Mindoro Resources Ltd.

Consolidated Financial Statements

December 31, 2004 and 2003

This Management Discussion and Analysis for the Year End Report of 2004 should be read in conjunction with the Audited Consolidated Financial Statements for the year ended December 31, 2004.

NATURE OF THE BUSINESS

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

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

The following information, prepared as of February 25, 2005, should be read in conjunction with the December 31, 2004 audited consolidated financial statements, which have been prepared in accordance with Canadian generally accepted accounting principals. All amounts are expressed in Canadian dollars, unless otherwise indicated.

OVERALL PERFORMANCE

It was a year of change for Mindoro in 2004 as the Company acquired a joint venture partner committed to spending $2 million on the Company's Surigao Projects, over $2.4 million (gross) was raised through private placements and a Short Form Offering for exploration of the Batangas Projects, the Company's shares commenced trading on the Frankfurt Stock Exchange, and a marketing firm was retained to provide marketing and investor relations services. These events led to significant progress in the field, as the Company advanced its projects in the Philippines.

The year 2004 started under difficult circumstances, as a Philippine court ruling in January 2004 declared parts of the Philippines Mining Act of 1995 to be unconstitutional, particularly those dealing with 100% foreign ownership. Although the Philippines government immediately launched an appeal, the international investment community was clearly disappointed in the court's decision. For the remainder of the year, Mindoro's achievements were overshadowed by the political uncertainty. Late in 2004, this shadow was finally lifted, with the Supreme Court overturning the previous court's decision and at last, with finality, removing all legal barriers to 100% foreign ownership. Within days of the decision, Mindoro was contacted by several large international mining companies interested in acquiring projects in the Philippines.

Despite the political uncertainty for most of the year in the Philippines, we were confident these matters would be resolved and we forged ahead, advancing our projects. Drilling early in the year at SW Breccia, on the Lobo Project, outlined a modest starter gold resource which remains open to depth. At a later date, Mindoro plans to utilize a larger drill rig to extend the resource. Geophysics at Lobo has outlined two porphyry copper-gold targets and partially defined a third. Drilling is expected to commence at the first porphyry target, located at Pica Prospect, by the end of April 2005.

A few kilometers away from Lobo, at Mindoro's Archangel Project, geophysical surveys are continuing to outline further porphyry copper-gold targets. Work is also underway to establish the open-pit, heap-leach potential of the extensive gold-silver mineralization at the Kay Tanda Prospect. Additional metallurgical testing and resource delineation continue at Kay Tanda as well as other adjacent zones of gold-silver mineralization.

A joint venture agreement with Panoro Minerals Ltd. was concluded during 2004 and an aggressive exploration campaign commenced on the Company's Surigao Projects in northern Mindanao. An extensive geophysical program has produced an abundance of targets, including four porphyry copper-gold targets at Tapian San Francisco, three at Agata, and a probable one at Tapian Main. Due diligence by an international nickel company on Agata's nickel laterite prospect resulted in a proposal to enter into formal joint venture discussions. However, we plan to further investigate the strong copper-gold targets we have identified in close proximity to the nickel laterite prospect before entering into any formal negotiations.

Despite our accomplishments advancing and adding value to our projects, recognition in the market was hard won in 2004. However, the political uncertainty that caused many North American investors to shy away from the Philippines was dramatically reversed with the Supreme Court decision ratifying the 1995 Mining Act. At an international mining forum hosted by the Philippine government in March 2005, Philippine President Gloria Macapagal-Arroyo welcomed the world to the Philippines, stating that "the Government of the Philippines is committed to building a world-class minerals industry and to make this sector one of the major growth-drivers for the economy in the years ahead".

There is downside to the recent boom of exploration activity in the Philippines - that being a growing shortage of skilled labour and equipment. As a result, increased costs and delays in field programs, particularly geophysics and drilling, are unavoidable. This is, however, a small price to pay for the tremendous increase in the Philippines' attractiveness to the world as an exploration locale of choice.

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

SELECTED ANNUAL INFORMATION

	Year Ended December 31, 2004	Year Ended December 31, 2003	Year Ended December 31, 2002
Interest income	$5,537	$ 101	$ 552
Net loss	(800,055)	(361,609)	(241,588)
Loss, per share(1)	(0.02)	(0.01)	(0.01)
Balance, deferred exploration costs	4,202,091	3,111,576	2,423,263
Total assets	5,696,940	3,520,898	2,666,415

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

RESULTS OF OPERATIONS

Interest income of $5,537 was higher in 2004 than 2003 as the Company's cash position increased after completing a $2 million dollar financing in October 2004. Net loss for the year, though, of $800,055 was considerably greater than net loss of $361,609 in 2003. Increased corporate and exploration activity in the past year resulted in significant increases in administration expenses over 2003. The hiring of a marketing and investor relations firm also contributed to increased expenditures. The following are the more significant increases in expenditures in 2004 compared to 2003: advertising and promotion expenses of $85,339 in 2004, compared to $27,449 in 2003; trade show costs of $28,992 in 2004 compared to $12,387 in 2003; consulting and professional fees of $105,817 in 2004 compared to $54,048 in 2003; printing costs of $18,532 in 2004 compared to $8,947 in 2003; and travel costs of $39,578 in 2004 compared to $8,136 in 2003. Stock based compensation expenses, related to the issue of stock options, increased to $281,075 from $51,380 in 2003. Salaries in 2004 of $121,289 were higher than 2003 salaries of $87,249 primarily due to the hiring of an additional administrative employee in the corporate office.

SUMMARY OF QUARTERLY RESULTS

Quarter Ending	Net Earnings Gain (Loss)	Earnings Gain (Loss) Per Share	Total Assets
December 31, 2004	$ (72,341)	$(0.002)	$5,696,940
September 30, 2004	(224,101)	(0.007)	3,769,857
June 30, 2004	(85,386)	(0.003)	3,564,252
March 31, 2004	(418,227)	(0.013)	3,503,666
December 31, 2003	(82,176)	(0.003)	3,520,898
September 30, 2003	(57,208)	(0.002)	3,271,363
June 30, 2003	(99,089)	(0.004)	2,867,034
March 31, 2003	(123,136)	(0.005)	2,783,098

LIQUIDITY

The Company continues to rely on raising capital in order to fund its ongoing operations. As of December 31, 2004, Mindoro's cash position was $1,295,541 compared to $296,772 as at December 31, 2003; accounts receivable increased slightly to $96,429 from $61,698; cash calls receivable from our joint venture partner was $48,324 and prepaid expenses decreased slightly to $12,433 from $13,627 at the end of the previous year. Accounts payable also increased as at December 31, 2004 to $232,469 from $146,023 as at December 31, 2003.

In 2004, $1,123,214 spent on Exploration Activities in the Philippines, less management fee recoveries, related to the Company's Surigao joint venture, in the amount of $32,699. The total amount of deferred exploration on existing properties as at December 31, 2004 was $4,202,091.

In January 2004, the Company issued 500,000 Units at $0.30 per unit, for proceeds of $129,604, net of issue costs of $20,396. Each unit consisted of one Common share and one half Common share purchase warrant, Each whole warrant entitled the holder to acquire one Common share at a price of $0.60 for one year from date of issue. The Company also issued 50,000 agent's options; each option exercisable into Units having the same terms as the Units issued.

In August 2004, pursuant to a non-brokered private placement, the Company issued 831,112 Units at a price of $0.225 per Unit, for proceeds of $185,159, net of issue costs of $1,841. Each unit consisted of one Common share and one Common share purchase warrant. Each warrant entitles the holder to acquire one Common share at a price of $0.30 for two years from the date of issue.

Pursuant to a Short Form Offering document, in October 2004, the Company issued 8,888,888 Units at a price of $0.225 per unit for gross proceeds of $2,000,000. Each Unit consisted of 8,888,888 Common shares and 8,888,888 Common share purchase warrants. Each Common share purchase warrant entitles the holder to purchase one Common share for $0.30 for two years. Cash commissions equal to nine percent of the gross proceeds of the offering were paid to Northern Securities Inc. An additional 888,888 Agents Warrants were issued with each Agents Warrant entitling the holder to purchase one Unit at $0.225 per Unit for one year after the issue date. The Company also issued 50,000 Common shares to Northern Securities and paid $91,440 in additional miscellaneous share issue costs.

Also in October 2004, pursuant to a private placement, the Company issued 1,102,200 Units at a price of $0.225 per Unit for proceeds of $245,756, net of issue costs of $2,239. Each Unit consists of 1,102,200 Common shares and 1,102,200 Common share purchase warrants. Each Common share purchase warrant entitles the holder to acquire one Common share at a price of $0.30 for two years from the date of issue.

CAPITAL RESOURCES

Pursuant to a Memorandum of Agreement ("MOA") effective January 19, 1997 with Minimax Mineral Exploration Corporation, the Company was granted the option to earn up to a 75% interest in five mineral properties located in the Philippines. 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 of 20,000,000 Philippine Pesos ("PP") in eligible mining expenditures allocated to the properties as defined in the MOA.

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

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

Once a phase expenditure requirement has been met on a property, the Company has the option to enter into the next phase of the project by issuing 50,000 and 100,000 Common shares to Minimax for each phase two and phase three entered into, respectively. As at December 31, 2004, the Company had met phase one expenditure requirements on all properties under this agreement, with the exception of Lahuy, and phase two expenditure requirements on the Agata, Tapian and Pan de Azucar properties by incurring the required minimum eligible expenditures.

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

(i) Phase one - incurring an aggregate of $1,500,000 US in eligible mining expenditures on the mineral properties by January 21, 2006.

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

Pursuant to the terms of the Letter Agreement, the Company issued 500,000 Common shares to Egerton upon receipt of the related exploration permits in 2003. Once the phase one expenditure requirement has been met on the properties, the Company has the option to enter into phase two by issuing an additional 500,000 Common shares to Egerton. Upon completion of phase two, the Company must issue an additional 500,000 Common shares to Egerton. At this point, Egerton will have the option to participate at 25 % interest at production or convert to a 2% gross smelter royalty. Pursuant to the terms of each MPSA, the Company is required to spend certain minimum amounts on eligible expenditures; these minimum requirements have been met as at December 31, 2004.

Pursuant to a Memorandum of Agreement dated August 23, 2004, Egerton further granted the Company the right to earn up to a 75% interest in approximately 12,200 hectares, referred to at the Batangas Acquistions, contiguous to the Lobo and Archangel Projects. As consideration for including the Batangas Acquisitions within the terms of the Letter Agreement, the Company has agreed to issue 500,000 common shares to Egerton for each mineral deposit located within the Batangas Acquisitions for which a positive feasibility study is achieved, to a maximum of 1,500,000 shares.

The Company has entered into an Option Agreement with Panoro Minerals Ltd. ("Panoro"), on the Agata, Tapian and Mat-I properties whereby Panoro may earn a 40% interest in these properties by spending $2,000,000 on the properties over a four-year period ($350,000 in year one; $450,000 in year two; and $600,000 in each of years three and four). Mindoro will be the operator for at least the first two years. Both Mindoro and Panoro may increase their interest to 42.5% at feasibility stage through an interest purchase agreement with Minimax based on future established mining reserves. Mindoro could ultimately hold 42.5%, Panoro 42.5% and Minimax 15%.

Pursuant to an agreement dated October 28, 2002 with East West Drilling Limited ("EWDL"), the Company issued two tranches of 600,000 Common shares as consideration for EWDL providing $90,000 worth of drilling services in 2003 and another $90,000 worth of drilling services again in 2004.

The following table summarizes the status of Mindoro's earn-in on each of its Projects, as of December 31, 2004:

PROJECT	INTEREST AVAILABLE	CURRENT INTEREST (1)	EXPENDITURE REQUIRED	EXPENDITURE DEADLINE	FUNDING BY
SURIGAO PROJECTS					
Agata	75%	40% held Earning 35% in Phase III	Pp3,058,874	November 2005	Panoro (2)
Agata – new acquisitions	75%	75% held	N/A	N/A	N/A
Tapian	75%	40% held Earning 35% in Phase III	Pp5,159,975	December 2005	Panoro (2)
Tapian – new acquisitions	75%	75% held	N/A	N/A	N/A
Mat-I	75%	10% held Earning 30% in Phase II	Pp13,821,743	1 yr upon receipt of necessary gov't approvals (pending)	Panoro (2)
BATANGAS PROJECTS					
Lobo Archangel Bantangas – new acquistions	75%	Earning 51% in Phase I	US$306,016	January 2006	Mindoro
OTHER PROJECTS					
Pan de Azucar	75%	40% Earning 35% in Phase III	Pp10,948,941	January 2004 Negotiating extension	Mindoro

(1) Under the MOA with Minimax and Letter Agreement with Egerton (alone or collectively the "Philippine Joint Venture Partner(s)"), for each project in which Mindoro earns an interest, Mindoro is required to establish a Philippine joint venture company which will hold the interests of both Mindoro and the Philippine Joint Venture Partner in the applicable project. Mindoro is in the process of establishing a joint venture company for its Surigao Projects and will establish a joint venture company for its Batangas projects upon reaching its Phase I earn-in threshold. Establishing a joint venture company to hold the Pan de Azucar interest is postponed pending successful negotiations of an extension to Mindoro's Phase III earn-in period.

(2) Panoro Minerals Ltd. to fund a total of CDN$2 million in exploration expenditures on the Agata, Tapian and Mat-I projects in order to earn a 40% interest in each of the projects from Mindoro. Upon reaching the CDN$2 million earn in threshold, both Mindoro and Panoro will fund any remaining expenditure requirements pro-rata. Both Mindoro and Panoro may increase their interest to 42.5% at feasibility stage through an interest purchase agreement with Minimax based on future established mining reserves.

TRANSACTIONS WITH RELATED PARTIES

(a) Accounts receivable and advances includes $34,797 due from an officer and director of the Company.

(b) Mineral properties and deferred costs includes $296,320 for drilling services to a corporation during the time period in which an individual who controlled the corporation was a director of the company. Of these amounts, $90,000 was paid through the issuance of shares and $56,991 is included in accounts payable and accrued liabilities at December 31, 2004. As well, mineral properties and deferred costs includes $3,829 paid to a director of the Company.

(c) Of the 1,580,000 stock options granted during 2004, 100,000 were granted to a firm during the time period in which a principal of this firm was a director of the Company.

(d) Consulting and professional fees expenses includes $9,712 paid to a director of the Company, and $29,000 paid for investor relations services to a firm during the time period in which a principal of this firm was a director of the Company. Advertising and promotion expense includes $17,055 paid to this investor relations firm.

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.

CAPITAL STRUCTURE

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

Issued - Common shares	**Number**
Balance, December 31, 2003	31,356,757
Pursuant to private placements	2,433,312
Pursuant to Short form Offering	8,938,888
For mineral properties	600,000
On exercise of purchase warrants	50,000
On exercise of agent's warrants	202,910
On exercise of stock options	530,000
Issuable for mineral properties	90,000
Balance, December 31, 2004	**44,201,867**

Common share purchase warrants	
Balance, December 31, 2003	1,631,083
Issued with private placements	2,233,312
Issued with Short Form Offering	9,777,776
Warrants exercised	(252,910)
Warrants expired	(320,900)
Balance, December 31, 2004	**13,068,361**

Stock options	
Balance, December 31, 2003	2,046,000
Issued to directors, officers and employees	1,230,000
Issued to consultants	350,000
Exercised	(530,000)
Expired	(266,000)
Balance, December 31, 2004	**2,830,000**

Included in the common shares issued as of December 31, 2003, were obligations to issue 1,000,000 common shares with a stated valued of $198,000. These shares were subsequently issued in the second quarter of 2004, but no additional entry in 2004 was necessary. To follow is a summary of the share obligations recorded as at December 31, 2003, and issued in 2004:

(i) 600,000 shares issued to East West Drilling (L) Limited on March 1, 2004, as consideration for drilling services during 2003.

(ii) 100,000 shares issued to Minimax Mineral Exploration Corp. on March 5, 2004, as consideration for granting an extension to the earn-in periods on the Agata, Tapian and Mat-I Projects.

(iii) 100,000 shares issued to Minimax on April 27, 2004, pursuant to the Company's election to enter the next phase of exploration on the Pan de Azucar Project.

(iv) 200,000 shares issued to Minimax as consideration for granting an option to earn additional interest in the Agata, Tapian, and Mat-I Projects

Included in the common shares issued as of December 31, 2004, was an obligation to issue (1) 50,000 common shares to Minimax Mineral Exploration Corp. with a stated value of $13,750, pursuant to the Company's election to enter into the next phase of exploration on the Tapian Project; and (2) 40,000 shares, with a stated value of $10,800, issuable to a property vendor pursuant to an Agreement to Explore, Develop, and Operate Mineral Property, entered into by the company on December 8, 2004.

The following table summarizes information about Common share purchase warrants outstanding and exercisable as at December 31, 2004:

Number of Warrants	Exercise Price	Expiry Date
250,000	$ 0.60	January 2005
500,000	0.50	March 2005
557,273	1.00	August 2005
50,000	0.30	January 2006
831,112	0.30	August 2006
8,888,888	0.30	October 2006
888,888	0.23	October 2006
1,102,200	0.50	October 2006
13,068,361		

The following table summarizes information about stock options outstanding and exercisable at December 31, 2004:

Range of Exercise Prices	Weighted Average Remaining Number Outstanding	Weighted Average Remaining Contractual Life	Number Exercisable	Contractual Life
$ 0.10 - 0.13	925,000	2.16 years	925,000	2.16 years
0.15	395,000	3.18	395,000	3.18
0.23	630,000	3.20	517,500	3.52
0.32 - 0.36	880,000	7.31	880,000	7.31
	2,830,000	4.14 years	2,717,500	4.24 years

FORWARD LOOKING STATEMENTS

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

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

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Auditors' Report

To the Shareholders
Mindoro Resources Ltd.

We have audited the consolidated balance sheets of Mindoro Resources Ltd. as at December 31, 2004 and 2003 and the consolidated statements of 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, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "Collins Barrow Calgary LLP"
CHARTERED ACCOUNTANTS

Calgary, Alberta
February 25, 2005, except as to note 12
which is as of April 19, 2005

Mindoro Resources Ltd.
Consolidated Balance Sheets
December 31, 2004 and 2003

	2004	2003 *(restated - note 2[f])*
Assets		
Current assets		
Cash	$ 1,295,541	$ 296,772
Accounts receivable and advances	96,429	61,698
Prepaid expenses and deposits	12,433	13,627
Cash call receivable	48,324	-
	1,452,727	372,097
Royalty deposits (note 3)	28,396	25,110
Mineral properties and deferred costs (note 4)	4,202,091	3,111,576
Property and equipment (note 5)	13,726	12,115
	$ 5,696,940	$ 3,520,898
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 232,469	$ 146,023
Shareholders' Equity		
Share capital (note 6)	11,627,155	9,292,564
Contributed surplus (note 7)	886,771	331,711
Deficit	(7,049,455)	(6,249,400)
	5,464,471	3,374,875
	$ 5,696,940	$ 3,520,898

Approved by the Board,

(signed) "Gerhard Kirchner", Director

(signed) "Peter Draper", Director

Mindoro Resources Ltd.

Consolidated Statements of Loss and Deficit

Years Ended December 31, 2004 and 2003

	2004	2003 *(restated - note 2[f])*
Revenue		
Interest	$ 5,537	$ 101
Expenses		
Administration	2,372	2,011
Advertising and promotion	85,339	27,449
Communications	6,528	5,678
Conferences and trade shows	28,992	12,387
Consulting and professional fees	105,817	54,048
Listing fees and shareholder communications	26,651	17,527
Office	28,101	24,502
Printing	18,532	8,947
Rent	11,218	10,068
Salaries and benefits	121,289	87,249
Stock-based compensation	281,075	51,380
Travel	39,578	8,136
Amortization	2,845	13,601
	758,337	322,983
Loss before the following	(752,800)	(322,882)
Foreign exchange loss	(47,255)	(38,727)
Net loss	(800,055)	(361,609)
Deficit, beginning of year		
As previously reported	(6,128,365)	(5,818,136)
Change in accounting policy (note 2[f])	(121,035)	(69,655)
As restated	(6,249,400)	(5,887,791)
Deficit, end of year	$ (7,049,455)	$ (6,249,400)
Net loss per share (note 6[e]) - basic and diluted	$ (0.02)	$ (0.01)

Mindoro Resources Ltd.
Consolidated Statements of Cash Flows
Years Ended December 31, 2004 and 2003

	2004	2003 *(restated - note 2[f])*
Operating activities		
Net loss	$ (800,055)	$ (361,609)
Items not affecting cash		
Stock-based compensation	281,075	51,380
Amortization	2,845	13,601
Unrealized foreign exchange loss	23,144	38,727
	(492,991)	(257,901)
Changes in non-cash working capital	(114,435)	62,328
Decrease (increase) in royalty deposits	(3,286)	2,976
	(610,712)	(192,597)
Financing activity		
Issuance of share capital, net of issuance costs	2,395,626	748,087
Investing activities		
Expenditures on mineral properties and deferred costs	(900,709)	(410,875)
Acquisition of property and equipment	(4,456)	(6,144)
Changes in non-cash working capital	119,020	-
	(786,145)	(417,019)
Cash inflow	998,769	138,471
Cash, beginning of year	296,772	158,301
Cash, end of year	$ 1,295,541	$ 296,772

Supplemental cash flows information (note 9)

1. Nature of operations and going concern

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

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

The continued existence of the company is dependent upon its ability to obtain additional sources of financing or negotiate appropriate farm-in arrangements, to fund current and future exploration and administrative expenditures, to meet obligations to preserve its interests in existing mineral properties and to achieve commercial production and positive cash flows from operations. Failure to obtain sufficient financing or other appropriate arrangements would have an adverse effect on the financial position of the company and its ability to continue as a going concern. Since the company operates internationally, exposure also arises from fluctuations in currency exchange rates, political risk and varying levels of taxation. While the company seeks to manage these risks, many of these factors are beyond its control.

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

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, MRL Gold Phils., Inc.

(b) Mineral properties and deferred costs

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

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

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

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

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

(c) Property and equipment

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

(d) Asset retirement obligations

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

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

(e) Income taxes

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

(f) Stock-based compensation

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

Effective January 1, 2004, the company adopted retroactively with restatement the recommendations of the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3870 "Stock-based Compensation and Other Stock-based Payments". The recommendations apply to all stock-based compensation granted on or after January 1, 2002. Stock-based compensation granted to employees, directors, officers and non-employees on or after January 1, 2002 is accounted for using the fair value method. Compensation expense is amortized over the vesting period of the options, with a corresponding increase in contributed surplus. Any consideration paid on the exercise of stock options will be credited to share capital. Contributed surplus recognized as a result of granting options will be credited to share capital when the options are exercised. Prior to January 1, 2004, the company used the intrinsic value method of accounting for stock-based compensation granted to employees, directors and officers.

The effect of this change in accounting policy on the consolidated financial statements is as follows:

Consolidated Balance Sheets

	December 31, 2004	December 31, 2003
Increase in mineral properties and deferred exploration costs	$ 161,565	$ 63,165
Increase in share capital	42,271	-
Increase in contributed surplus	521,404	184,200
Increase in deficit	402,110	121,035

Consolidated Statements of Loss and Deficit

	Years Ended December 31, 2004	Years Ended December 31, 2003
Stock-based compensation expense, being increase in net loss	$ 281,075	$ 51,380
Increase in opening deficit	121,035	69,655
Increase in net loss per share - basic and diluted	0.01	-

(g) Foreign currency translation

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

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

(h) Diluted loss per share

Diluted loss per share is calculated using the treasury stock method, whereby it is assumed that proceeds from the exercise of in-the-money stock options and warrants are used by the company to repurchase company shares at the weighted average market price during the period.

(i) Measurement uncertainty

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

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

3. Royalty deposits

The company has arrangements with various Philippine landowners to conduct exploration and development activities for several mineral projects (note 4). Under these arrangements, the company has advanced royalty deposits to these landowners which will be applied against royalties payable on future production, if any, from the related properties. If the company abandons a mineral project, the related royalty deposit will be charged against income.

4. Mineral properties and deferred costs

	Balance, December 31, 2002 *(restated - note 2[f])*	Expenditures	Balance, December 31, 2003 *(restated - note 2[f])*	Expenditures	Management Fee Recoveries	Balance, December 31, 2004
Agata* (s) (b)	$1,086,432	$ 47,401	$1,133,833	$ 21,140	$ (21,254)	$1,133,719
Tapian* (s) (b)	517,861	45,038	562,899	97,094	(11,445)	648,548
Lahuy*	103,361	-	103,361	-	-	103,361
Mat-I* (s)	-	27,000	27,000	15,017	-	42,017
Pan de Azucar*	624,932	40,522	665,454	22,345	-	687,799
Lobo**	83,525	412,583	496,108	731,483	-	1,227,591
Archangel**	43,298	79,623	122,921	195,004	-	317,925
Batangas**	-	-	-	16,374	-	16,374
Laos	-	-	-	24,757	-	24,757
	$2,459,409	$ 652,167	$3,111,576	$1,123,214	$ (32,699)	$4,202,091

* Governed by a Memorandum of Agreement (note 4[a])
** Governed by a Letter Agreement (note 4[d])
(s) Governed by the Surigao Option Agreement (note 4[b])
(b) Governed by the Bautista Agreements (note 4[c])

During the year ended December 31, 2004, the company capitalized $93,293 (2003 - $92,500) in salaries and benefits expenses.

Some of the following commitments are denominated in Philippine Pesos ("PP"). At December 31, 2004, 46.838 PP = $1CDN.

(a) Pursuant to a Memorandum of Agreement ("MOA") dated January 19, 1997 with Minimax Mineral Exploration Corporation ("Minimax"), the company was granted the right to earn options to earn up to a 75% working interest in five mineral properties: Agata, Tapian, Pan de Azucar, Mat-I and Lahuy, located in the Philippines. Under the terms of the MOA, the company may earn working 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 of 20,000,000 PP in eligible mining expenditures allocated to the properties as defined in the MOA;

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

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

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

As at December 31, 2004, the company has met phase one expenditure requirements on all properties under this agreement, with the exception of Lahuy, and phase two expenditure requirements on the Agata, Tapian and Pan de Azucar properties by incurring the required minimum eligible expenditures. In accordance with the MOA, 700,000 Common shares of the company have been issued to Minimax to December 31, 2004. An additional 100,000 Common shares were committed to be issued in 2004 as the company elected to enter into phase three on the Tapian property. These shares were not issued to December 31, 2004 and are recorded as Common shares issuable at December 31, 2004 at fair value, on the date the company exercised the option, of $27,500 less the Common shares deliverable by Panoro Minerals Ltd. ("Panoro") (note 4[b]) at fair value of $13,750, for a net obligation of $13,750.

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

(i) Agata - The company is in Phase three of this project and must incur 15,000,000 PP in eligible mining expenditures before November 1, 2005.

(ii) Tapian - The company is in Phase three of this project and must incur 15,000,000 PP in eligible mining expenditures before December 20, 2006.

(iii) Pan de Azucar - The company is in Phase three of this project and was to have incurred 15,000,000 PP in eligible mining expenditures by January 4, 2004. Although the company did not meet these requirements, the company is currently negotiating an extension to this deadline through extending the exploration period in the exploration permit.

(iv) Mat-I - The company is in Phase two of this project and must incur 15,000,000 PP in eligible mining expenditures to earn a 40% 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.

(v) Lahuy - The company is in Phase one of this project and must incur 5,000,000 PP in eligible mining expenditures. There is currently more than one party claiming title to the mining claims over this property, and as such, the company has not been able to obtain a MPSA or an exploration permit. The company is of the opinion they will be able to successfully resolve this dispute.

Pursuant to an agreement dated November 4, 2003, the company was granted an option to earn to an additional 10% working interest in each of the Agata, Tapian and Mat-I properties from Minimax. The company may exercise its option on each property by making a payment to Minimax equivalent to 0.5% of the gross value of each mining reserve with a minimum of $5,000,000 US per mining reserve. The agreement also requires the company to issue 200,000 Common shares to Minimax as additional consideration for granting the option. The shares, having a fair value of $54,000, were recorded as issuable at December 31, 2003 and were issued during 2004.

(b) Pursuant to the Surigao Option Agreement ("SOA") effective June 21, 2004, Panoro was granted an option to acquire a 40% working interest in each of the Agata, Tapian and Mat-I properties and any extensions on those properties. In order to earn the working 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 on or before June 21, 2005;

(ii) $450,000 on or before June 21, 2006; and

(iii) $600,000 in each of the years ending June 21, 2007 and 2008.

Panoro was granted an additional interest option to earn 2.5% of the additional 10% working interest in each of the Agata, Tapian and Mat-I properties as described in note 4[a] by reimbursing the company 25% of the costs incurred by the company under the additional interest option at the time the option is exercised. As consideration for the granting of the additional interest option, Panoro is obligated to deliver to the company 50,000 Common shares of the company. These shares have not been received by the company to December 31, 2004. The expected receipt of these 50,000 company shares by the company has been netted against the obligation to issue 100,000 company shares to Minimax upon entering Phase three of the Tapian project as described in note 4[a]. Thus, 50,000 net shares have been recorded as Common shares issuable at December 31, 2004 at net fair value of the shares on the date of the transactions of $13,750.

If the phase expenditures on the properties described in note 4[a] are not met, the properties become excluded from the SOA.

Effective June 8, 2004, Panoro and Mindoro became related companies due to a common director.

(c) Under the terms of the MOA and the SOA and as confirmed in a Confirmation Agreement between the company, Minimax and Panoro, the parties established an Area of Mutual Interest surrounding the Agata, Tapian and Mat-I properties. During 2004, the company entered into two agreements to acquire mineral tenements over properties that are within the Area of Mutual Interest to the Surigao properties.

On October 26, 2004, the company entered into an Agreement to Explore, Develop and Operate Mineral Property ("the Bautista-Agata Agreement") and acquired mineral exploration, development and production rights. On signing this agreement, the company paid a signing bonus of 500,000 PP to the vendor. The company has the following additional obligations:

(i) Issue 100,000 Common shares to the vendor upon the approval of an exploration permit over the property;

(ii) Commence payment to the vendor of quarterly royalty advances of 50,000 PP per quarter three months following the approval of an exploration permit over the property;

(iii) Issue 250,000 Common shares to the vendor one year following the approval of an exploration permit over the property; and

(iv) Issue 500,000 Common shares to the vendor upon decision to commence commercial production from the property.

The vendor is entitled to a 1.5% Net Smelter Royalty on commercial production from the property. Pursuant to the terms of the Confirmation Agreement, Panoro elected to include this additional property as part of the Agata project. As such, as part of the SOA, Panoro is to reimburse the company costs of acquiring the property, and will incur all further obligations under the Bautista-Agata Agreement until the Surigao Option Period expires, or the Agata property becomes an excluded property. The costs reimbursable by Panoro have been included in cash call receivable at December 31, 2004.

On December 8, 2004, the company entered into an Agreement to Explore, Develop and Operate Mineral Property ("the Bautista-Tapian Agreement") and acquired mineral exploration, development and production rights. On signing the agreement, the company paid a signing bonus of 1,500,000 PP to the vendor. The company is 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. These 40,000 company shares have not yet been issued to December 31, 2004 and are recorded as Common shares issuable (note 6[b]) at December 31, 2004 at fair value on the date of signing of $10,800. The fair value of the Panoro Common shares on the date of signing of $6,800 is included in accounts payable and accrued liabilities at December 31, 2004. The company has the following additional obligations under the terms of this 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 Common shares of Panoro to the vendor on December 8, 2005;

(iii) Issue 250,000 company Common shares and 250,000 Panoro Common shares to the vendor at feasibility study stage on the property; and

(iv) Issue 250,000 company Common shares and 250,000 Panoro Common shares to the vendor upon decision to commence commercial production on the property.

The vendor is entitled to a 1.5% Net Smelter Royalty on commercial production from the property. Subsequent to December 31, 2004, pursuant to the terms of the Confirmation Agreement, Panoro elected to include this additional property as part of the Tapian project. As such, it will now be part of the SOA and Panoro will reimburse the company for the costs of acquiring the property, and will incur all further obligations under the Bautista-Tapian Agreement until either the Surigao Option Period expires, or the Tapian property becomes an excluded property.

(d) 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% interest in the Lobo and Archangel mineral properties in the Philippines. The company may earn interests of 51% and 24% in these mineral properties by completing phases one and two, respectively, as follows:

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

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

Pursuant to the Agreement, the company issued 500,000 Common shares to Egerton at a fair value of $55,000 upon receipt of the related MPSAs on the properties during 2003.

Once the phase one expenditure requirement has been met on these properties, the company has the option to enter into phase two by issuing an additional 500,000 Common shares to Egerton.

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% interest at production, or convert to a 2% 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, 2004.

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.

Effective June 8, 2004, Egerton and Mindoro became related companies because a director of Mindoro has significant influence over Egerton.

(e) Pursuant to an agreement dated October 28, 2002 with East West Drilling Limited ("EWDL"), the company issued 600,000 Common shares as consideration for EWDL providing $90,000 of drilling services on the mining projects described in note 4(d) in each of 2003 and 2004.

5. Property and equipment

	2004			2003		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer hardware	$ 50,181	$ 44,844	$ 5,337	$ 47,806	$ 43,036	$ 4,770
Computer software	42,547	39,205	3,342	40,445	38,222	2,223
Office furniture and equipment	29,724	24,677	5,047	29,724	24,602	5,122
Leasehold improvements	16,517	16,517	-	16,517	16,517	-
	$ 138,969	$ 125,243	$ 13,726	$ 134,492	$ 122,377	$ 12,115

6. Share capital

(a) Authorized

Unlimited number of Common shares
Unlimited number of Preferred shares

(b) Issued - Common shares

	Number	**Stated Value**
Balance, December 31, 2002	24,503,429	$ 8,219,877
For mineral properties (note 4[a] and [d])	900,000	162,682
For drilling services rendered (note 4[e])	600,000	90,000
For services rendered (note 6[b][i])	334,648	65,954
Private Placement (note 6[b][ii])	1,100,000	163,575
Exercise of warrants (note 6[c][i])	3,780,680	567,661
Exercise of stock options (note 6[d][i])	138,000	22,815
Balance, December 31, 2003	31,356,757	9,292,564
For drilling services rendered (note 4[e])	600,000	90,000
Private Placements (note 6[b][iii])	2,433,312	547,374
Short Form Offering (note 6[b][iv])	8,938,888	1,506,337
Exercise of warrants (note 6[c][i])	252,910	54,831
Exercise of stock options (note 6[d][i])	530,000	111,499
Balance, December 31, 2004	44,111,867	11,602,605
Common shares issuable (note 4[a] and [c])	90,000	24,550
		$11,627,155

(i) During 2003, the company issued 61,922 Common shares to settle a consulting fee payable to a director in the amount of $6,811. The transaction was recorded at the exchange amount based on the market price of $0.11 per share when the payable was settled.

During 2003, the company issued 272,726 Common shares to settle salaries payable to certain officers in the amount of $95,000. The transaction was recorded at the exchange amount of $60,000 based on the market price of $0.22 per share when the payable was settled. The officers waived the remaining $35,000 payable and as such, this amount was included in contributed surplus.

The above issuances were recorded net of issue costs of $857.

(ii) During 2003, the company issued 1,100,000 Units at $0.15 per Unit for proceeds of $163,575, net of issue costs of $1,425. Each Unit consisted of one Common share and one-half Common share purchase warrant. Each whole Common share purchase warrant entitles the holder to acquire one Common share at $0.30 per share until March 27, 2004, and thereafter at $0.50 per share until March 27, 2005.

(iii) On January 16, 2004, the company issued 500,000 Units at $0.30 per Unit for proceeds of $129,604, net of cash issue costs of $20,396. Each Unit consisted of one Common share and one-half Common share purchase warrant. Each whole Common share purchase warrant entitles the holder to acquire one Common share at $0.60 per share until January 16, 2005. The company issued 50,000 agent's warrants pursuant to this private placement exercisable into one Unit of the company at $0.30 per Unit until January 16, 2006, each Unit having the same terms as above. The fair value of the agent's warrants was estimated to be $13,145 using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years, expected volatility of 123%, risk-free interest rate of 2.84% and a 0% dividend yield. This was recorded as a share issue cost with a corresponding increase in contributed surplus.

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

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

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

(c) A summary of the company's Common share purchase warrants as at December 31, 2004 and 2003 and changes during the years then ended are as follows:

	Number
Balance, December 31, 2002	6,742,926
Private Placement (note 6[b][ii])	550,000
Exercised (note 6[c][i])	(3,780,680)
Expired	(1,881,163)
Balance, December 31, 2003	1,631,083
Private Placements (note 6[b][iii])	2,233,312
Short Form Offering (note 6[b][iv])	9,777,776
Exercised (note 6[c][i])	(252,910)
Expired	(320,900)
Balance, December 31, 2004	13,068,361

The following table summarizes information about Common share purchase warrants outstanding and exercisable at December 31, 2004:

Number of Warrants	**Exercise Price**	**Expiry Date**
250,000	$ 0.60	January 2005
500,000	0.50	March 2005
557,273	1.00	August 2005
50,000	0.30	January 2006
831,112	0.30	August 2006
8,888,888	0.30	October 2006
888,888	0.23	October 2006
1,102,200	0.50	October 2006
13,068,361		

(i) These warrants were exercised for $37,320 (2003 - $562,872). Stock-based compensation costs totaling $17,511 (2003 - $4,789), recorded as an increase to contributed surplus on issuance in 2002, were reclassified to share capital upon the exercise of these warrants.

(ii) Subsequent to December 31, 2004, 279,465 Units were issued upon the exercise of 279,465 warrants for $62,880. Each Unit consists of one Common share and one Common share purchase warrant entitling the holder to purchase one Common share at $0.30 per share for two years from the date of issue.

(iii) Subsequent to December 31, 2004, 750,000 warrants expired unexercised.

(d) Stock-based compensation

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

A summary of the status of the company's stock option plan as at December 31, 2004 and 2003 and changes during the years then ended are as follows:

	2004		2003	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding, beginning of year	2,046,000	$ 0.14	1,894,000	$ 0.16
Granted	1,580,000	0.31	560,000	0.15
Exercised (note 6[d][i])	(530,000)	0.13	(138,000)	0.17
Expired/cancelled	(266,000)	0.32	(270,000)	0.30
Outstanding, end of year	2,830,000	$ 0.22	2,046,000	$ 0.14
Exercisable, end of year	2,717,500	$ 0.22	2,046,000	$ 0.14

The following table summarizes information about stock options outstanding and exercisable at December 31, 2004:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Number Exercisable	Weighted Average Remaining Contractual Life
$ 0.10 - 0.13	925,000	2.16 years	925,000	2.16 years
0.15	395,000	3.18	395,000	3.18
0.23	630,000	3.20	517,500	3.52
0.32 - 0.36	880,000	7.31	880,000	7.31
	2,830,000	4.14 years	2,717,500	4.24 years

(i) These options were exercised for $69,228 (2003 - $22,815), net of share issue costs of $173 (2003 - $NIL). Contributed surplus was reduced by the fair value at grant date of the options exercised during the year of $42,271 (2003 - $NIL) with a corresponding increase in share capital on the date of exercise.

(ii) The estimated fair value of options granted were calculated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions as follows:

	2004	2003
Risk-free interest rate	3.98%	5.0%
Expected hold period prior to exercise (years)	7.17	5
Expected volatility (%)	120	150
Dividend yield per share (%)	-	-
Grant date fair value per option	$0.26	$0.14

Compensation costs of $281,075 (2003 - $51,380) was recorded as stock-based compensation expense and $98,400 (2003 - $27,020) was recorded as mineral properties and deferred costs, with a total corresponding increase in contributed surplus of $379,475 (2003 - $78,400).

(iii) On February 3, 2005, the company granted 1,115,000 stock options to directors, officers and employees at $0.28 per share, expiring February 3, 2010.

(e) Net loss per share

Net loss per share is calculated on the basic weighted average number of Common shares outstanding during the year of 34,693,803 (2003 - 27,677,032). The exercise of stock options and Common share purchase warrants would be anti-dilutive. The Common shares the company is obligated to issue (note 6[b]) have been included in the weighted average number of Common shares outstanding in calculating net loss per share.

7. Contributed surplus

Balance, December 31, 2002 (restated - note 2[f])	$ 223,100
Settlement of salaries payable (note 6[b][i])	35,000
Exercise of warrants (note 6[c][i])	(4,789)
Stock-based compensation (note 6[d][ii]) (restated - note 2[f])	78,400
Balance, December 31, 2003 (restated - note 2[f])	331,711
Agent warrants (note 6[b][iii] and [iv])	235,367
Exercise of warrants (note 6[c][i])	(17,511)
Stock options exercised (note 6[d][i])	(42,271)
Stock-based compensation (note 6[d][ii])	379,475
Balance, December 31, 2004	$ 886,771

8. Income taxes

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

	2004	**2003**
Tax values in excess of net book value of mineral properties and deferred costs and property and equipment	$ 100,897	$ 150,110
Share issue costs	89,476	15,000
Loss carryforwards	983,014	1,075,000
Valuation allowance	(1,173,387)	(1,240,110)
	$ -	$ -

(b) Income tax recovery differs from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 38.62% (2003 - 40.62%) to net loss as follows:

	2004	**2003** *(restated - note 2[f])*
Expected income tax recovery	$ (308,981)	$ (146,886)
Decrease (increase) resulting from:		
Stock-based compensation	108,551	20,871
Change in future tax asset resulting from changes in tax rates	(16,142)	326,184
Expiry of non-capital loss carryforwards, net	323,411	116,660
Future income tax benefits not previously recognized	(108,656)	(332,531)
Other	1,817	15,702
	$ -	$ -

(c) At December 31, 2004, Canadian non-capital losses of approximately $2,952,000 for which no benefit has been recognized in the consolidated financial statements expire as follows:

Year of Expiry	**Amount**
2005	$ 528,000
2006	614,000
2007	349,000
2008	206,000
2009	137,000
2010	281,000
2014	564,000
	$ 2,679,000

9. Supplemental cash flows information

The following non-cash transactions have been excluded from the consolidated statements of cash flows:

	2004	**2003**
Mineral property costs settled by share issuances (notes 4[a], [c] and [e])	$ 114,550	$ 252,682
Stock-based compensation capitalized to deferred exploration costs (note 6[d][ii])	98,400	27,020
Issuance of stock options and Common shares to settle accounts payable (note 6[b][i])	-	101,811
Share issue costs as a result of increasing contributed surplus (notes 6[b][iii] and [iv])	235,367	-
Contributed surplus transferred on exercise of stock options and warrants (note 7)	59,782	4,789

10. Financial instruments

(a) Fair values

The fair values of all financial instruments approximate their carrying values due to their short-term nature.

(b) Currency risk

The company is exposed to currency price risk to the extent of its foreign operations conducted in the Philippines. The company does not hedge its exposure to fluctuations in the related foreign exchange rate.

11. Related party transactions

(a) Accounts receivable and advances includes $34,797 (2003 - $30,019) due from an officer and director of the company.

(b) Mineral properties and deferred costs includes $296,320 (2003 - $NIL) for drilling services to a corporation during the time period in which an individual who controlled the corporation was a director of the company. Of these amounts, $90,000 (2003 - $NIL) was paid through the issuance of shares (note 4[e]) and $56,991 (2003 - $NIL) is included in accounts payable and accrued liabilities at December 31, 2004. As well, mineral properties and deferred costs includes $3,829 (2003 - $NIL) paid to a director of the company.

(c) Of the 1,580,000 stock options granted during 2004 (note 6[d]), 100,000 were granted to a firm during the time period in which a principal of this firm was a director of the company.

(d) Consulting and professional fees expense includes $9,712 (2003 - $10,338) paid to a director of the company, and $29,000 (2003 - $NIL) paid for investor relations to a firm during the time period in which a principal of this firm was a director of the company. Advertising and promotion expense includes $17,055 (2003 - $NIL) paid to this investor relations firm.

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. Subsequent events

(a) Subsequent to December 31, 2004, 50,000 Common shares were issued upon the exercise of 50,000 warrants for proceeds of $15,000.

(b) Subsequent to December 31, 2004, 59,000 Units were issued upon the exercise of 59,000 warrants for $13,275. Each Unit consists of one Common share and one Common share purchase warrant entitling the holder to purchase one Common share at $0.30 per share for two years from the date of issue.

(c) On April 5, 2005, the company granted 100,000 stock options to an investor relations firm at $0.32 per share, expiring April 5, 2007.

(d) On April 12, 2005, the company issued 2,117,500 units for gross proceeds of $677,600. Each unit consists of one Common share and one-half Common share purchase warrant. Each whole Common share purchase warrant entitles the holder to acquire one Common share at $0.50 per share until October 12, 2006. The shares are subject to a four month hold period expiring August 13, 2005. Finders fees of $16,716 were paid to agents.