate financing and to commence profitable operations in the future. The Company may have to seek additional debt or equity financing, and there can be no assurance that such financing will be available on terms acceptable to the Company.

## **13. CAPITAL DISCLOSURE**

The Company's objectives in managing its capital are to maintain adequate levels of funding to support its operations; to perform diverse mineral exploration activities on its exploration projects; and to seek out and acquire new projects of merit. In order to maintain or adjust its capital, the Company, upon approval from its Board of Directors, may undertake a private placement or any other activity deemed appropriate under the specific circumstances. The Board of Directors of the Company reviews and approves any material transactions out of the ordinary course of business, including proposals on joint ventures, acquisitions or other major investments or divestitures, as well as capital and operating budgets. There can be no assurance that the Company will be able to obtain sufficient capital in the case of operating cash deficits.

The Company may, from time to time, invest in short-term and liquid financial instruments held with major financial institutions, or in marketable securities. The Company does not maintain a formal investing strategy. The Company has no externally imposed capital requirements.

The Company's capital consists of the items included in shareholders' equity.

## Management's Discussion and Analysis

Year Ended December 31, 2008



MINDORO  
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### 14. EVENTS SUBSEQUENT TO DECEMBER 31, 2008

On January 13, 2009 the Company issued 100,000 directors' stock options to a newly appointed director of the Company. One half of the options vests after six months and the second half vests one year from date of issue. The fair value of these stock options is \$14,584.

Pursuant to a private placement announced on January 14, 2009, the Company closed the placement February 13, 2009 and issued 3,105,233 units at a price of \$0.15 per unit for gross proceeds of \$465,785. Each unit consists of one Common share and one common share purchase warrant. Each warrant allows the holder to purchase one additional Common share at a price of \$0.30 for a period of two years from the close of the offering. The Company paid finders fees of \$18,405 and 122,700 agent's warrants in connection with the investment. Each agent's warrant is exercisable into one common share at a price of \$0.18 for two years. The Common shares issued, including any shares issued pursuant to the exercise of Purchase Warrants or Agent's Warrants, are subject to a four month hold period. Proceeds from the placement will be used for drilling the Company's American Tunnels gold and copper-gold prospect in the Philippines, and for general working capital. The fair value of the purchase warrants issued is \$255,333 and the fair value of the agents' warrants is \$12,173.

On January 15, 2009 the Company received regulatory approval for the issue of 7,500,000 Common shares pursuant to agreements with Egerton Gold Philippines Inc. ("Egerton") whereby the Company acquired the remaining twenty five percent indirect interest in the Batangas projects through the acquisition of one hundred percent direct and indirect ownership of Egerton. The Common shares are subject to hold periods with 1,500,000 shares restricted from trading for six months, two million restricted for 12 months, two million restricted for 18 months and two million restricted for 24 months. Egerton is also entitled to receive a one time payment of \$US one million at the start of production, only applicable to the first deposit to start production and will be granted a one percent net smelter royalty on all metals produced from the Batangas projects.

On March 17, 2009 the Company received regulatory approval to amend the price of 2,037,561 common share purchase warrants, due to expire on May 29, 2009 at an exercise price of \$1.25 per share. These warrants were issued pursuant to a private placement of 4,075,122 shares which was accepted for filing by the TSX Venture Exchange on June 7, 2007. The exercise price of the warrants has been amended to \$0.15 per share. The fair value of the amended purchase warrants is \$69,236.

### 15. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (A) MINERAL PROPERTIES AND EXPLORATION COSTS

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

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

## Management's Discussion and Analysis

Year Ended December 31, 2008



MINDORO  
RESOURCES LTD

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

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

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

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

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

### **(B) STOCK-BASED COMPENSATION**

The company has a stock option plan as described in note 8.

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

### **(C) FOREIGN CURRENCY TRANSLATION**

The Company follows the temporal method when translating foreign currency transactions and the financial statements of its integrated subsidiary. Under this method, foreign currency denominated assets and liabilities are translated at the exchange rate prevailing at the balance sheet date for monetary items and at the transaction date for non-monetary items. Revenues and expenses are translated at average exchange rates for the year. Exchange gains or losses on translation of current and non-current monetary items are included in the determination of the loss for the period.

### **(D) ADOPTION OF NEW ACCOUNTING STANDARDS**

Commencing January 1, 2008, the Company adopted new accounting standards as issued by the Canadian Institute of Chartered Accountants (CICA) for Capital Disclosures, Financial Instrument-Disclosures and Financial Instruments-Presentation. The Company also adopted the Emerging Issues Committee abstract on Mining Exploration costs, which was issued on March 27, 2009.

#### **Capital Disclosures (Section 1535)**

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such noncompliance. The Company has provided the required disclosures in Note 15.



### **Financial Instruments – Disclosure (Section 3862)**

This standard requires entities to provide disclosures that enable users to evaluate the significance of financial instruments for an entity's financial position and performance and the nature and extent of risks from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The Company has provided the required disclosures in Note 14.

### **Financial Instruments – Presentation (Section 3863)**

This standard establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, gains and losses, and the circumstances in which financial assets and liabilities are offset. The adoption of this standard did not have a material impact on the presentation of financial instruments in the Company's consolidated financial statements.

### **Mining Exploration Costs – (EIC-174)**

This abstract provides guidance on when exploration costs related to mining properties may be capitalized, and when impairment should be assessed to determine whether a write-down is required. The adoption of this guidance did not have a material impact on the presentation of mineral properties and exploration costs in the Company's consolidated financial statements.

## **(E) FUTURE ACCOUNTING CHANGES**

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian public companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period from 2006 to 2011. In February, 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time. As this assessment is finalized, the Company intends to disclose such impacts in its future consolidated financial statements. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the applicable IFRS standards at the conversion date are known.

Section 3064, Goodwill and Intangible Assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The standard is effective for interim and annual financial statements beginning January 1, 2009. The Company does not expect the adoption of this Section to have a significant effect on its financial statements.



## Management's Discussion and Analysis

Year Ended December 31, 2008



MINDORO  
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In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations (“Section 1582”), 1601 – Consolidated Financial Statements (“Section 1601”) and 1602 – Non-controlling Interests (“Section 1602”) which replaces CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards (“IFRS”). Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time. The Company is assessing the impact of the new standards on its future reporting periods.

### 16. INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company’s reporting no later than in the first quarter of 2011, with restatement of comparative information presented. The conversion to IFRS will impact the Company’s accounting policies, information technology and data systems, internal controls over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency activities, certain contractual arrangements, capital requirements and compensation arrangements.

During the fourth quarter of 2008, the Company commenced the scoping and planning phase of its changeover plan. The Company has designated the appropriate resources to the project to develop an effective plan and will continue to assess resource and training requirements as the project progresses. The Company has identified the following four phases of its conversion plan: scoping and planning, detailed assessment, operations implementation and post implementation. The scoping and planning phase involves establishing a project management team, mobilizing organizational support for the conversion plan, obtaining stakeholder support for the project, identifying major areas affected and developing a project charter, implementation plan and communication strategy. The Company has substantially completed the scoping and planning phase. The detailed assessment phase (“phase 2”) will result in accounting policies and transitional exemptions decisions, quantification of financial statement impact, preparation of shell financial statements and identification of business processes and resources impacted. The operations implementation phase (“phase 3”) includes the design of business, reporting and system processes to support the compilation of IFRS compliant financial data for the opening balance sheet at January 1, 2010, fiscal 2010 and thereafter. Phase 3 also includes ongoing training, testing of the internal control environment and updated processes for disclosure controls and procedures. Post implementation (“phase 4”) will include sustainable IFRS compliant financial data and processes for fiscal 2011 and beyond. The Company will continue to monitor changes in IFRS throughout the duration the implementation process and assess their impacts on the organization and its reporting.



# MINDORO

RESOURCES LTD

## Management's Report

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

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

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

April 20, 2009

(signed) "James A. Climie"

Chief Executive Officer  
Edmonton, Alberta

(signed) "Eugene D. Zarowny"

Chief Financial Officer  
Edmonton, Alberta



**KPMG LLP**  
**Chartered Accountants**  
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Canada

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Fax (780) 429-7379  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Mindoro Resources Ltd. as at December 31, 2008 and 2007 and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Edmonton, Canada

April 20, 2009



**MINDORO**  
RESOURCES LTD

# Consolidated Balance Sheets

	December 31, 2008	December 31, 2007
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 1,387,898	\$ 6,673,559
Accounts receivable (Note 3)	49,627	57,062
Prepaid expenses and other assets	78,924	40,100
	<b>1,516,449</b>	6,770,721
MINERAL PROPERTIES AND EXPLORATION COSTS (Note 4)	20,993,891	17,569,806
PROPERTY AND EQUIPMENT (Note 5)	354,601	286,717
	<b>\$ 22,864,941</b>	<b>\$ 24,627,244</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 404,317	\$ 926,690
ACCRUED BENEFIT OBLIGATION (Note 6)	128,984	83,363
FUTURE INCOME TAXES (Note 7)	811,864	-
	<b>1,345,165</b>	1,010,053
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 8)	31,273,311	30,557,914
Share obligation (Note 4)	-	375,000
Contributed surplus (Note 9)	6,835,341	6,027,826
Deficit	(16,588,876)	(13,343,549)
	<b>21,519,776</b>	23,617,191
	<b>\$ 22,864,941</b>	<b>\$ 24,627,244</b>

COMMITMENTS (Note 12)  
SUBSEQUENT EVENTS (Note 16)

Approved by the Board,

(signed) "Doug A. Frondall" \_\_\_\_\_, Director

(signed) "A. Robson Garden" \_\_\_\_\_, Director



MINDORO  
RESOURCES LTD

Consolidated Statements of Loss,  
Comprehensive Loss and Deficit

Year Ended December 31,

2008

2007

REVENUE

Interest	\$ 103,490	\$ 113,551
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EXPENSES

Administration	20,010	29,086
Advertising and promotion	139,548	227,096
Communications	36,369	31,635
Conferences and trade shows	79,120	66,531
Consulting and professional fees	202,967	138,379
Investor relations consultants	164,623	179,078
Listing fees and shareholder communications	34,973	38,571
Office, postage and sundry	90,544	72,863
Printing	12,647	32,664
Rent	88,845	55,422
Salaries and benefits	646,324	566,757
Stock based compensation - employees	738,927	299,085
Stock based compensation - consultants	28,766	41,657
Travel	134,273	261,079
Foreign exchange loss (gain)	41,578	123,568
Depreciation and amortization	67,424	36,215

	2,526,938	2,199,686
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Loss before other items	(2,423,448)	(2,086,135)
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Other items

Loss on disposal of property and equipment	(9,806)	(2,330)
Write down of mineral properties and exploration costs	-	(24,908)

	(2,433,254)	(2,113,373)
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Income tax (expense) recovery (Note 7)	(812,073)	3,804
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Net loss and comprehensive loss	(3,245,327)	(2,109,569)
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Deficit, beginning of year	(13,343,549)	(11,233,980)
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Deficit, end of year	\$ (16,588,876)	\$ (13,343,549)
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Basic and diluted loss per share - basic and diluted	\$ (0.04)	\$ (0.03)
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Weighted average shares outstanding	90,082,432	77,112,692
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# Consolidated Statements of Cash Flows

Year Ended December 31,

2008

2007

## NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES

### OPERATING

Net loss	\$ (3,245,327)	\$ (2,109,569)
Items not affecting cash		
Stock-based compensation - employees	738,927	299,085
Stock-based compensation - consultants	28,766	41,657
Depreciation and amortization	67,424	36,215
Future income tax expense	811,864	-
Accrued benefit obligation	45,621	43,399
Loss on disposal of property and equipment	9,806	2,330
Write down of mineral properties and exploration costs	-	24,908
Changes in non-cash working capital (Note 10)	(553,762)	414,098
	<b>(2,096,681)</b>	<b>(1,247,877)</b>

### INVESTING

Expenditures on mineral properties and exploration costs	(3,162,780)	(7,076,034)
Acquisition of property and equipment	(145,114)	(165,411)
	<b>(3,307,894)</b>	<b>(7,241,445)</b>

### FINANCING

Issue of share capital, net of issuance costs	118,914	11,560,702
	<b>118,914</b>	<b>11,560,702</b>

DECREASE IN CASH AND CASH EQUIVALENTS (5,285,661) 3,071,380

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 6,673,559 3,602,179

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 1,387,898 \$ 6,673,559

### Non Cash Investing/Financing Activities

Common shares issued for mineral properties	165,000	427,500
Stock-based compensation - mineral properties	96,305	50,163
Common shares obligation for mineral properties	-	375,000
Supplemental cash flow information		
Interest received	103,490	96,880
Income taxes paid (recovered)	209	(3,804)

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2008 and 2007



**MINDORO**  
RESOURCES LTD

### 1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

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

The Company has experienced a decline in its share price during the year, along with capital markets in general. This decline has caused management to reconsider original plans to pursue additional sources of funding through equity offerings. Management's amended plans include continuing to pursue additional sources of financing through the exercise of outstanding warrants, seeking joint venture partners to fund exploration, reducing exploration activity and reducing overhead costs. As disclosed in note 16, on February 13, 2009, the Company closed a private placement for gross proceeds of \$465,785. As a result of these actions, management expects that the Company will have sufficient capital to fund operations and keep its mineral properties in good standing for the upcoming fiscal year.

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (A) PRINCIPLES OF CONSOLIDATION

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

#### (B) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks, on hand and cash deposited in term deposits, with original terms to maturity of less than 90 days.

#### (C) MINERAL PROPERTIES AND EXPLORATION COSTS

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

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2008 and 2007



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

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

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

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

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

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

### **(D) PROPERTY AND EQUIPMENT**

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

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

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of its carrying amount to its estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds its fair value. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

### **(E) STOCK-BASED COMPENSATION**

The company has a stock option plan as described in note 8.



## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2008 and 2007



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

### **(F) INCOME TAXES**

Income taxes are accounted for using the liability method of income tax allocation. Under the liability method, income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from temporary differences between the carrying values of balance sheet items and their corresponding tax bases. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determined based on the enacted or substantively enacted tax laws and rates that are anticipated to apply in the period of realization. The effect on future income tax assets and liabilities from a change in tax rates is recognized in the period of enactment or substantive enactment.

### **(G) PER SHARE AMOUNTS**

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

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

### **(H) MEASUREMENT UNCERTAINTY**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Significant estimates made by management include assessing the recoverability of mineral properties and exploration costs, property and equipment, stock-based compensation, future income tax and employee future benefits. Actual results could differ from those estimates.

### **(I) FOREIGN CURRENCY TRANSLATION**

The Company follows the temporal method when translating foreign currency transactions and the financial statements of its integrated subsidiary. Under this method, foreign currency denominated assets and liabilities are translated at the exchange rate prevailing at the balance sheet date for monetary items and at the transaction date for non-monetary items. Revenues and expenses are translated at average exchange rates for the year. Exchange gains or losses on translation of current and non-current monetary items are included in the determination of the loss for the period.

### **(J) EMPLOYEE FUTURE BENEFITS**

The Company's wholly-owned subsidiary, MRL Gold Phils., Inc., has an unfunded, defined benefit retirement plan covering the retirement, separation, death and disability benefits of all its eligible employees. The Company has adopted the following policies:

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2008 and 2007



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- i. The cost of the accrued benefit obligations for pensions earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages and other actuarial factors.
- ii. Past service costs from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.
- iii. Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains (losses) over 10 percent of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.
- iv. When a restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

### (K) FINANCIAL INSTRUMENTS

The Company classifies its financial instruments into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets and other financial liabilities as outlined below:

<b>Financial instrument classification</b>	<b>As classified by the Company</b>	<b>Initial and subsequent measurement</b>
Assets or liabilities held for trading	Cash and cash equivalents	Fair value; realized and unrealized gains and losses recognized in net income
Loans and receivables	Accounts receivable	Initially recorded at fair value and measured subsequently at amortized cost using the effective interest rate method
Other financial liabilities	Accounts payable and accrued liabilities	Initially recorded at fair value and measured subsequently at amortized cost using the effective interest rate method

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair value represents a point-in-time measurement that may change in subsequent reporting periods due to market conditions or other factors.

The trade date is used to account for regular way purchase or sale contracts.

Transaction costs relating to financial assets and liabilities classified as other than held-for-trading are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the instrument using the effective interest method. The effective interest method calculates the amortized cost of a financial asset or liability and allocates the interest income or expense over the term of the financial asset or liability using an effective interest rate.

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Derivative financial instruments, including non-financial derivatives, are classified as held-for-trading and measured at fair value unless designated as hedging instruments or exempted from derivative treatment as a normal purchase or sale. Certain derivatives embedded in other contracts, are separated from the host contract and measured at fair value when the risks and characteristics are not closely related to the host contract and the host contract is not recorded at fair value. As at December 31, 2008 and 2007, the Company is not party to any material derivative instruments or embedded derivatives, nor has it designated any hedging relationships.

### **(L) ADOPTION OF NEW ACCOUNTING STANDARDS**

Commencing January 1, 2008, the Company adopted new accounting standards as issued by the Canadian Institute of Chartered Accountants (CICA) for Capital Disclosures, Financial Instrument-Disclosures and Financial Instruments-Presentation. The Company also adopted the Emerging Issues Committee abstract on Mining Exploration costs, which was issued on March 27, 2009.

#### **Capital Disclosures (Section 1535)**

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such noncompliance. The Company has provided the required disclosures in Note 15.

#### **Financial Instruments – Disclosure (Section 3862)**

This standard requires entities to provide disclosures that enable users to evaluate the significance of financial instruments for an entity's financial position and performance and the nature and extent of risks from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The Company has provided the required disclosures in Note 14.

#### **Financial Instruments – Presentation (Section 3863)**

This standard establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, gains and losses, and the circumstances in which financial assets and liabilities are offset. The adoption of this standard did not have a material impact on the presentation of financial instruments in the Company's consolidated financial statements.

#### **Mining Exploration Costs – (EIC-174)**

This abstract provides guidance on when exploration costs related to mining properties may be capitalized, and when impairment should be assessed to determine whether a write-down is required. The adoption of this guidance did not have a material impact on the presentation of mineral properties and exploration costs in the Company's consolidated financial statements.

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### (M) FUTURE ACCOUNTING CHANGES

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian public companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (“IFRS”) over a transition period from 2006 to 2011. In February, 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time. As this assessment is finalized, the Company intends to disclose such impacts in its future consolidated financial statements. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company’s consolidated financial statements will only be measured once all the applicable IFRS standards at the conversion date are known.

Section 3064, Goodwill and Intangible Assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The standard is effective for interim and annual financial statements beginning January 1, 2009. The Company does not expect the adoption of this Section to have a significant effect on its financial statements.

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations (“Section 1582”), 1601 – Consolidated Financial Statements (“Section 1601”) and 1602 – Non-controlling Interests (“Section 1602”) which replaces CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards (“IFRS”). Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time. The Company is assessing the impact of the new standards on its future reporting periods.

### 3. ACCOUNTS RECEIVABLE

Accounts receivable includes input tax credits receivable of \$20,054 and reimbursement receivable due from a potential joint venture partner for \$22,928 and sundry other amounts receivable.

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### 4. MINERAL PROPERTIES AND EXPLORATION COSTS

<b>Project</b>	<b>Balance</b>		<b>Balance</b>		<b>Balance</b>
	<b>December 31,</b>	<b>Expenditures</b>	<b>December 31,</b>	<b>Expenditures</b>	<b>December 31,</b>
	<b>2006</b>		<b>2007</b>		<b>2008</b>
Agata	\$ 1,390,205	\$ 1,960,590	\$ 3,350,795	\$ 2,124,812	\$ 5,475,607
Tapian	894,500	1,271,416	2,165,916	365,368	2,531,284
Mat-I	68,938	603	69,541	-	69,541
Pan de Azucar	617,219	2,936	620,155	41,163	661,318
Batangas	665,675	1,423,131	2,088,806	522,988	2,611,794
Lobo	2,473,242	32,279	2,505,521	71,583	2,577,104
Archangel	3,410,406	3,217,250	6,627,656	263,327	6,890,983
Laos	24,907	(24,907)	-	-	-
	9,545,092	7,883,298	17,428,390	3,389,241	20,817,631
Royalty Deposits	120,925	20,491	141,416	34,844	176,260
	\$ 9,666,017	\$ 7,903,789	\$ 17,569,806	\$ 3,424,085	\$ 20,993,891

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

The following summarizes the significant contracts entered into by the Company in connection with the various exploration projects. Some of the commitments are denominated in Philippine Pesos ("PP"):

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

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

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

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

- i. Phase one – incurring an aggregate amount of 20 million PP in eligible mining expenditures allocated to the properties as defined in the MOA;
- ii. Phase two – incurring an additional aggregate amount of 75 million PP in eligible mining expenditures allocated to the properties as defined in the MOA; and
- iii. Phase three – incurring an additional aggregate amount of 75 million PP in eligible mining expenditures allocated to the properties as defined in the MOA;

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

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- i. Pan de Azucar - The Company is in Phase three of this project and was to have incurred 15,000,000 PP in eligible mining expenditures by January 4, 2004. Although the Company did not meet these requirements the Company negotiated an extension to the 2004 deadline. On October 28, 2008 an Amending Agreement to the January 1997 Memorandum of Agreement between the Company and Minimax Mineral Exploration Corporation (Minimax) was completed. The Amending Agreement extends the deadline for the Phase three expenditure requirement of 15,000,000 PP on the Pan de Azucar property to October 27, 2010. As consideration for the extension provided therein, the Company paid Minimax U.S.\$25,000 upon signing the Amending Agreement and will pay U.S.\$15,000 on the one year anniversary of the signing.
- ii. Mat-I - The Company is in Phase two of this project and must incur 15,000,000 PP in eligible mining expenditures to earn an additional 30 percent interest. These expenditures must be made within a two year period from the approval and execution of the Mineral Production Sharing Agreement ("MPSA") on this project. The MPSA on this project was filed in 1997 and has not yet been approved.
- iii. Lahuy - The Company is in Phase one of this project and must incur 5,000,000 PP in eligible mining expenditures. There is currently more than one party claiming title to the mining claims over this property, and as such, the Company has not been able to obtain a MPSA or an exploration permit. The Company is of the opinion they will be able to successfully resolve this dispute. However, in keeping with Canadian GAAP to write-down projects dormant for three years or longer, \$102,136 in Lahuy assets were written off in 2005.

As of December 31, 2008, the Company has met phase one expenditure requirements on all properties under this agreement; phase two expenditure requirements on Agata, Tapian, and Pan de Azucar properties; and phase three expenditure requirements on Agata and Tapian properties.

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

Pursuant to an agreement dated October 5, 2005, the Company's subsidiary, MRL Gold Phils., Inc., acquired an option to purchase an additional 15 percent direct and indirect participating interest (the Additional Interest Option) from Minimax in future mining reserves located in the Surigao Projects. Under the Additional Interest Option, after completion of a Bankable Feasibility Study but before commencing mining operations, MRL has the option to purchase an additional 15 percent interest from Minimax in each and any mining reserve located on the Surigao Projects.

Payment shall be equivalent to 0.75 percent of the gross value of each mining reserve, to a minimum of US \$7.5 million. In addition MRL shall make initial cash payment of US \$75,000, and, thereafter, make further payments of US \$75,000 annually for 4 years. Beginning in year five to commencement of production, annual payments of US \$125,000 will be made. A net smelter royalty of one percent against the additional 15 percent interest in mineral reserves shall also be payable to Minimax. MRL may, at any time, terminate the Additional Interest Option without penalty. In May 2006, the Company issued 75,000 Common shares to Minimax as consideration for granting the option with a total value of \$63,690.

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

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

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- i. \$350,000 during the first expenditure period;
- ii. \$450,000 second expenditure period; and
- iii. \$600,000 in each of the third and fourth expenditure periods.

Panoro was granted an additional interest option to earn 2.5 percent of the additional 10 percent interest in each of the Agata, Tapanian and Mat-I properties by reimbursing the Company 25 percent of the costs incurred by the Company under the Interest Option at the time the option is exercised. As consideration for granting the additional interest option, Panoro is obligated to deliver 50,000 of its common shares to the Company. These 50,000 shares were netted against the obligation to issue 100,000 Company shares to Minimax upon entering Phase three of the Tapanian project. Thus, 50,000 net shares, previously recorded as Common shares issuable, were issued to Minimax during the second quarter of 2005.

If the phase expenditures on the properties are not met, the properties become excluded from the SOA. Panoro reached its earn-in threshold of \$2,000,000 in July 2006 and in October 2006 formally notified the Company that it was exercising its option pursuant to the SOA. The Mat-I property became an Excluded Property as a work program and budget were not approved during the required period for that project. The ownership interest in the Agata and Tapanian properties was now Panoro 40 percent, Mindoro 35 percent, and Minimax 25 percent, and in the Mat-I property, Mindoro 75 percent and Minimax 25 percent.

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

- i. Issue 100,000 Common shares to the vendor upon the approval of the exploration permit. On October 11, 2006, the Mines Department approved the exploration permit for this property and the requisite 100,000 Common shares were issued to the vendor in January 2007.;
- ii. Commence payment to the vendor of quarterly royalty advances of 50,000 PP per quarter three months following the approval of the exploration permit;
- iii. Issue 250,000 Common shares to the vendor one year following the approval of the exploration permit, and
- iv. Issue 500,000 Common shares to the vendor upon decision to commence commercial production.

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

On December 8, 2004, the Company entered into an Agreement to Explore, Develop and Operate Mineral Property ("the Bautista-Tapanian Agreement") and acquired mineral exploration, development and production rights.

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On signing the agreement, the Company paid a signing bonus of 1,500,000 PP to the vendor. The Company was also obligated to issue to the vendor 40,000 Common shares of the Company and 40,000 Common shares of Panoro on signing of the agreement. The shares were issued accordingly. The Company has the following additional obligations under the terms of the Bautista-Tapian Agreement:

- i. Commence payment to the vendor of quarterly royalty advances of 150,000 PP per quarter on June 8, 2005;
- ii. Issue 50,000 Company Common shares and 50,000 Panoro Common shares to the vendor on December 8, 2005 and were issued accordingly;
- iii. Issue 250,000 Company Common shares and 250,000 Panoro Common shares to the vendor at feasibility study stage on the property. The Company has not yet met the requirements to issue these shares; and
- iv. Issue 250,000 Company Common shares and 250,000 Panoro Common shares to the vendor upon decision to commence commercial production on the property. The Company has not yet met the requirements to issue these shares.

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

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

- i. Issue 62,500 Company Common shares upon registration of each EP. The Company has not yet met the requirements to issue these shares.
- ii. Issue 87,500 Company Common shares on the first anniversary of the registration of each EP. The Company has not yet met the requirements to issue these shares.
- iii. Payment to the vendor of quarterly advance royalties in the amount of 88,000 PP and 87,000 PP commencing after registration of the Tibur and Macana EPs, respectively.

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



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On March 14, 2007 the Company agreed to the purchase of Panoro's 40 percent interest in the Surigao projects previously earned by Panoro under the Surigao Option Agreement. Upon closing, as consideration for the purchase of the interest, Mindoro will pay Panoro \$750,000 cash plus 500,000 Mindoro Common shares; Mindoro will make a second payment of \$500,000 cash plus 500,000 Mindoro Common shares on the first anniversary of the closing. Furthermore, in the event that the nickel laterite prospect located on the Agata project should proceed to production and upon shipment of an aggregate one million tonnes of nickel laterite, Mindoro will pay Panoro \$500,000 cash plus an additional \$500,000 cash payment on the first anniversary of the shipment. The purchase and sale agreements received regulatory approval on April 10, 2007 and the requisite payments of cash and issues of common shares to Panoro were completed upon the closing and the first anniversary of the closing. Pursuant to the purchase of Panoro's interest, the Company will assume all of Panoro's obligations under the Surigao Option Agreement. The cash payment of \$500,000 in April 2008 was included in accounts payable and accrued liabilities as at December 31, 2007. The issue of common shares in April 2008 was included in shareholders' equity as at December 31, 2007 (as share obligation).

On February 6, 2008, MRL Gold Phils., Inc. signed a Memorandum of Agreement (MOA) with the Mamanwa and Manobo Tribes and the National Commission on Indigenous Peoples. The MOA will allow the people of the Mamanwa and Manobo Tribes to participate in the Company's future by granting a royalty of one percent of the gross output of any mining project. In addition to the royalty payments, Mindoro has committed to provide skills training, employment opportunities, educational scholarships, and medical and dental services. The MOA also ensures the preservation and development of the community's culture, traditions and institutions, and the protection of burial grounds and sacred places.

### *Egerton Agreement: Archangel, Lobo and Batangas Regional Projects*

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

- i. Phase one - incurring an aggregate of US \$1,500,000 in eligible mining expenditures by January 21, 2006; and
- ii. Phase two - completing a feasibility study and obtaining the necessary financing to commence commercial drilling and production on either of these mineral properties.

Pursuant to the Agreement, the Company issued 500,000 Common shares to Egerton upon receipt of the related MPSAs on the properties during 2003. The Company met its phase one expenditure requirements in 2005 and has exercised its option to enter into phase two; 500,000 Common shares were issued to Egerton on November 7, 2005. Upon completion of phase two, the Company must issue an additional 500,000 Common shares to Egerton. At that point, Egerton will have the option to participate at 25 percent interest at production, or convert to a 2 percent gross smelter royalty. Pursuant to the terms of each MPSA, the Company is required to spend certain minimum amounts on eligible expenditures to maintain the MPSA in good standing. These minimum requirements have been met as at December 31, 2008.

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

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In November 2008, Egerton agreed to waive the Phase Two performance requirements and the Company issued the requisite 500,000 common shares to Egerton and received an additional 24% indirect interest in the Batanagas Projects, bringing the Company's total direct and indirect interest to 75%.

### *Purchase of Egerton Interest and Option*

On November 28, 2008, the Company entered into purchase and option agreements with the Egerton shareholders (the "Egerton Shareholder Agreements") whereby the Company may acquire 100% direct and indirect interest in Egerton, thereby indirectly acquiring the remaining 25% interest in the Batangas Projects. Under the Egerton Shareholder Agreements, the Company may:

- i. Purchase 40% the outstanding capital stock of Egerton;
- ii. Acquire the rights and interest in, and an irrevocable option to acquire, the remaining 60% of Egerton's outstanding capital stock; and,
- iii. Acquire a non-interest bearing loan owed by Egerton to Egerton shareholders for advances in the amount of CDN\$571,968.

As compensation for the acquisitions under the Egerton Shareholder Agreements, and pursuant to receiving regulatory approval on January 15, 2009, the Company issued 7,500,000 Common shares to the Egerton shareholders. These shares are subject to a hold period with 1,500,000 shares restricted from trading for six months, two million shares restricted for 12 months, two million shares restricted for 18 months and two million shares restricted for 24 months. The Egerton shareholders will also receive a one time payment of U.S.\$1,000,000 at the start of production, applicable to the first deposit to start production only, and will be granted a one percent Net Smelter Royalty on all metals produced from the Batangas Projects. See Note 16.

A non-binding letter agreement was signed September 1, 2008 with a member of the Gold Fields group of companies ("Gold Fields"), establishing the basic commercial framework whereby Gold Fields may earn up to a 75% interest in three of the Batangas properties: El Paso, Lobo and Talahib. From the date of signing, there is a 90 day period within which Gold Fields may complete its due diligence and have exclusivity in relation to participation in these projects. Should Gold Fields decide to continue beyond the 90 day period and agreements are completed, the earn-in terms include:

- i. Gold Fields may earn a 51% interest in the El Paso project and the Lobo project by spending AU \$4,000,000 on the relevant project within sixty months of the earn-in period formally commencing;
- ii. Gold Fields may earn a 51% interest in the Talahib project by spending AU \$2,000,000;
- iii. Gold Fields must maintain a minimum annual expenditure commitment of AU \$350,000; and,
- iv. Upon earning 51% interest, Gold Fields may elect to continue sole funding of a project. Completing a feasibility study or contributing a milestone amount of expenditure will earn Gold Fields a further 24% interest in the relevant project. The milestone amount for each of the El Paso and Lobo projects is AU \$16,000,000 and the milestone amount for the Talahib project is AU \$12,000,000. The milestone amounts are in addition to the expenditure amounts for the initial earn-in phase of 51%.

In November 2008, Gold Fields advised it was working on a draft of the formal joint venture agreement and the Company agreed to an extension of the terms under the letter agreement. The Company received a draft of the joint venture agreement for review in January 2009.

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A Memorandum of Understanding (“MOU”) was signed September 22, 2008 with Avocet Mining PLC (“Avocet”) to advance and potentially co-develop Kay Tanda. This MOU establishes the basic commercial framework whereby Avocet can earn up to a 75% interest in the Archangel project. Pursuant to the terms of the MOU, Avocet has been granted a six month period in which to complete its due diligence and have exclusivity in relation to participation in the project. During the due diligence period, Avocet is also required to fund an initial drill program, consisting of a minimum 1,500 meters of diamond drilling. Should Avocet decide to continue beyond the six month period and agreements are completed, the earn-in terms of the MOU include:

- i. Avocet may earn up to 75% economic interest and 75% equity interest by funding all exploration on the Archangel property until reaching a Decision to Mine. Avocet will initially undertake a drilling program in the first six months and complete a minimum of 1,500 meters of diamond drilling; and,
- ii. At Decision to Mine, Avocet will pay the Company \$4,000,000 and a Net Smelter Royalty of 2% on identified ounces. The Company may also participate at production with a 25% interest and the two parties will then be responsible to fund their share of the capital and operating costs.

### *Medusa Agreement: Apical Gold Project*

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

- i. In the case of lode deposits, commencing development and by producing the first 500 tonnes of ore, after which Mindoro and its Philippine partner have the option to contribute to ongoing expenditures, each retaining a 15% participating interest, or to reduce to a 3% Net Smelter Royalty (“NSR”), each retaining a 1.5% NSR; and,
- ii. In the case of large, bulk tonnage deposits such as porphyry copper-gold deposits or disseminated or stockwork gold deposits, completing a Bankable Feasibility Study, after which Mindoro and its partner have the right to contribute to ongoing expenditures or dilute to a 3% NSR.

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

### *Delta Earthmoving Agreement: Agata South Nickel-Iron Laterite Prospect*

On March 7, 2008 the Company signed a Memorandum of Agreement and Mining Services Agreement (collectively, “the Agreements”) with Delta Earthmoving Inc. Under the terms of the Agreements, Delta will, at its sole cost and risk, carry out exploration over a target area of 1,800 hectares on the Agata South Nickel-Iron Laterite Prospect and may select an area of up to 250 hectares to advance to production. Delta will finance all exploration and, if warranted, mine development and production costs, as well as market the product. Delta will receive U.S.\$10.50 per wet metric tonne mining cost and 55 percent of net profits. Mindoro Resources Ltd. and its partner Minimax will receive 45 percent of net profits (Mindoro Resources Ltd. 75% and Minimax 25%). Although Delta was required to select the final 250 hectares within six months of signing the agreement, the Company has informally agreed to an indefinite extension of the Agreements.

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### 5. PROPERTY AND EQUIPMENT

	December 31, 2008			December 31, 2007		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Computer hardware	\$ 87,374	\$ 44,532	\$ 42,842	\$ 75,396	\$ 22,605	\$ 52,791
Computer software	127,567	75,534	52,033	124,974	54,454	70,520
Vehicle	120,114	45,635	74,479	116,765	25,701	91,064
Equipment & Furnishings	210,342	71,453	138,889	104,081	37,385	66,696
Leasehold improvements	79,192	32,834	46,358	9,190	3,544	5,646
	<u>\$ 624,589</u>	<u>\$ 269,988</u>	<u>\$ 354,601</u>	<u>\$ 430,406</u>	<u>\$ 143,689</u>	<u>\$ 286,717</u>

### 6. ACCRUED BENEFIT OBLIGATION

The Company's wholly-owned subsidiary, MRL Gold Phils. Inc., has an unfunded, defined benefit retirement plan covering the retirement, separation, death and disability benefits of all its eligible employees. The benefit plan expense and liability are as follows:

	2008	2007
Current service cost	\$ 52,987	\$ 36,245
Interest cost	10,402	5,740
Amortization of unrecognized actuarial gain	1,652	1,946
Curtailment cost (gain)	(36,592)	-
Foreign exchange gain (loss)	17,172	(532)
<b>Expense charged to operations</b>	<b>\$ 45,621</b>	<b>\$ 43,399</b>
Balance at January 1	\$ 119,661	\$ 80,528
Current service cost	52,987	36,245
Interest cost	10,402	5,740
Actuarial loss (gain)	(60,069)	(2,509)
Curtailment cost (gain)	(36,592)	-
Foreign exchange gain (loss)	9,855	(343)
<b>Present value of defined benefit obligation</b>	<b>\$ 96,244</b>	<b>\$ 119,661</b>
Present value of defined benefit obligation	\$ 96,244	\$ 119,661
Unrecognized actuarial gain (loss)	32,914	(36,847)
Foreign exchange gain (loss)	(174)	549
<b>Recognized liability</b>	<b>\$ 128,984</b>	<b>\$ 83,363</b>

The weighted average significant actuarial assumptions used to determine the accrued benefit obligation and the benefit cost are as follows:

	2008	2007
Discount rate	8.0%	7.0%
Rate of compensation increase	6.0%	6.0%

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The Curtailment calculation included in the current year expense is required because the expected working lifetime of the covered employees of the Company's subsidiary is revalued due to the workforce reduction experienced at MRL Gold Phils Inc. The reduction eliminated future benefits to be paid. During the current year the number of employees included in the actuarial review dropped to thirty six from ninety four persons. The actuarial report on the Employees' Retirement Plan of MRL Gold Phils, Inc. was for the periods ending December 31, 2007 and 2008. The valuation dates used were January 1, 2007 and January 1, 2008.

### 7. INCOME TAXES

#### i. Future tax liability:

	<u>2008</u>	<u>2007</u>
<b>Future Tax Assets</b>		
Tax values in excess of book value of accounts receivable, mineral properties and deferred costs and property and equipment	\$ 112,139	\$ 106,378
Retirement benefit	17,642	17,229
Share issue costs	135,231	224,666
Loss carry forwards	2,093,202	1,887,883
	<b>\$ 2,358,214</b>	<b>\$ 2,236,156</b>
<b>Future Tax Liability</b>		
Unrealized Foreign Exchange Gain	(830,069)	(354,122)
	<b>\$ 1,528,145</b>	<b>\$ 1,882,034</b>
Valuation allowance	(2,340,009)	(1,882,034)
<b>Net future tax liability</b>	<b>\$ (811,864)</b>	<b>\$ -</b>

#### ii. Income tax expense (recovery):

	<u>2008</u>	<u>2007</u>
Current tax expense (recovery)	\$ 209	\$ (3,804)
Future tax expense	811,864	-
	<b>\$ 812,073</b>	<b>\$ (3,804)</b>

Income tax expense (recovery) differs from that which would be expected from applying the combined effective income tax rates of 29.50% (2007 – 32.12%) to the net loss as follows:

	<u>2008</u>	<u>2007</u>
Net loss per consolidated financial statements	\$ (3,245,326)	\$ (2,109,569)
Expected income tax recovery	(754,249)	(677,594)
Unrealized foreign exchange loss of subsidiary	572,186	20,222
Effect of change in substantively enacted tax rates	216,543	107,580
Stock-based compensation	217,002	109,446
Share issuance costs	(12,012)	(211,175)
Expiration of non-capital losses carried forward	133,694	124,003
Change in valuation allowance	457,975	518,456
Other non-deductible amounts	(19,066)	5,258
	<b>\$ 812,073</b>	<b>\$ (3,804)</b>

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iii. Tax loss carry forwards:

At December 31, 2008, Canadian net capital losses of \$488,194 are available to be carry forward indefinitely. A valuation allowance of \$61,024 has been applied against the related future tax asset.

At December 31, 2008, Canadian non-capital losses of \$5,954,495. A valuation allowance of \$1,488,624 has been applied against the related future tax asset.

At December 31, 2008, non-capital losses available for use by the Philippines subsidiary are \$1,811,847. A valuation allowance of \$543,544 has been applied against the related future tax asset.

The consolidated non-capital losses of the Company expire as follows:

<u>Year of Expiry</u>	<u>Amount</u>
2009	\$ 1,023,076
2010	532,694
2011	674,681
2014	544,200
2015	1,099,350
2026	1,185,811
2027	1,434,454
2028	1,272,076
	<u>\$ 7,766,342</u>



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December 2006, when 3,285,000 Units consisting of one Common share and one half Common share purchase warrant were issued. The fair value of this revised purchase warrant, \$29,669, and the issue cost for the price and term amendments, \$750, were charged to share capital.

- c. In May of 2007, the Company issued 4,075,122 Units at \$0.70 per Unit, pursuant to a private placement. Proceeds, net of finders' fees and other costs, amounted to \$2,690,692. Each Unit consisted of one Common share and one half common share purchase warrant. Each whole purchase warrant allows the holder to acquire one Common share at \$1.00 for a period of one year until the expiry date of May 29, 2008, and, thereafter, at a price of \$1.25 until May 29, 2009.
- d. A total of 2,037,561 purchase warrants and 208,756 agent's warrants are exercisable pursuant to this Private Placement. The fair value of the purchase warrants issued was \$318,510 and the fair value of agent's warrants issued amounted to \$63,053.
- e. In September of 2007, the Company issued 13,482,000 Units, in two tranches, at \$0.60 per Unit, pursuant to a Private Placement. Proceeds from both tranches, net of finders' fees and other costs, amounted to \$7,614,409. Each Unit consisted of one Common share and one common share purchase warrant. In the first tranche, each purchase warrant allows the holder to acquire one Common share at \$0.90 for a period of one year until the expiry date of September 20, 2008, and, thereafter, at a price of \$1.10 until September 20, 2009. The fair value of the 6,585,662 purchase warrants issued in this tranche, in the amount of \$1,373,993, was charged to share capital. In the second tranche, each purchase warrant allows the holder to acquire one Common share at \$0.90 for a period of one year until the expiry date of September 28, 2008, and thereafter, at a price of \$1.10 until September 28, 2009. A total of 6,896,338 purchase warrants issued in this tranche are exercisable pursuant to this Private Placement. The fair value of purchase warrants issued in the second tranche, in the amount of \$1,286,042, was charged to share capital. Two tranches of agent's warrants amounting to 388,717 were also issued pursuant to this Private Placement and the fair value of the agent's warrants, in the amount of \$142,461, was charged to share capital.
- f. In 2007, the Company issued 1,075,000 Common shares pursuant to the exercise of stock options for net proceeds of \$233,045. Stock-based compensation costs totaling \$186,393, recorded as an increase to contributed surplus on issuance of the stock options, were reclassified to share capital upon the exercise of these options. In 2008, pursuant to the exercise of stock options, the Company issued 555,000 Common shares for net proceeds of \$119,664. Stock-based compensation costs amounting to \$99,700 were reclassified to share capital upon exercise of these options.
- g. As consideration for the purchase of Panoro Mineral Ltd's forty percent interest in the Surigao projects previously earned by Panoro under the Surigao Option Agreement (note 4) the Company issued 500,000 Common shares to Panoro on April 10, 2007. Pursuant to the one year anniversary of the closing of the April 2007 agreement, an additional 500,000 shares were issued to Panoro on April 2, 2008. The value of these shares was included in shareholders' equity as at December 31, 2007, as a share obligation. Under an original October 2000 agreement with Egerton Gold Philippines Inc. the Company had earned a fifty-one percent direct and indirect interest in the Batangas Projects and had the right to acquire an additional twenty-four percent indirect interest by taking any one deposit to feasibility and issuing 500,000 Common shares to Egerton or its assignees. Egerton agreed to waive the feasibility requirement and the Company issued the requisite 500,000 common shares in November 2008, bringing the Company's total direct and indirect interest to seventy-five percent.
- h. In October 2007, the Company issued 250,000 Common shares to the property vendor in connection with the Company's October 26, 2004 Bautista-Agata agreement (note 4) and pursuant to the one year anniversary of the receipt of the property exploration permit.
- i. These purchase warrants were issued pursuant to the exercise of 72,760 Agent's warrants.
- j. No warrants expired in 2007. In April of 2008, 2,112,859 purchase warrants and 119,548 agent's warrants issued in April of 2006 expired.



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The following table summarizes information about Common share purchase warrants outstanding and exercisable as at December 31, 2008:

<b>December 31, 2008</b>			December 31, 2007		
Number of Warrants	Exercise Price	Expiry Date	Number of Warrants	Exercise Price	Expiry Date
105,000	\$0.70	January 2009	1,642,500	\$1.25	December 2008
2,392,500	0.15	May 2009	750,000	1.00	January 2008
208,756	0.70	May 2009	2,112,859	1.25	April 2008
2,037,561	1.25	May 2009	119,548	0.70	April 2008
388,717	0.60	September 2009	2,037,562	1.00	May 2008
13,482,000	1.10	September 2009	13,482,000	0.90	September 2008
-	-	-	105,000	0.70	January 2009
-	-	-	208,756	0.70	May 2009
-	-	-	388,717	0.60	September 2009
<b>18,614,534</b>			<b>20,846,942</b>		

The grant date fair value of common share purchase warrants are recorded as an increase to contributed surplus and a decrease to share capital as an issue cost of each private placement. The fair value of common share purchase warrants are estimated at the grant date using the Black-Scholes pricing model. There were no warrants issued during the year ended December 31, 2008.

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

Options granted may not exceed ten years and, prior to 2007, vested immediately. The options issued to employees in 2007 vest over 2 years and the options issued in 2008 vest over one year. The exercise price of each option shall not be less than the price permitted by any stock exchange on which the Common shares are then listed. The following table summarizes the status of the Company's stock option plan:

	<b>December 31, 2008</b>		December 31, 2007	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	5,887,000	\$0.66	5,035,000	\$0.51
Issued	2,745,000	0.29	2,245,250	0.84
Exercised	(555,000)	0.22	(1,075,000)	0.22
Expired	(300,000)	0.60	-	0.00
Forfeited	(631,500)	0.82	(318,250)	0.71
Outstanding at end of period	7,145,500	\$0.54	5,887,000	\$0.66
Options exercisable at end of period	4,095,000	\$0.66	4,303,000	\$0.58

Compensation cost for the year of \$767,693 (2007 - \$340,742) was recorded as stock-based compensation expense. Compensation cost for the period of \$96,551 (2007- \$50,163) was recorded as mineral exploration expense. As these were non-cash transactions, they are not reflected in the consolidated statements of cash flows.



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The weighted average fair value of options issued in 2008 on the date of grant was \$0.22 per common share option (2007 - \$0.59). The fair value of common share options are estimated at the grant date using the Black-Scholes pricing model based on the following ranges of assumptions:

	2008	2007
Risk Free Interest Rate	3.38%	4.60%
Expected Life	4.67 years	5.00 years
Expected Volatility	106%	91%
Expected Dividend	-	-

The following table summarizes share options outstanding:

Range of Exercise Prices	Number Outstanding	Weighted Average Contractual Life (Years)	Weighted Average Exercise Price
\$0.10 to \$0.14	50,000	4.83	\$0.13
\$0.15 to \$0.23	50,000	0.73	0.23
\$0.24 to \$0.36	3,830,000	3.90	0.30
\$0.37 to \$0.56	150,000	1.76	0.48
\$0.57 to \$0.80	300,000	2.64	0.60
\$0.81 to \$1.00	2,765,500	2.91	0.88
<b>Total</b>	<b>7,145,500</b>	<b>3.41</b>	<b>\$0.54</b>

### 9. CONTRIBUTED SURPLUS

	December 31, 2008	December 31, 2007
Balance, beginning of period	\$ 6,027,826	\$ 2,363,677
Stock based compensation	764,298	204,511
Agent's warrants issued	-	275,270
Agent's warrants exercised	-	(24,930)
Purchase warrants issued	-	3,209,298
Purchase warrants price amendment	43,217	-
	<b>\$ 6,835,341</b>	<b>\$ 6,027,826</b>

### 10. OTHER INFORMATION

Change in non-cash working capital in the consolidated statements of cash flows is comprised of the following:

	2008	2007
Accounts receivable	\$ 7,435	\$ 83,856
Prepaid expenses and other assets	(38,824)	12,308
Accounts payable and accrued liabilities	(522,373)	317,934
	<b>\$ (553,762)</b>	<b>\$ 414,098</b>

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### 11. RELATED PARTY TRANSACTIONS

- a. Ascenta Capital received \$15,000 for investor relations services and \$6,561 for advertising and promotions expenses; a director of the Company who resigned in March 2008, is a principal of Ascenta Capital. MacPherson Leslie & Tyerman, LLP received \$17,018 for corporate legal counsel; a director of the Company is legal counsel to the law firm. Virtus Group, LLP was paid \$400 for corporate employee benefits consulting; a director of the Company is a partner in Virtus Group, LLP.
- b. Directors of the Company were reimbursed for travel expenses amounting to \$21,597.
- c. An officer of the Company was compensated for management services in the amount of \$44,466.
- d. Mineral properties and exploration costs include \$10,752 paid to a director during the year for consulting work and expenses on the properties and \$78,500 paid to MacPherson Leslie & Tyerman, LLP for legal counsel in connection with the properties.
- e. A director of the Company was paid \$1,694 for consulting services to the Company's subsidiary, MRL Gold Phils Inc. A total of \$3,203 has been paid to a law firm by the subsidiary for consulting services and is included in mineral and exploration costs. An officer of the subsidiary who resigned during the year is a founding partner with the law firm.
- f. Three officers and two directors of the Company and the Company's subsidiary exercised a total of 505,000 stock options in February 2008 and March 2008. A director of the Company who resigned in March 2008 from the board of directors of the Company exercised 50,000 options in April 2008. In July 2008, three officers of the Company were granted 1,000,000 stock options and five directors were granted 950,000 stock options.

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

### 12. COMMITMENTS

At December 31, 2008 the future minimum lease commitments remaining under office and building leases are as follows:

2009	\$ 79,783
2010	21,500
	<u>\$ 101,283</u>

Rent expense charged to operations amounted to \$88,845 and \$55,422 in 2008 and 2007, respectively.

### 13. SEGMENTED INFORMATION

The Company has one reportable operating segment being the acquisition, exploration and development of mineral properties in the Philippines through its wholly-owned subsidiary, MRL Gold Phils., Inc. The Company's administrative offices are located in Edmonton, Alberta.

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Geographical information is as follows:

	<b>As at December 31, 2008</b>		As at December 31, 2007	
	Mineral Properties & Exploration	Property & Equipment	Mineral Properties & Exploration	Property & Equipment
Philippines	\$ 20,993,892	\$ 319,967	\$ 17,569,806	\$ 247,648
Canada	-	34,634	-	39,069
	<b>\$ 20,993,892</b>	<b>\$ 354,601</b>	\$ 17,569,806	\$ 286,717

### 14. FINANCIAL INSTRUMENTS

#### Fair value

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to the short term nature of these instruments.

#### Risk management

The Company may be exposed to risks of varying degrees associated with its financial instruments. The Company has not used derivative instruments, nor has it designated any hedging relationships to manage these risks. There has been no change to how the Company manages each of the below risks from the prior period. The principal risks to which the company is exposed are described below.

#### *Interest rate risk*

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

The Company had approximately \$1.4 million in cash and cash equivalents at December 31, 2008, on which it earns variable rates of interest, and is therefore subject to a certain amount of interest rate risk, deemed to be immaterial by management of the Company.

#### *Credit risk*

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

The majority of the Company's cash and cash equivalents are held with major financial institutions in Canada and the Philippines. A significant portion of the Company's Canadian accounts receivable is owing from the Canadian and other governments for the reimbursement of sales taxes. The resulting credit risk exposure is deemed to be immaterial by management of the Company.

#### *Foreign currency risk*

Foreign currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates.

The Company's functional and reporting currency is the Canadian dollar. Foreign operations are conducted in the Philippines and operating expenditures are primarily made in Philippine Pesos. There is immaterial exposure to exchange rate fluctuations in the Peso as the financial assets and liabilities of this subsidiary are not material to the operations of the Company.

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### *Liquidity risk*

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due.

The Company's working capital, (current assets less current liabilities), at December 31, 2008 is \$1.096 Million. The Company manages liquidity risk through management of its capital as disclosed in Note 15. As disclosed in Note 1, the continuing operations of the Company are dependent upon its ability to obtain adequate financing and to commence profitable operations in the future. The Company may have to seek additional debt or equity financing, and there can be no assurance that such financing will be available on terms acceptable to the Company.

## 15. CAPITAL DISCLOSURE

The Company's objectives in managing its capital are to maintain adequate levels of funding to support its operations; to perform diverse mineral exploration activities on its exploration projects; and to seek out and acquire new projects of merit. In order to maintain or adjust its capital, the Company, upon approval from its Board of Directors, may undertake a private placement or any other activity deemed appropriate under the specific circumstances. The Board of Directors of the Company reviews and approves any material transactions out of the ordinary course of business, including proposals on joint ventures, acquisitions or other major investments or divestitures, as well as capital and operating budgets. There can be no assurance that the Company will be able to obtain sufficient capital in the case of operating cash deficits.

The Company may, from time to time, invest in short-term and liquid financial instruments held with major financial institutions, or in marketable securities. The Company does not maintain a formal investing strategy. The Company has no externally imposed capital requirements.

The Company's capital consists of the items included in shareholders' equity.

## 16. SUBSEQUENT EVENTS

On January 13, 2009 the Company issued 100,000 directors' stock options to a newly appointed director of the Company. One half of the options vests after six months and the second half vests one year from date of issue. The fair value of these stock options is \$14,584.

Pursuant to a private placement announced on January 14, 2009, the Company closed the placement February 13, 2009 and issued 3,105,233 units at a price of \$0.15 per unit for gross proceeds of \$465,785. Each unit consists of one Common share and one common share purchase warrant. Each warrant allows the holder to purchase one additional Common share at a price of \$0.30 for a period of two years from the close of the offering. The Company paid finders fees of \$18,405 and 122,700 agent's warrants in connection with the investment. Each agent's warrant is exercisable into one common share at a price of \$0.18 for two years. The Common shares issued, including any shares issued pursuant to the exercise of Purchase Warrants or Agent's Warrants, are subject to a four month hold period. Proceeds from the placement will be used for drilling the Company's American Tunnels gold and copper-gold prospect in the Philippines, and for general working capital. The fair value of the purchase warrants issued is \$255,333 and the fair value of the agents' warrants is \$12,173.

On January 15, 2009 the Company received regulatory approval for the issue of 7,500,000 Common shares pursuant to agreements with Egerton Gold Philippines Inc. ("Egerton") whereby the Company acquired the remaining twenty five percent indirect interest in the Batangas projects through the acquisition of one hundred percent direct and indirect ownership of Egerton. The Common shares are subject to hold periods with 1,500,000 shares restricted from trading for six months, two million restricted for 12 months, two million restricted for 18 months and two million restricted for 24 months. Egerton is also entitled to receive a one time payment of \$US one million at the start of production, only applicable to the first deposit to start production and will be granted a one percent net smelter royalty on all metals produced from the Batangas projects.

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On March 17, 2009 the Company received regulatory approval to amend the price of 2,037,561 common share purchase warrants, due to expire on May 29, 2009 at an exercise price of \$1.25 per share. These warrants were issued pursuant to a private placement of 4,075,122 shares which was accepted for filing by the TSX Venture Exchange on June 7, 2007. The exercise price of the warrants has been amended to \$0.15 per share. The fair value of the amended purchase warrants is \$69,236.

### 17. COMPARATIVE FIGURES

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