



## Condensed Consolidated Interim Financial Statements

Nine Months Ended September 30, 2011

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

*(Unaudited)*

Mindoro Resources Ltd.  
Canada:  
2200, 10235 – 101 Street NW  
Edmonton, Alberta, Canada, T5J 3G1  
Toll Free: 1-877-413-8187

Australia :  
Level 2, 10-16 Queen Street  
Melbourne, Victoria 3000  
Tel : +61 3 9614 5055  
ARBN : 143 485 698

Email: [mindoro@mindoro.com](mailto:mindoro@mindoro.com)  
Website: <http://www.mindoro.com>

*Mindoro trades on the TSX Venture Exchange under the symbol MIO;  
on the Australian Securities Exchange under the symbol MDO;  
on the Frankfurt Stock Exchange under the symbol OLM*



## Table of Contents

For the nine months ended September'52, 2011

---

Management's Discussion and Analysis .....	3
Condensed Consolidated Interim Statements of Financial Position .....	23
Condensed Consolidated Interim Statements of Comprehensive Loss.....	24
Condensed Consolidated Interim Statements of Changes in Equity.....	25
Condensed Consolidated Interim Statements of Cash Flows .....	26
Notes to the Condensed Consolidated Interim Financial Statements .....	27



MINDORO  
RESOURCES LTD

## Management's Discussion and Analysis

Three and Nine Months Ended September 30, 2011

Mindoro Resources Ltd.  
Canada  
2200, 10235 – 101 Street NW  
Edmonton, Alberta, Canada, T5J 3G1  
Toll Free: 1-877-413-8187

Australia  
Level 2, 10-16 Queen Street  
Melbourne, Victoria 3000  
Tel: +61 3 9614 5055  
ARBN: 143 485 698

Email: [mindoro@mindoro.com](mailto:mindoro@mindoro.com)  
Website: <http://www.mindoro.com>

*Mindoro trades on the TSX Venture Exchange under the symbol MIO;  
on the Australian Securities Exchange under the symbol MDO;  
on the Frankfurt Stock Exchange under the symbol OLM*

# Management's Discussion and Analysis

## Three and Nine Months Ended September 30, 2011



### 1. GENERAL

This discussion and analysis of the financial position and results of operations of Mindoro Resources Ltd (the "Company" or "Mindoro") is prepared as at November 2, 2011, and should be read in conjunction with the unaudited consolidated financial statements for the nine months ended September 30, 2011. The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") - Interim Financial Reporting. A reconciliation of the previously disclosed comparative period's financial statements prepared in accordance with Canadian generally accepted accounting principles is set out in Note 10 to the condensed financial statements. All amounts are expressed in thousands of Canadian dollars, unless otherwise indicated.

The ability of the consolidated entity to continue as a going concern is dependent on obtaining additional funding to finance ongoing exploration activities. Plans to obtain further financing include seeking parties interested in joint venture activities to develop the consolidated entity's exploration assets, raising additional funds through equity raisings and placements to existing or new key investors. The Company intends to be proactive over the upcoming period to seek to raise additional capital to expand its exploration operations and further develop its existing assets in an appropriate time frame. Until this occurs there is significant uncertainty as to whether the consolidated entity will be able to continue as a going concern and therefore, whether it will realize its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements.

The directors consider the consolidated entity is a going concern, but recognize that it is dependent on the raising of additional funds, the sale of interests in or relinquishment of, mining tenements held by the consolidated entity and ultimately the future profitability of the consolidated entity. The directors are of the opinion that no asset is likely to be realized for an amount less than the amount at which it is recorded in the financial statements at September 30, 2011, and that the going concern basis is appropriate. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern with the exception of the property write down summarized within note 6

Additional information related to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website [www.mindoro.com](http://www.mindoro.com).

### 2. CAUTIONARY STATEMENT REGARDING 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 and 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 will not necessarily update forward-looking statements unless the Company is required to by applicable securities laws.

### 3. NATURE OF OPERATIONS

The Company's principal activity is the acquisition, exploration and development of mineral properties in the Philippines.

The Company is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of Alberta. The Company's shares are listed on the TSX Venture exchange, Australian Securities Exchange, and Frankfurt Stock Exchange.

**Management's Discussion and Analysis**  
**Three and Nine Months Ended September 30, 2011**



The Company's registered office is Suite 2200, 10235 – 101 Street NW, Edmonton, Alberta, Canada, T5J 3G1. The Company's executive office is Level 2 10-16 Queen Street, Melbourne, Victoria, Australia, 3000

**4. OVERVIEW FOR QUARTER ENDED SEPTEMBER 30, 2011**

**FINANCE**

As of September 30, 2011, the Company's cash position was \$3.9 million compared with \$8.0 million as at June 30, 2011. Working capital at September 30, 2011, was \$2.8 million as compared to \$7.4 million at June 30, 2011.

**AGATA NICKEL PROJECT (75% ECONOMIC INTEREST, OPTIONS FOR 100%)**

The Company is progressing a two stage development strategy including a direct and thermally upgraded shipping ore operation followed by a low operating-cost nickel processing operation based on established acid leaching technology. On November 2, 2011 the Company announced the results from the stage 1 development scoping and marketing study and stage 2 development pre-feasibility study both completed during October 2011. Further, the Company announced the engagement of Deloitte Corporate Finance as an advisor to coordinate the process to secure a strategic partner to advance and finance the development of the Agata project.

**Nickel Resource Increase from Regional Exploration Targets**

On September 16, 2011, the Company announced an increase in Measured and Indicated Resource estimate to 42.76 million tonnes @ 1.10% nickel, representing an increase of 10.1 million tonnes or 31% compared to the September 2010 resource estimate. In addition, the total Inferred Resource increased by 0.75million tonnes to 2.435 million tonnes @ 0.99% nickel. The increase is significant as it provides the opportunity for early production based on high-iron limonite as well as additional mine life beyond the 15 year stage 2 acid leach project described in the March 2011 preliminary economic assessment (PEA).

The company has drilled a total of 748 holes for an 8,428 meters program that systematically tested regional nickel targets. Five target areas, of a total ten identified targets, have been tested to date: Tapian (East), Canaga, Bolobolo, Karihatag and Agata South. Infill drilling has been completed at Bolobolo, Karihatag and Agata South targets to 50m x 50m centers, sufficient drilling density for indicated resource estimation.

Total mineral resource estimates are tabulated below:

Classification	Horizon	Tonnes ('000) t	Ni %	Co %	Fe %	Al %	Mg %	SiO <sub>2</sub> %
<b>Measured &amp; Indicated</b>	Limonite	13,508	0.89	0.10	45	3.8	1.3	7.0
	Saprolite	29,254	1.07	0.03	12	0.7	16.9	40.0
	<b>Total</b>	<b>42,761</b>	<b>1.01</b>	<b>0.05</b>	<b>22</b>	<b>1.7</b>	<b>12.0</b>	<b>29.0</b>
<b>Inferred</b>	Limonite	683	0.81	0.09	40	4.8	1.8	13.7
	Saprolite	1,753	1.06	0.03	12	0.7	16.6	40.0
	<b>Total</b>	<b>2,435</b>	<b>0.99</b>	<b>0.04</b>	<b>20</b>	<b>1.9</b>	<b>12.4</b>	<b>33.0</b>

*The mineral resource estimates were produced by Mark Gifford MSc (Hons), who is a Fellow of the Australian Institute of Mining and Metallurgy (FAusIMM) and an independent qualified person as defined by NI 43-101, in conjunction with Quantitative Group Pty Ltd (QG) in Perth, Australia. A total of 1,080 drill core holes for 16,500 metres of drill core were used for the resource estimate. The resource estimation method applied was Ordinary Kriging, a very robust and proven methodology with regards to lateritic nickel deposits. Cut-off grades applied to the resource were 0.5% nickel within the Limonite zone and 0.8% nickel within the Saprolite zone.*

Further information is available in the press release dated September 16, 2011, available on Mindoro's website.

## Management's Discussion and Analysis

### Three and Nine Months Ended September 30, 2011



Mapped laterite exploration targets not yet drill-tested include San Jose, Tapian Central (Mamatfa), Tapian West (Corplex), Villariza and Mat-I. Drilling will continue as access to these areas is improved. The remaining Exploration Target for these areas is under review and subject to initial drilling to determine thickness.

#### **Agata Nickel Project Stage 1 Direct Shipping Ore and Thermal Upgrading Scoping Study**

Stage 1 is based on direct shipping of ore (DSO) production and the potential to produce a high-value, thermally upgraded nickel-iron concentrate to significantly enhance the economics. During the third quarter a stage 1 development scoping and marketing study was completed based on the results of thermal upgrading testing conducted by SGS Lakefield Oretest Pty Ltd in Perth as released by Mindoro on 28 July 2011. The testing indicated sintering-partial reduction upgrades of over 25% (1.25 times) on a dry basis for both nickel and iron. On this basis the ferruginous laterite at the top of the profile, grading approximately 48% iron, 0.7% nickel could upgrade to 62% iron, 0.8% nickel dry sinter product.

In addition, crushing and magnetic separation tests demonstrated significant upgrades to both nickel and iron, indicating the potential to upgrade limonite ore at 1% nickel, 43% iron to a magnetic concentrate product containing 3-4% nickel, 65% iron.

The scoping study on production of thermally-upgraded products from the Agata resource indicates that, for a capital cost of US\$88 million, 600,000 tonnes per annum (tpa) of thermally upgraded high-iron sinter product could be produced at a cash operating cost of approximately US\$31.50 per tonne of upgraded product (excluding mining costs). The study also highlighted potential to produce a high-value nickel-iron concentrate via magnetic separation as a possible nickel-pig-iron substitute.

The marketing section of the scoping study highlighted a strengthened Direct Shipping Ore (DSO) market, including the emergence of the high-iron laterite as an iron-ore substitute and increased pricing for both limonite and high-grade saprolite for nickel pig-iron production. The improved market and pricing for DSO products should result in enhanced DSO economics relative to the PEA released March 2011 (US\$8 million capital cost).

Further, the marketing study highlighted two opportunities for thermally upgraded products:

- i) The market for high-iron (low-nickel) direct shipping ore products has continued to improve to supply small blast-furnace nickel pig-iron producers that would sell to series 200 stainless steel producers. There is an opportunity to produce an upgraded sintered version of this product, with the right blend of fluxes and have the product briquetted prior to shipment to minimize physical degradation and moisture take-up.
- ii) The second opportunity is to produce a sintered and magnetically upgraded limonite product, grading  $\geq 4\%$  nickel and  $>65\%$  iron, that may be used by some Chinese stainless steelmakers as an alternative to nickel pig iron (NPI). Due to incomplete reduction, this product would be sold at a discount to its nickel pig-iron equivalent which at 4% Ni is priced at around US\$925/tonne landed (China) price. Operating costs based on a 175k tpa yield would still be  $< \$150/t$  of concentrate product. Therefore, even at a substantial discount to the equivalent nickel pig-iron price there is potential to generate a substantial margin improvement over direct shipping of unprocessed ores.

On the basis of the studies' positive results Mindoro plans to pursue feasibility and permitting of DSO and pilot scale thermal-upgrading prior to advancing hydrometallurgical processing options to pilot-scale testing and feasibility study, subject to strategic partner financing.

Further details on the scoping study can be obtained from the press release of November 2 available on Mindoro's website.

*A NI 43-101 Technical Report will be filed on SEDAR within 45 days of November 2, 2011.*

## Management's Discussion and Analysis

### Three and Nine Months Ended September 30, 2011



#### Agata Nickel Project Stage 2 Hydrometallurgical Processing Project Pre-Feasibility Study

On April 21, 2011 the Company announced that it had commenced the Agata Nickel Project Pre-feasibility study. The study was based on the PEA released on March 29 2011. The project model for the pre-feasibility study is based on a high pressure acid leach (HPAL)-atmospheric leach-saprolite neutralization flow sheet processing 1.8 million tonnes of ore per annum which, in turn, produces up to 17,200 tonnes of nickel per annum in mixed hydroxide intermediate nickel product for 20 years.

Ausenco Services Pty Ltd (Ausenco) was awarded the contract to complete the process plant and utilities engineering study and Ausenco-Vector, also part of the Ausenco group, was awarded the infrastructure and environment part of the study.

Mindoro also made two key appointments to support and manage the pre-feasibility study: Boyd Willis of Boyd Willis Hydromet Consulting was appointed to the position of Agata Nickel Project Study Manager and Jake Foronda was appointed to the position of the Philippines based Agata Nickel Project Manager. Both Mr. Willis and Mr. Foronda have over 30 years of relevant experience.

The Pre-feasibility study and economic assessment of the hydrometallurgical processing project confirms a low operating cost, long-life, high-value project as summarized below (currency is US dollars):

- Mineral Reserve: 33.72 million tonnes at 1.03% nickel, 0.05% cobalt
- Minimum 20 year mine life, 17,200 Ni tpa in mixed hydroxide product
- Initial capital, including an overall 14% contingency, no project contingency: \$940 million
- Cash operating cost including cobalt and power generation credit of \$2.60/nickel lb
- Post tax and 8% discounted NPV at a base case nickel price of \$10/lb of \$384 million

The Mineral Reserves estimate was produced following a review of PFS processing and administration operating costs and metallurgical recoveries, and geotechnical considerations, and is based on open pit optimizations and designs by Dallas Cox of Crystal Sun Consulting Limited (CSC), an accredited AusIMM Chartered Professional (CP) under the Discipline of Mining, reflecting the economic parameters in the PFS.

Further details on the Pre-feasibility study can be obtained from the press release of November 2 available on Mindoro's website.

*The Pre-feasibility Study has been prepared under the direction of Ruth Sherrit, an independent qualified person as defined by National Instrument 43-101 (Canada). Ms. Sherrit has 19 years of experience as a Metallurgist. Ms. Sherrit has authorised the technical information detailed in this release.*

*A NI 43-101 technical report will be posted on SEDAR within 45 days of November 2, 2011.*

#### **COPPER GOLD EXPLORATION**

##### **Pan de Azucar (75% economic interest)**

At the Pan de Azucar prospect located near Panay Island, central Philippines, the company completed a drilling program to further evaluate the potential of the Valderama massive pyritic sulphide body where promising gold, copper, silver and zinc values were intersected by Mindoro in two previous drill programs.

**Management's Discussion and Analysis**  
**Three and Nine Months Ended September 30, 2011**



Drilling tested the shallow northerly plunging massive sulphide body on 50m to 100m spaced drill sections to shallow depth. Encouraging results from drilling completed during the quarter ended September 30, 2011 include: PDA-28: 3.9 m @ 5.3% copper, 0.78 g/t gold, 55.7 g/t silver, 5.11% zinc from 9.2 m and 54.8 m of 1.17% copper, 0.77 g/t gold, 11.52 g/t silver from 20.75 m and PDA-33: 38.5 metres of 1.04g/t gold and 0.74% copper from 14.7 metres depth. Drill hole PDA-33 has provided metallurgical samples for a testing program that is underway and will include flotation copper-zinc concentration tests as well as roasting tests for acid production and subsequent leaching tests to extract gold.

The current Phase 3 drill program at Pan de Azucar comprised of 16 drill holes over 1,804 metres and work is underway on a NI 43-101 resource estimate on the sulphide sulphur-iron resource due for completion in the fourth quarter. As shown in the table below, intersections reported to date include a wide range of gold and copper grades and it is likely that further drilling will be needed to define the higher-grade areas before upgrading the resource estimate to include a copper-gold resource in addition to sulphur and iron.

The massive pyritic sulphide body remains open and there is strong evidence, including the intersection of porphyry mineralisation in hole PDA-27, supporting a porphyry copper-gold system nearby.

The most significant results from the Phase 3 drill program are summarized in the following table:

Hole No.	From (m)	To (m)	Run (m)	Au g/t	Cu %	Ag g/t	Zn %	Fe %	S %
<b>PDA-18</b>	35.60	94.90	59.30	0.90	0.45	3.45	0.45	38.00	39.00
<i>Including</i>	<i>35.60</i>	<i>61.20</i>	<i>25.60</i>	<i>1.26</i>	<i>0.58</i>	<i>3.79</i>	<i>0.14</i>	<i>46.00</i>	<i>47.00</i>
<b>PDA-19</b>	71.00	94.00	23.00	0.43	0.10	1.85	-	35.00	36.00
<b>PDA-20</b>	1.60	33.30	31.70	1.15	0.48	6.12	-	32.00	28.00
<i>Including</i>	<i>1.60</i>	<i>17.70</i>	<i>16.10</i>	<i>2.11</i>	<i>0.78</i>	<i>7.89</i>	<i>-</i>	<i>39.00</i>	<i>29.00</i>
<b>PDA-21</b>	2.80	42.00	39.20	1.00	1.89	15.71	2.02	40.00	38.00
<i>Including</i>	<i>18.10</i>	<i>35.10</i>	<i>17.00</i>	<i>0.94</i>	<i>3.16</i>	<i>24.39</i>	<i>4.17</i>	<i>40.00</i>	<i>42.00</i>
<b>PDA-22</b>	10.00	23.00	13.00	0.62	2.53	8.61	0.58	40.00	40.00
<i>Including</i>	<i>38.10</i>	<i>85.60</i>	<i>47.50</i>	<i>0.75</i>	<i>-</i>	<i>1.01</i>	<i>-</i>	<i>44.00</i>	<i>41.00</i>
<b>PDA-23</b>	81.70	119.00	37.30	0.27	-	-	-	41.00	40.00
<b>PDA-24</b>	132.80	144.50	11.70	-	-	-	-	29.00	24.00
<b>PDA-25</b>	11.10	87.10	76.00	0.64	0.38	4.54	0.13	39.00	34.00
<i>Including</i>	<i>11.10</i>	<i>19.90</i>	<i>8.80</i>	<i>1.65</i>	<i>0.26</i>	<i>23.48</i>	<i>-</i>	<i>32.00</i>	<i>0.00</i>
	<i>23.10</i>	<i>40.00</i>	<i>16.90</i>	<i>0.59</i>	<i>1.01</i>	<i>3.06</i>	<i>0.42</i>	<i>37.00</i>	<i>36.00</i>
<b>PDA-26</b>	93.80	96.00	2.20	0.29	-	1.29	-	41.00	39.00
<b>PDA-27</b>	146.30	151.00	4.70	0.04	0.26	-	-	-	-
<i>Including</i>	<i>150.10</i>	<i>151.00</i>	<i>0.90</i>	<i>-</i>	<i>1.03</i>	<i>2.70</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>PDA-28</b>	9.20	13.10	3.90	0.78	5.30	55.31	5.11	38.00	39.00
<b>PDA-28</b>	20.75	75.55	54.80	0.77	1.17	11.52	0.68	40.00	34.00
<i>Including</i>	<i>20.75</i>	<i>34.75</i>	<i>14.00</i>	<i>1.14</i>	<i>2.60</i>	<i>20.14</i>	<i>0.93</i>	<i>45.00</i>	<i>35.00</i>
<b>PDA-33</b>	14.70	53.20	38.50	1.04	0.74	-	-	-	-

Further information on the Pan de Azucar project and the current drill program is available in Mindoro's news releases from July 20 and August 23.



**Management's Discussion and Analysis**  
**Three and Nine Months Ended September 30, 2011**



**Batangas – Archangel, Lobo, El Paso and Talahib (100% economic interest)**

At Batangas, Luzon, Gold Fields Ltd. withdrew from the joint venture farm-in arrangement with Mindoro effective August 1 2011. See note 6 of the condensed financial statements for more information on the financial impact of Gold Fields withdrawal. Gold Fields work focused on reconnaissance drilling of porphyry copper gold targets at El Paso and Lobo and all results have now been posted on Mindoro's website. Gold Fields withdrawal allowed Mindoro to commence drilling to expand the Southwest Breccia (SWB) gold resource (see below). The withdrawal also allows for future work on testing other targets within the five kilometer strike of mapped epithermal veins at Lobo, in addition to evaluating other porphyry copper-gold prospects at Lobo, Calo, Talahib and the El Paso porphyry copper-gold prospects.

**Lobo Project – SWB Gold Resource (100% economic interest)**

In September, Mindoro commenced a drill program to infill and extend the SWB high-grade gold shoot at Lobo 2011 with the objective of upgrading the resource and to provide samples for metallurgical testing. SWB is located on the Camo Trend, part of a greater than five km system of mapped epithermal vein-breccia trends, of which only a small fraction has been drill tested. Previous drilling on the Lobo project resulted in the definition of a modest, high grade, resource estimate, reported by Mindoro in 2004.

The following is a summary of drill results received to date from the current program:

Hole ID	From (m)	To (m)	Run (m)	Au g/t	Ag g/t
<b>LB58-11</b>	17.80	26.85	9.05	<b>6.56</b>	0.91
<i>including</i>	20.85	25.85	5.00	<b>11.27</b>	0.86
	1.50	3.00	1.50	<b>6.55</b>	1.20
<b>LB59-11</b>	10.90	13.90	3.00	<b>4.59</b>	1.67
<i>Including</i>	10.90	12.90	2.00	<b>6.58</b>	1.90
<b>LB60-11</b>	28.80	37.80	9.00	<b>2.14</b>	DTF
<i>Including</i>	32.80	34.80	2.00	<b>6.06</b>	DTF

Five further holes have been completed during the fourth quarter, including a deeper hole of 138m to test the extension of the gold shoot. Results for these holes are expected before the end of November 2011.

In addition previous data on the five km Lobo epithermal vein trends will be compiled for further drill targeting.

**Archangel Project - Kay Tanda Gold Resource (Batangas, Luzon) (100% economic interest)**

Mindoro has outlined a cluster of epithermal gold-silver and porphyry copper-gold prospects along a six km trend on the Archangel Project. The initial focus was the near-surface Kay Tanda epithermal gold-silver resource, which comprises just a small part of the overall six km mineralized trend.

In March 2010, Mindoro released the following NI 43-101-compliant resource estimate for Kay Tanda, based on more than 200 drill holes and using a cut-off of 0.3 g/t gold for oxide and 0.5 g/t gold for transition and sulphide material:

- **Measured and Indicated:** 9.879 million tonnes at 1.06 g/t gold and 4.50 g/t silver containing 337,500 ounces gold and 1,427,800 ounces silver; and
- **Inferred:** 3.74 million tonnes at 0.81 g/t gold and 1.75 g/t silver containing 97,200 ounces gold and 210,800 ounces silver.

## Management's Discussion and Analysis

### Three and Nine Months Ended September 30, 2011



Drilling below the shallow resource encountered at least five steeply-dipping, higher-grade “feeder” zones including intercepts of 61 meters at 5.12 g/t gold from 3 meters in KTDH-20, 64 meters at 3.45 g/t gold from 96 meters in KTRC-55 and 26 meters at 4.03 g/t gold and 179.16 g/t silver from surface in PLRC-23. These structures are not included in the resource estimates above due to insufficient drill definition.

During the third quarter of 2011 Mindoro evaluated the potential of these interpreted higher-grade feeder zones and identified drill targets for testing in the fourth quarter of 2011.

#### **MILESTONES TARGETED FOR 2011**

##### Agata Nickel Development Project:

- Agata-Surigao regional resource upgrade stage 1, based on results of drilling to July 2011 – delivered September.
- Agata Stage 1: Scoping Study and Preliminary Economic Assessment of nickel-iron sinter project – delivered November.
- Agata Stage 2: Pre-feasibility study on the low operating-cost hydrometallurgical processing project – delivered November.

##### Copper Gold Exploration:

- Pan de Azucar: Maiden resource for sulphur-iron, then copper-gold and preliminary metallurgy – due December.
- Batangas; Lobo (SWB) and Archangel: initial drilling to define and extend high-grade gold resources – due December.

*Mindoro's exploration programs are prepared and/or designed and carried out under the supervision of Tony Climie, P.Geo., who is a qualified person as defined by National Instrument 43-101 and is a competent person as defined by the JORC Code, and who has reviewed and verified the pertinent disclosure of exploration related technical information contained in this document. Mr. Climie is an executive and a director of Mindoro and is a member of the Alberta Professional Engineers, Geologists and Geophysicists Association. Mr. Climie has more than five years of experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he has undertaken. Mr. Climie has consented to the release of the exploration related technical information in the form and context in which it appears.*

*Boyd Willis, FAusIMM (pending), who is a qualified person as defined by National Instrument 43-101, and a competent person as defined by the JORC Code, has reviewed and verified the disclosure of a development nature contained in this document. Mr. Willis has more than five years of experience which is relevant to the activity which he has undertaken and he has consented to the release of the development related technical information in the form and context in which it appears.*

**Management's Discussion and Analysis**  
**Three and Nine Months Ended September 30, 2011**



**5. RESULTS OF OPERATIONS**

**Summary of Quarterly Results**

	<i>Dec. 31, 2009*</i>	<i>Mar. 31, 2010</i>	<i>Jun. 30, 2010</i>	<i>Sep. 30, 2010</i>	<i>Dec. 31, 2010</i>	<i>Mar. 31, 2011</i>	<i>Jun. 30, 2011</i>	<i>Sep. 30, 2011</i>
Revenue (\$000s)	-	-	-	-	-	-	-	-
Loss for the quarter (\$000s)	272	(625)	(584)	(1,721)	(401)	(830)	(802)	(1,278)
Loss per share (\$)	0.003	(0.005)	(0.004)	(0.012)	(0.002)	(0.004)	(0.004)	(0.006)

*\*As reported under Canadian Generally Accepted Accounting Principles which the Company was not required to restate upon adoption of IFRS.*

**Selected Cash Flows Information**

<i>(Unaudited)</i>	<i>3 months ended September 30, 2011</i>	<i>3 months ended September 30, 2010</i>	<i>9 months ended September 30, 2011</i>	<i>9 months ended September 30, 2010</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Operating activities	(798)	(755)	(2,238)	(1,954)
Investing activities	(3,432)	(1,476)	(7,430)	(2,744)
Cash balances			3,933	2,794

*Results for the three months ended September 30, 2011 vs. 2010*

The net loss for the third quarter of 2011 was \$1,278,000 compared to a loss of \$1,721,000 in 2010. On 29 July 2011, the Company announced organizational changes which included the closure of the Edmonton, Canada office and relocation of associated functions to Melbourne, Australia and Manila, Philippines. One time expenses associated with severance and relocation costs amounted to \$350,000 in the quarter. These amounts are reflected in employee benefits expense and general and administration expenses respectively. As a result of these organizational changes, the Company believes it will realize efficiency gains in future quarters. Significant expenses in the third quarter of 2010 were stock based compensation of \$660,000 on the grant of options to executives, directors and consultants compared to \$150,000 for the same period in 2011.

Investing activities for the third quarter of 2011 were \$3,432,00, compared to \$1,476,000 in 2010, reflecting the advancement of the Agata nickel project into pre-feasibility and the recommencement of copper gold exploration on the Pan de Azucar project and gold exploration on the Southwest Breccia project.

*Results for the nine months ended September 30, 2011 vs. 2010*

The net loss for the period was \$2,908,000 compared to a loss of \$2,930,000 in 2010. The current period reflects the organizational changes mentioned above and the opening of the Melbourne, Australia office in the second half of 2010. The Company expects to realize organizational efficiencies in future quarters as a result of the changes in July 2011. There continues to be a high level of corporate activity associated with advancing the Agata nickel project and recommencing copper gold exploration at Pan de Azucar and Southwest Breccia.

Employee benefits expense in the first nine months of 2011 is \$1,409,000 compared to \$732,000 in 2010, resulting from severance payments to Canadian based staff who left the Company as a result of the Edmonton office closure, the appointment of additional executives and, annual increases in salaries to reflect market conditions.

**Management's Discussion and Analysis**  
**Three and Nine Months Ended September 30, 2011**



Investing activities for the first nine months of 2011 were \$7,430,000, compared to \$2,744,000 in 2010, reflecting the advancement of the Agata nickel project into pre-feasibility, exploration activities on regional targets and the recommencement of exploration on the Pan de Azucar and Southwest Breccia projects.

The higher cash balance at September 30, 2011 of \$3,933,000 compared to 2,794,000 in September 30, 2010 is a result of the equity raising in the second half of 2010 and the exercise of purchase warrants in March 2011.

**6. CAPITAL STRUCTURE**

Authorized:

- Unlimited number of Common Shares
- Unlimited number of Preferred Shares

<b>Issued - Common shares</b>	<i>Note</i>	<b>Number</b>
Balance, December 31, 2010		206,289,497
Issued pursuant to private placements		
Issued upon exercise of stock options	<i>b</i>	200,000
Issued upon exercise of purchase warrants	<i>c,d</i>	22,566,381
<b>Balance, September 30, 2011</b>		<b>229,055,878</b>
<b>Common share purchase warrants</b>		
Balance, December 31, 2010		50,935,989
Exercised	<i>c,d</i>	(22,566,381)
Forfeited/expired	<i>e</i>	(9,314,883)
<b>Balance, September 30, 2011</b>		<b>19,054,725</b>
<b>Stock options</b>		
Balance, December 31, 2010		14,547,000
Issued	<i>a</i>	950,000
Exercised	<i>b</i>	(200,000)
Forfeited/expired	<i>f</i>	(450,000)
<b>Balance, September 30, 2011</b>		<b>14,847,000</b>

- (a) In January 2011, the Company approved the grant of 100,000 Stock Options exercisable at \$0.29 per share to a project consultant. In April 2011 the Company approved the grants of 300,000 Stock Options to two project consultants exercisable at \$0.26 per share. In August 2011, the Company approved the grant of 550,000 Stock Options to employees of the Company and its subsidiary exercisable at \$0.25 per share.
- (b) In February 2011, 200,000 Stock Options were exercised at an exercise price of \$0.13 per option. The Company issued 200,000 Common Shares for net proceeds of \$26,000. Stock-based compensation costs amounting to \$21,422 were re-classified to share capital upon exercise of these options.
- (c) In February 2011, 69,700 Agent's Warrants were exercised at an exercise price of \$0.18 per warrant. The Company issued 69,700 Common Shares for net proceeds of \$12,546. The fair value of the Agent's Warrants, in the amount of \$6,915 was also credited to share capital.

**Management's Discussion and Analysis**  
**Three and Nine Months Ended September 30, 2011**



- (d) In March 2011, 21,000,000 Purchase Warrants were exercised at an exercise price of \$0.15 per warrant. The Company issued 21,000,000 Common Shares for net proceeds of \$3,149,512. The fair value of the Purchase Warrants, in the amount of \$1,138,314, was also credited to share capital. In March 2011, 1,496,681 Agent's Warrants were exercised at an exercise price of \$0.15 per warrant. The Company issued 1,496,681 Common Shares for net proceeds of \$224,502. The fair value of the Agent's Warrants, in the amount of \$167,613, was also credited to share capital.
- (e) A total of 9,313,233 Purchase Warrants expired during the period with an exercise price of \$0.30 per warrant; a total of 1,650 Agent's Warrants expired with an exercise price of \$0.18 per warrant.
- (f) A total of 300,000 Stock Options exercisable at \$0.60 per option and 150,000 Stock Options exercisable at \$0.26 per option expired in the period.

The following table summarizes information about the warrants outstanding and exercisable as at September 30, 2011:

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
7,500	\$0.31	July 9, 2012
5,881,632	\$0.31	July 9, 2015
13,165,593	\$0.31	July 22, 2015
<b>19,054,725</b>		

The following table summarizes the information about Stock Options outstanding at September 30, 2011:

Range of Exercise Prices	Outstanding			Exercisable		
	Outstanding	Weighted Average Years Remaining	Weighted Average Exercise Price	Exercisable	Weighted Average Years Remaining	Weighted Average Exercise Price
\$0.00 to \$0.19	4,165,000	3.06	\$ 0.15	4,165,000	3.06	\$ 0.15
\$0.20 to \$0.39	9,030,000	1.97	0.26	8,905,000	1.97	0.26
\$0.80 to \$1.00	1,652,000	0.69	0.84	1,652,000	0.69	0.84
<b>Total</b>	<b>14,847,000</b>	<b>2.13</b>	<b>\$ 0.29</b>	<b>14,722,000</b>	<b>2.13</b>	<b>\$ 0.29</b>

*Share Data as of November 2, 2011*

A total of 229,055,878 Common Shares was issued and outstanding as of November 2, 2011.

**Management's Discussion and Analysis**  
**Three and Nine Months Ended September 30, 2011**



**7. SCHEDULE OF DEFERRED EXPLORATION EXPENDITURES**

( Shown in Thousands of Dollars)

	Surigao		Batangas				Pan de Azucar	Royalty Deposits	Total
	Agata	Tapian & Regional	El Paso	Lobo	Talahib	Archangel			
<b>January 1, 2010</b>	<b>5,657</b>	<b>2,542</b>	<b>1,816</b>	<b>4,451</b>	<b>250</b>	<b>6,802</b>	<b>479</b>	<b>200</b>	<b>22,197</b>
General Exploration	39	(150)	23	(3)	12	16	17	-	(46)
Salaries & Benefits	73	179	18	1	5	9	42	-	327
Consulting & Professional Fees	1,263	59	13	-	4	3	18	-	1,360
Legal & Accounting	36	-	-	-	-	1	-	-	37
JV Partner's Sharein Costs	223	8	-	-	-	-	-	-	231
Camp, Road Construction	35	29	14	-	5	-	11	-	94
Travel	131	30	19	-	13	3	11	-	207
Geology, Geophysics	289	77	141	-	38	-	-	-	545
Drilling	234	248	66	-	-	-	12	-	560
Mapping, Sampling	25	12	9	-	-	-	-	-	46
Acquistion Costs	56	547	39	-	15	-	15	-	672
Community, Environmental	109	47	9	-	3	6	8	-	182
Royalty Deposits Paid	-	-	-	-	-	-	-	11	11
Unrealized Exchange Gain (Loss)	107	47	26	54	3	90	7	3	337
<b>December 31, 2010</b>	<b>8,277</b>	<b>3,675</b>	<b>2,193</b>	<b>4,503</b>	<b>348</b>	<b>6,930</b>	<b>620</b>	<b>214</b>	<b>26,760</b>
General Exploration	175	65	7	61	1	11	52	-	372
Salaries & Benefits	254	124	8	120	2	17	108	-	633
Consulting & Professional Fees	2,785	94	-	73	-	-	56	-	3,008
Legal & Accounting	58	63	-	-	3	-	1	-	125
Camp, Road Construction	42	11	2	83	-	-	6	-	144
Travel	195	16	5	92	2	5	65	-	380
Geology, Geophysics	500	127	31	354	4	-	73	-	1,089
Drilling	492	227	1	638	-	-	350	-	1,708
Mapping, Sampling	77	13	3	113	-	-	2	-	208
Acquistion Costs	212	(144)	33	64	12	-	5	-	182
Community, Environmental	205	93	5	103	-	76	51	-	533
Royalty Deposits Paid	-	-	-	-	-	-	-	18	18
Impairment	-	-	(1,140)	(1,572)	(231)	-	-	(8)	(2,951)
Unrealized Exchange Gain (Loss)	600	185	37	186	3	292	61	1	1,365
<b>September 30, 2011</b>	<b>13,872</b>	<b>4,549</b>	<b>1,185</b>	<b>4,818</b>	<b>144</b>	<b>7,331</b>	<b>1,450</b>	<b>225</b>	<b>33,574</b>

**Management's Discussion and Analysis**  
**Three and Nine Months Ended September 30, 2011**



**8. FINANCIAL INSTRUMENTS**

*Fair value*

The fair value of cash, restricted cash, 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 \$3.9 million in cash at September 30, 2011, on which it earns variable rates of interest, and is therefore subject to a certain amount of interest rate risk. The majority of the Company's cash is in Australian dollars where the consensus forecasts for interest rates are neutral to a small decrease.

*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 accounts receivable.

The majority of the Company's cash is held with major financial institutions in Australia, Canada and the Philippines. A significant portion of the Company's Canadian and Australian accounts receivable are due from the Canadian and Australian 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*

Business is transacted by the Company in three currencies. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction.

At September 30, 2011 and December 31, 2010, the Company is exposed to currency risk through the following assets and liabilities in Philippine Pesos and Australian Dollars. The Company has not hedged its exposure to currency fluctuations, although there is a natural hedge for expenditure commitments in both currencies:

	<b>September 30, 2011</b>		<b>December 31, 2010</b>	
	Philippine Pesos	Australian Dollar	Philippine Pesos	Australian Dollar
Cash	14,703	2,863	10,084	7,326
Amounts receivable	3,156	148	3,250	71
Accounts payable	(40,857)	(201)	(14,093)	(164)
<b>Net exposure</b>	<b>(22,998)</b>	<b>2,810</b>	<b>(759)</b>	<b>7,233</b>
Exchange rate (CAD/FCU)	0.02376	1.01230	0.02345	1.01800
<b>Exposure in thousands of Canadian Dollars</b>	<b>(546)</b>	<b>2,845</b>	<b>(18)</b>	<b>7,363</b>

## Management's Discussion and Analysis

### Three and Nine Months Ended September 30, 2011



Based on net exposures as at September 30, 2011, and assuming all other variables remain constant, a 1% fluctuation in the exchange rate between the Canadian dollar and the Philippine peso would affect Mindoro's net loss by \$5,000. A 1% fluctuation in the exchange rate between the Canadian dollar and Australian dollar would affect the Company's net loss by \$28,000.

#### *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 September 30, 2011 is \$2.8 million. The Company manages liquidity risk through management of its capital as disclosed in Section 9. The financial statements have been prepared on the basis of going concern. The ability of the consolidated entity to continue as a going concern is dependent on obtaining additional funding to finance ongoing exploration activities. Plans to obtain further financing include seeking parties interested in joint venture activities to develop the consolidated entity's exploration assets, raising additional funds through equity raisings and placements to existing or new key investors. The company will seek to raise additional capital to expand its exploration operations and further develop its existing assets in an appropriate timeframe.

#### **9. CAPITAL DISCLOSURE & MANAGEMENT OF CAPITAL RISK**

The Company's objectives in managing its capital are to maintain adequate levels of funding to support development and exploration activities on its mineral projects. 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.

#### **10. OFF-BALANCE SHEET ARRANGEMENTS**

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the company.

#### **11. EVENTS SUBSEQUENT TO SEPTEMBER 30, 2011**

There are no matters or events subsequent to balance date to report that have not been included in this MD&A and, which may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

#### **12. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

With effect from January 1, 2011 the Company adopted International Financial Reporting Standards ("IFRS"). The balance sheet was converted as at January 1, 2010 to establish opening balances to support the comparative information as at and for the period ended December 31, 2010 included in the 2011 financial statements. The impact of the adoption and reporting of IFRS is disclosed in the September 30, 2011 unaudited interim consolidated financial statements.



## Management's Discussion and Analysis

### Three and Nine Months Ended September 30, 2011



#### *Critical Accounting Estimates*

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

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

#### Exploration and evaluation assets

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

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

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

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

#### **Accounting policies effective for future periods**

##### *IFRS 1 - "Exemption for severe hyperinflation and removal of fixed dates"*

Amended to create additional exemptions (i) for when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRS, and (ii) to eliminate references to fixed dates for one exception and one exemption, both dealing with financial assets and liabilities. Effective for annual periods beginning on or after July 1, 2011. This standard is not expected to have an impact on the Company.

##### *IFRS 7 - "Financial instruments" - disclosures*

Amended to require additional disclosures in respect of risk exposures arising from transferred financial assets. Effective for annual periods beginning on/after July 1, 2011. Not expected to have a material effect on the Company.

##### *IAS12 - "Deferred tax accounting for investment property at fair value"*

Amended to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. Effective for annual periods beginning on or after January 1, 2012. Not expected to have an impact on the Company as there are no investment properties.

*IFRS 9 – “Financial instruments - classification and measurement”*

This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. Effective for years beginning on/after January 1, 2013. The company has not assessed the impact of this new standard.

*IFRS 9 – “Financial instruments – classification and measurement”*

Updated to include guidance on financial liabilities and derecognition of financial instruments. Effective for years beginning on/after January 1, 2013. The company has not assessed the impact of this new standard.

### **13. RISK AND UNCERTAINTIES**

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

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

The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties or the Company no longer being able to operate.

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

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

Continued strong market conditions for resource commodities over the past year has seen an increased global demand for mining professionals, equipment and related goods and services needed by the mining community.

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

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

#### **14. INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. There have been no changes in internal controls over financial reporting in the third quarter of 2011 that have materially affected, or are reasonably likely to materially affect the financial statements. Further, as a result of losing TSX Venture Issuer reporting status as a result of becoming dual listed on the ASX, the Company has formally adopted and implemented the COSO (Committee of Sponsoring Organizations) internal control framework, including a risk assessment and the mapping of existing key internal controls to the framework. However, it should be noted that any system of internal control over financial reporting, no matter how well designed, has inherent limitations. As a result, even those systems determined to be effective can only provide reasonable assurance regarding the preparation and presentation of the Company's financial statements.

#### **15. DISCLOSURE CONTROLS AND PROCEDURES**

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information.

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures as at September 30, 2011. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at September 30, 2011 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities.

#### **16. TRENDS**

Trends in the industry can materially affect how well any junior exploration company is performing. Growth in the demand for metals in developed economies such as Europe and North America has declined but has remained strong in developing Asian countries such as China and to a lesser extent India. Under current economic conditions, the Company's future development highly depends on its ability to continue to raise the financing necessary to complete the exploration and development of those projects and the existence of economically recoverable reserves within its projects.



MINDORO  
RESOURCES LTD

Condensed Consolidated Interim Financial Statements  
(Unaudited)  
September 30, 2011

*(expressed in thousands of Canadian Dollars, except share and per share amounts)*

Mindoro Resources Ltd.  
Canada  
2200, 10235 – 101 Street NW  
Edmonton, Alberta, Canada, T5J 3G1  
Toll Free: 1-877-413-8187

Australia  
Level 2, 10-16 Queen Street  
Melbourne, Victoria 3000  
Tel: +61 3 9614 5055  
ARBN: 143 485 698

Email: [mindoro@mindoro.com](mailto:mindoro@mindoro.com)  
Website: <http://www.mindoro.com>

*Mindoro trades on the TSX Venture Exchange under the symbol MIO;  
on the Australian Securities Exchange under the symbol MDO;  
on the Frankfurt Stock Exchange under the symbol OLM*

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited - expressed in thousands of Canadian Dollars)



	Note	September 30, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
<b>Assets</b>				
Current assets				
Cash and cash equivalents	4	3,933	9,974	1,024
Accounts receivable		268	162	134
Prepaid expenses and other current assets		110	77	32
		<b>4,311</b>	10,213	1,190
Non-current assets				
Exploration and evaluation assets	5	33,574	26,760	22,197
Property and equipment	7	527	315	189
		<b>38,412</b>	37,288	23,576
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities		1,414	794	765
Share based liability	11	116	-	-
		<b>1,530</b>	794	765
Non-current liabilities				
Defined benefit retirement obligation		124	119	86
Deferred tax liabilities		-	-	186
Deferred capital subscription funding		-	1,468	1,159
		<b>1,654</b>	2,381	2,196
<b>Shareholders equity</b>				
Share capital	8	49,804	45,057	32,381
Reserves		12,593	12,581	8,399
Accumulated losses		(25,639)	(22,731)	(19,400)
		<b>36,758</b>	34,907	21,380
		<b>38,412</b>	37,288	23,576

Going concern (Note 1)

These interim consolidated financial statements were approved for issue by the Audit Committee on November 2, 2011 and are signed on their behalf by:

"signed" A. Robson Garden  
Director

"signed" Doug Frondall  
Director

**Condensed Consolidated Interim Statements of Comprehensive Loss**  
(Unaudited - expressed in thousands of Canadian Dollars, except per share amounts)



**MINDORO**  
RESOURCES LTD

	<i>Note</i>	<b>Quarter Ended September 30, 2011</b>	2010	<b>Nine Months Ended September 30, 2011</b>	2010
		\$	\$	\$	\$
<b>Expenses</b>					
General and administration expenses		<b>(692)</b>	(645)	<b>(1,628)</b>	(1,156)
Employee benefits expense		<b>(699)</b>	(355)	<b>(1,409)</b>	(732)
Stock based compensation		<b>(151)</b>	(658)	<b>(204)</b>	(928)
Depreciation and amortization		<b>(33)</b>	(17)	<b>(90)</b>	(40)
<b>Expenses</b>		<b>(1,575)</b>	(1,675)	<b>(3,331)</b>	(2,856)
Finance income		<b>60</b>	5	<b>231</b>	9
Foreign exchange gain (loss)		<b>43</b>	(51)	<b>(2)</b>	(83)
Loss on disposal of property and equipment		<b>(26)</b>	-	<b>(26)</b>	-
Extinguishment of deferred capital subscription funding	6	<b>3,171</b>	-	<b>3,171</b>	-
Impairment of exploration and evaluation assets	6	<b>(2,951)</b>	-	<b>(2,951)</b>	-
<b>Loss before income tax</b>		<b>(1,278)</b>	(1,721)	<b>(2,908)</b>	(2,930)
Income tax benefit (expense)		-	-	-	-
<b>Loss for the period</b>		<b>(1,278)</b>	(1,721)	<b>(2,908)</b>	(2,930)
Exchange differences on translation of foreign operations		<b>1,891</b>	605	<b>1,221</b>	\$ 962
<b>Total comprehensive loss for the period</b>		<b>613</b>	(1,116)	<b>(1,687)</b>	\$ (1,968)
Basic and diluted net loss per share		<b>\$ (0.006)</b>	\$ (0.012)	<b>\$ (0.013)</b>	\$ (0.022)
Weighted average number of common shares outstanding (thousands)		<b>229,056</b>	148,406	<b>223,980</b>	132,468

## Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited - expressed in thousands of Canadian Dollars)



**MINDORO**  
RESOURCES LTD

	<i>Note</i>	<b>Share capital</b>	<b>Employee benefit reserve</b>	<b>Warrants reserve</b>	<b>Currency reserve</b>	<b>Accumulated Loss</b>	<b>Shareholders' equity</b>
		\$	\$	\$	\$	\$	\$
<b>Balance, January 1, 2010</b>		32,381	4,067	4,332	-	(19,400)	21,380
Common shares issued for:							
Private placements		3,065	-	3,172	-	-	6,237
Exercise of stock options		12	(5)	-	-	-	7
Exercise of warrants		23	-	(7)	-	-	16
Stock-based compensation		-	270	-	-	-	270
Comprehensive loss		-	-	-	962	(2,930)	(1,968)
<b>Balance, September 30, 2010</b>		35,481	4,332	7,497	962	(22,330)	25,942
<b>Balance, December 31, 2010</b>		45,057	5,052	7,274	255	(22,731)	34,907
Common shares issued for:	8						
Exercise of stock options		47	(21)	-	-	-	26
Exercise of warrants		4,700	-	(1,313)	-	-	3,387
Stock-based compensation		-	125	-	-	-	125
Comprehensive loss		-	-	-	1,221	(2,908)	(1,687)
<b>Balance, September 30, 2011</b>		49,804	5,156	5,961	1,476	(25,639)	36,758

## Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - expressed in thousands of Canadian Dollars)



**MINDORO**  
RESOURCES LTD

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Loss for the period	(1,278)	(1,721)	(2,908)	(2,930)
Items not affecting cash				
Stock based compensation	151	658	204	928
Depreciation and amortization	33	17	90	40
Unrealized exchange differences	8	(6)	(27)	(27)
Loss on disposal of property and equipment	26	-	26	-
Extinguishment of deferred capital subscription funding	(3,171)	-	(3,171)	-
Impairment of exploration and evaluation assets	2,951	-	2,951	-
Other	1	17	-	4
Net change in non-cash working capital items	481	280	597	31
	(798)	(755)	(2,238)	(1,954)
<b>Investing activities</b>				
Expenditure on exploration and evaluation assets	(3,263)	(1,389)	(7,059)	(2,601)
Proceeds from disposal of equipment	18	-	18	
Purchases of equipment	(187)	(87)	(389)	(143)
	(3,432)	(1,476)	(7,430)	(2,744)
<b>Financing activities</b>				
Issue of share capital, net of issuance costs	-	3,823	3,413	6,260
Deposits held for private placement	-	(636)	-	-
Cash received for deferred capital subscription funding	147	157	286	632
Cash returned from deferred capital subscription funding	(3)	(160)	(77)	(425)
	144	3,184	3,622	6,467
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(4,086)</b>	<b>953</b>	<b>(6,046)</b>	<b>1,769</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>(12)</b>	<b>-</b>	<b>5</b>	<b>1</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>8,031</b>	<b>1,841</b>	<b>9,974</b>	<b>1,024</b>
<b>Cash and cash equivalents at end of period</b>	<b>3,933</b>	<b>2,794</b>	<b>3,933</b>	<b>2,794</b>
<b>Supplemental information</b>				
Cash interest received	86	2	231	9



## **1. GOING CONCERN**

The financial statements have been prepared on a going concern basis.

The consolidated entity has incurred a net loss of \$2,908 (September 30, 2010 - \$2,930) and operating cash outflows of \$2,238 (September 30, 2010 - \$1,954). At September 30, 2011 the consolidated entity has net current assets of \$2,781 (December 31, 2010 - \$9,419, January 1, 2010 - \$425). Mining and exploration licences held by the consolidated entity have annual expenditure obligations to maintain their 'good standing' status. The consolidated entity also has sufficient funds to meet these requirements and to meet corporate expenditure requirements to maintain its operations.

The ability of the consolidated entity to continue as a going concern is dependent on obtaining additional funding to finance ongoing exploration activities. Plans to obtain further financing include seeking parties interested in joint venture activities to develop the consolidated entity's exploration assets, raising additional funds through equity raisings and placements to existing or new key investors. The Company intends to be proactive over the upcoming period to seek to raise additional capital to expand its exploration operations and further develop its existing assets in an appropriate time frame. Until this occurs there is significant uncertainty as to whether the consolidated entity will be able to continue as a going concern and therefore, whether it will realize its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements.

The directors consider the consolidated entity is a going concern, but recognize that it is dependent on the raising of additional funds, the sale of interests in or relinquishment of, mining tenements held by the consolidated entity and ultimately the future profitability of the consolidated entity. The directors are of the opinion that no asset is likely to be realized for an amount less than the amount at which it is recorded in the financial statements at September 30, 2011, and that the going concern basis is appropriate. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern with the exception of the property write down summarized within note 6.

## **2. NATURE OF OPERATIONS**

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

Mindoro Resources Ltd is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of Alberta. The Company's shares are listed on the TSX Venture Exchange, Australian Securities Exchange, and Frankfurt Stock Exchange.

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

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Mindoro and its subsidiaries. Comparative figures for the three and nine month period ended September 30, 2010 have not been reviewed or audited by an external auditor.

### **(A) BASIS OF PRESENTATION AND CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Company prepares its financial statements in accordance with Canadian general accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the company is reporting on this basis in these interim consolidated financial

statements (“financial statements”). In these financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies described herein. The Company adopted IFRS in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards*. The first date at which IFRS was applied was January 1, 2010. In accordance with IFRS, the Company has:

- provided comparative financial information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied all effective IFRS standards as of September 30, 2011, as required; and
- applied certain optional exemptions and certain mandatory exemption as applicable for first time IFRS adopters.

Note 12 contains reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, loss and comprehensive loss along with line-by-line reconciliations of the statement of financial position as at December 31, 2010, September 30, 2010 and January 1, 2010, and the statement of operations for the nine month period ended September 30, 2010 and the year ended December 31, 2010.

The policies applied in these financial statements are based on IFRS issued and outstanding as of the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the company’s annual consolidated financial statements for the year ending December 31, 2011, could result in restatement of these financial statements, including the transition adjustments recognized on change-over to IFRS.

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are described in Note 2(R).

The financial statements should be read in conjunction with the company’s Canadian GAAP annual financial statements for the year ended December 31, 2010 which provide further information on the Company’s transition to IFRS.

## **(B) BASIS OF CONSOLIDATION**

These condensed consolidated interim financial statements of Mindoro include the accounts of the Company; its wholly owned subsidiary, MRL Gold Phils., Inc., and the wholly-owned subsidiaries of MRL Gold Phils., Inc. All inter-company balances and transactions are eliminated on consolidation.

## **(C) FOREIGN CURRENCIES**

### **Functional and presentation currency**

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which it operates (“the functional currency”). The consolidated financial statements are presented in Canadian dollars, which is Mindoro's functional and presentation currency.

### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated

in foreign currencies are recognized in profit or loss, except when they are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

#### **(D) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include amounts on deposit with financial institutions and amounts in term deposits with original terms to maturity of less than 90 days. At September 30, 2011 the Company had no cash equivalents (December 31, 2010 – \$Nil, January 1, 2010 – \$Nil).

#### **(E) TRADE RECEIVABLES**

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognized in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognized becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

#### **(F) EXPLORATION AND EVALUATION ASSETS**

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

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

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

Amortization of capitalised costs, including the estimated future capital costs over the life of the area of interest, is provided on the units of production basis, proportional to the depletion of the mineral resource of each area of interest expected to be ultimately economically recoverable.

### **(G) 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.

Prior to January 1, 2011, property and equipment were amortized using the following annual rates and methods:

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

Beginning in the first quarter of 2011, the Company made the following prospective changes to its amortization methods to better reflect the consumption of economic benefit derived from its property and equipment:

Computer Hardware & Software	30 percent straight line
Office Equipment & Furnishings	20 percent straight line

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.

### **(H) IMPAIRMENT OF ASSETS**

Property and equipment and exploration and evaluation assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount in the statement of income for the period in which the impairment arises.

The company evaluates impairment losses for potential reversals where there are indicators that the circumstances that resulted in the impairment have reversed.

### **(I) TRADE PAYABLES**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are recognized initially at fair value and subsequently measured at amortized cost, and are classified as current liabilities if payment is due within one year or less. The amounts are unsecured and are usually paid within 60 days of recognition.

### **(J) PROVISIONS**

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

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

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

#### **(K) EMPLOYEE BENEFITS**

##### **Short-term obligations**

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

##### **Other long-term employee benefit obligations**

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the reporting period in which the employees render the related service is recognized in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### **(L) CONTRIBUTED EQUITY**

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

#### **(M) SHARE BASED PAYMENT TRANSACTIONS**

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

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

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

The fair value of cash and equity settled options is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of equity settled options issued to consultants are remeasured at each balance sheet date until the options vest. The fair value of cash settled options is remeasured at each balance sheet date until the options expire. Fair value is estimated using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options

were granted. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

#### **(N) INCOME TAXES**

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

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

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

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

#### **(O) SEGMENT REPORTING**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President & CEO.

#### **(P) LOSS PER SHARE**

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

#### **(Q) DEFINED BENEFIT RETIREMENT OBLIGATION**

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

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

#### **(R) SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

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

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

##### **Exploration and evaluation assets**

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

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

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

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

##### **Estimated useful life of property and equipment**

The Company estimates the useful life and residual values of property and equipment and reviews these estimates at each financial year end. The Company also tests for impairment when a trigger event occurs.

#### **(S) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that are not yet effective for the financial year ended December 31, 2011. The standards impacted that are applicable to the Company are as follows:

- IFRS 1 First-time Adoption of International Financial Reporting Standards, amendments regarding Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- IFRS 7 Financial Instruments: Disclosures, amendments regarding Disclosures — Transfers of Financial Assets

- IFRS 9 Financial Instruments (New; to replace IAS 39)
- IFRS 10 Consolidated Financial Statements (New; to replace IAS 27 and SIC 12)
- IFRS 11 Joint Arrangements (New; to replace IAS 31 and SIC 13)
- IFRS 12 Disclosure of Interest in Other Entities (New; to consolidate disclosure requirements in IAS 27, 28, and 31)
- IFRS 13 Fair Value Measurement (New) provides consistent guidance on the disclosure related to fair value measurement
- IAS 1 Presentation of Financial Statements, amendments regarding Presentation of Items of Other Comprehensive Income
- IAS 19 Employee Benefits, amendments regarding deferral of actuarial gains and losses
- IAS 27 Separate Financial Statements (Amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (Amended in 2011)

The Company has yet to assess the impact of these new standards on its consolidated financial statements.

#### **4. RESTRICTED CASH**

Cash and cash equivalents includes includes \$Nil (December 31, 2010 - \$66 , January 1, 2010 - \$443) in amounts advanced by a joint venture partner to two wholly owned subsidiaries of MRL Gold Phils., Inc. The cash is restricted for use on exploration expenditures on the joint venture properties in the Batangas region during the earn-in phases of the joint venture agreements. Also included in cash and cash equivalents is \$119 held in trust for a severance payment due to a former officer of the Company in the first quarter of 2012.



**Notes to the Condensed Consolidated Interim Financial Statements**  
For the Period Ended September 30, 2011  
(Unaudited – expressed in thousands of Canadian Dollars unless otherwise noted)



**5. EXPLORATION AND EVALUATION ASSETS**

	<u>Surigao</u>		<u>Batangas</u>				<u>Pan de Azucar</u>	<u>Royalty Deposits</u>	<u>Total</u>
	<u>Agata</u>	<u>Tapian &amp; Regional</u>	<u>El Paso</u>	<u>Lobo</u>	<u>Talahib</u>	<u>Archangel</u>			
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>January 1, 2010</b>	<b>5,657</b>	<b>2,542</b>	<b>1,816</b>	<b>4,451</b>	<b>250</b>	<b>6,802</b>	<b>479</b>	<b>200</b>	<b>22,197</b>
Property acquisition	56	547	39	-	15	-	15	-	672
Exploration	2,457	539	312	(2)	80	38	119	-	3,543
Royalty deposits	-	-	-	-	-	-	-	11	11
Currency translation	107	47	26	54	3	90	7	3	337
<b>December 31, 2010</b>	<b>8,277</b>	<b>3,675</b>	<b>2,193</b>	<b>4,503</b>	<b>348</b>	<b>6,930</b>	<b>620</b>	<b>214</b>	<b>26,760</b>
Property acquisition	212	(144)	33	64	12	-	5	-	182
Exploration	4,783	833	62	1,637	12	109	764	-	8,200
Royalty deposits	-	-	-	-	-	-	-	18	18
Impairment	-	-	(1,140)	(1,572)	(231)	-	-	(8)	(2,951)
Currency translation	600	185	37	186	3	292	61	1	1,365
<b>September 30, 2011</b>	<b>13,872</b>	<b>4,549</b>	<b>1,185</b>	<b>4,818</b>	<b>144</b>	<b>7,331</b>	<b>1,450</b>	<b>225</b>	<b>33,574</b>

**Notes to the Condensed Consolidated Interim Financial Statements**  
For the Period Ended September 30, 2011  
(Unaudited – expressed in thousands of Canadian Dollars unless otherwise noted)



The following table summarizes Mindoro’s earned mineral property interests and future commitments at September 30, 2011:

<i>Region</i>	<i>Project(s)</i>	<i>Interest Earned</i>	<i>Terms for Further Earn-In And Potential Future Commitments</i>
Surigao	Agata, Tapian & Regional (except Mat-I project)	75%	(i) Option to earn additional 10%: pay 0.5% of mining reserve gross value with a minimum US\$5 million payment per mining reserve. (ii) Option to earn additional 15% interest by issuing Common Shares (issued in 2006), making annual cash payments (US\$ 125,000 in 2011) until production, making a cash payment of 0.75% of mining reserve gross value, with a minimum payment of US\$ 7.5 million upon completion of a bankable feasibility study on mining reserve, and a 1% net smelter royalty.
Surigao	Mat-I	10%	(i) The Company can earn an additional 30% interest upon completion of expenditure requirement (15 million Pesos) within two years from the execution of the Mineral Production Sharing Agreement (“MPSA”); the MPSA has not yet been approved as of this date. (ii) The Company may earn an additional 35% upon completion of the expenditure requirement (15 million Pesos) within one year. (iii) Mat I is included in option agreements for the Surigao properties and the Company can earn up to 100%
Batangas	Archangel, El Paso, Lobo and Talahib	100%	Payment due to tenement holders at the start of production will include a one-time amount of US\$ 1 million applicable to the first mineral deposit to start production only, and will also be granted a 1% Net Smelter Royalty on all metals produced from the Batangas projects.
Panay	Pan de Azucar	75%	The Company has no outstanding commitments on Pan de Azucar.

*Royalty Payments*

Royalty payments are included in the mineral property and exploration costs. The payment amounts to the tenement holders and the related due dates are scheduled according to the terms of the executed royalty agreements. In the first nine months of 2011, royalty payments amounted to \$18 (2010 - \$11).

On January 7, 2011, an option agreement was signed with a Philippine company whereby the Company may acquire a 100% interest in an exploration permit application for 142 hectares adjacent to the Company’s Tapian project. Upon confirmation the exploration permit is in good standing, the Philippine company will receive a cash payment of 1 million Philippine Pesos (approximately \$24). Once the tenement is granted, the Philippine company will receive an additional payment of 2 million Philippine Pesos (approximately \$48). The Philippine company will retain a 3% gross smelter royalty on payable nickel, cobalt and iron produced. One third of this royalty (1%) may be purchased by the Company for \$US 5 million.

On February 15, 2011, an option agreement was signed with a second Philippine company whereby the Company may acquire a 100% interest in an exploration permit application for 230 hectares adjoining the above-referenced property adjacent to the Company’s Tapian project. Upon confirmation the exploration permit is in good standing, the Philippine company will receive a cash payment of 1.5 million Philippine Pesos (approximately \$36). Once the tenement is granted and the Company has completed a due diligence phase and exercises the option, the Philippine company will receive payment of 28 million Philippine Pesos (approximately \$665).

On March 1, 2011, the Company announced that it had met the expenditure threshold to earn the right to a total 75% economic interest in the Pan de Azucar MPSA from a private Philippine company.

**Notes to the Condensed Consolidated Interim Financial Statements**  
For the Period Ended September 30, 2011  
(Unaudited – expressed in thousands of Canadian Dollars unless otherwise noted)



On a quarterly basis, management of the Company reviews exploration costs to ensure deferred expenditures included only costs and projects that are eligible for capitalization.

**6. JOINT VENTURE PARTNER WITHDRAWAL**

On July 28, 2011 the Company was informed by a joint venture partner on the El Paso, Lobo and Talahib projects that they intend to withdraw from the joint venture agreement. As a result of the joint venture partner's withdrawal, the Company has recognized a gain of \$3,171 on the reversal of the related provision for deferred capital subscription funding since a legal liability to the joint venture partner no longer exists.

The Company intends to continue exploration on the El Paso, Lobo, and Talihib projects, but current plans do not include the exploration targets that were explored by the joint venture partner and therefore, the Company has written off \$2,951 capitalized expenditures that had been financed by the joint venture partner. The Company has recorded a loss of \$18 on sale of equipment with a net book value of \$36 to the partner for proceeds of \$18.

**7. PROPERTY AND EQUIPMENT**

	Computer software & hardware \$	Vehicles \$	Field equipment \$	Office equipment & furnishings \$	Building & Leasehold improvements \$	Total \$
<i>Cost</i>						
<b>January 1, 2010</b>	227	109	39	74	78	527
Additions	30	95	30	44	10	209
Translation adjustment	2	1	-	1	1	5
<b>December 31, 2010</b>	259	205	69	119	89	741
Additions	60	23	52	21	233	389
Disposals	(71)	(34)	(8)	(32)	-	(145)
Translation adjustment	2	8	5	3	15	33
<b>September 30, 2011</b>	<b>250</b>	<b>202</b>	<b>118</b>	<b>111</b>	<b>337</b>	<b>1,018</b>
<i>Accumulated depreciation</i>						
<b>January 1, 2010</b>	147	43	26	45	77	338
Depreciation	28	27	13	11	4	83
Translation adjustment	2	1	1	-	1	5
<b>December 31, 2010</b>	177	71	40	56	82	426
Depreciation	48	42	19	28	16	153
Disposals	(58)	(13)	(5)	(25)	-	(101)
Translation adjustment	-	4	2	3	4	13
<b>September 30, 2011</b>	<b>167</b>	<b>104</b>	<b>56</b>	<b>62</b>	<b>102</b>	<b>491</b>
<i>Net book value at:</i>						
January 1, 2010	80	66	13	29	1	189
December 31, 2010	82	134	29	63	7	315
<b>September 30, 2011</b>	<b>83</b>	<b>98</b>	<b>62</b>	<b>49</b>	<b>235</b>	<b>527</b>

**Notes to the Condensed Consolidated Interim Financial Statements**  
 For the Period Ended September 30, 2011  
 (Unaudited – expressed in thousands of Canadian Dollars unless otherwise noted)



**8. SHARE CAPITAL**

At September 30, 2011, the authorised share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

**9. WARRANTS**

The following table summarizes information about Common share purchase warrants outstanding and exercisable as at September 30, 2011:

Expiry date	Exercise price \$	Dec 31, 2010	Granted	Exercised	Expired/ cancelled	Sep 30, 2011
Feb 13, 2011	0.300	<b>3,105,233</b>	-	-	(3,105,233)	-
Feb 13, 2011	0.180	<b>71,350</b>	-	(69,700)	(1,650)	-
Mar 03, 2011	0.150	<b>21,000,000</b>	-	(21,000,000)	-	-
Mar 03, 2011	0.150	<b>1,496,681</b>	-	(1,496,681)	-	-
Aug 25, 2011	0.300	<b>6,208,000</b>	-	-	(6,208,000)	-
Jul 09, 2012	0.310	<b>7,500</b>	-	-	-	<b>7,500</b>
Jul 09, 2015	0.310	<b>5,881,632</b>	-	-	-	<b>5,881,632</b>
Jul 22, 2015	0.310	<b>13,165,593</b>	-	-	-	<b>13,165,593</b>
		<b>50,935,989</b>	-	(22,566,381)	(9,314,883)	<b>19,054,725</b>
Weighted average exercise price (\$)		<b>0.237</b>	-	0.150	0.300	<b>0.310</b>

The grant date fair values of common share purchase warrants are recorded as an increase to warrants reserve and a decrease to share capital as an issue cost of each private placement. Fair value is estimated at the grant date using the Black-Scholes pricing model. There were no warrants issued in first nine months of 2011. The warrants issued in the first nine months of 2010 were valued using the following weighted average assumptions:

	2010
Risk Free Interest Rate	1.61%
Expected Life	2.67 years
Expected Volatility	131%
Expected Dividend	-

**Notes to the Condensed Consolidated Interim Financial Statements**  
For the Period Ended September 30, 2011  
(Unaudited – expressed in thousands of Canadian Dollars unless otherwise noted)



**10. EQUITY SETTLED OPTIONS**

Expiry date	Exercise price \$	Dec 31, 2010	Vested	Granted	Exercised	Expired/ cancelled	Sep 30, 2011
Aug 23, 2011	0.600	<b>300,000</b>	-	-	-	(300,000)	-
Sep 18, 2011	0.260	<b>150,000</b>	-	-	-	(150,000)	-
Jun 07, 2012	0.840	<b>1,652,000</b>	-	-	-	-	<b>1,652,000</b>
Jul 03, 2013	0.290	<b>2,080,000</b>	-	-	-	-	<b>2,080,000</b>
Jul 28, 2013	0.208	<b>4,000,000</b>	-	-	-	-	<b>4,000,000</b>
Sep 22, 2013	0.310	<b>700,000</b>	-	-	-	-	<b>700,000</b>
Oct 04, 2013	0.300	-	375,000	-	-	-	<b>375,000</b>
Oct 04, 2013	0.340	<b>150,000</b>	-	-	-	-	<b>150,000</b>
Oct 30, 2013	0.130	<b>50,000</b>	-	-	-	-	<b>50,000</b>
Dec 26, 2013	0.290	-	-	100,000	-	-	<b>100,000</b>
Jan 13, 2014	0.180	<b>100,000</b>	-	-	-	-	<b>100,000</b>
Feb 11, 2014	0.360	<b>650,000</b>	-	-	-	-	<b>650,000</b>
Apr 20, 2014	0.260	-	-	300,000	-	-	<b>300,000</b>
Aug 04, 2014	0.130	<b>2,565,000</b>	-	-	(200,000)	-	<b>2,365,000</b>
Aug 18, 2014	0.250	-	-	550,000	-	-	<b>550,000</b>
Jan 12, 2015	0.125	<b>200,000</b>	-	-	-	-	<b>200,000</b>
Mar 15, 2015	0.190	<b>1,450,000</b>	-	-	-	-	<b>1,450,000</b>
Options exercisable		<b>14,047,000</b>	375,000	950,000	(200,000)	(450,000)	<b>14,722,000</b>
Unvested options							-
Oct 04, 2013	0.300	<b>500,000</b>	(375,000)				<b>125,000</b>
Options outstanding		<b>14,547,000</b>	-	950,000	(200,000)	(450,000)	<b>14,847,000</b>
Weighted average exercise price (\$)		<b>0.299</b>	-	0.257	0.130	0.487	<b>0.293</b>

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

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

The weighted average fair value of equity settled options issued in the first nine months of 2011 on the date of grant was \$0.12 per option (2010 - \$0.15). The fair value of equity settled options is estimated at the grant date using the Black-Scholes option pricing model based on the following ranges of assumptions:

**Notes to the Condensed Consolidated Interim Financial Statements**  
 For the Period Ended September 30, 2011  
 (Unaudited – expressed in thousands of Canadian Dollars unless otherwise noted)



	<b>2011</b>	2010
Risk Free Interest Rate	1.56%	2.35%
Expected Life	3.00 years	3.52 years
Expected Volatility	133%	129%
Expected Dividend	-	-
Expected Forfeitures	-	-

**11. CASH SETTLED OPTIONS**

On August 5, 2011, the Board of Directors approved an incentive plan to issue cash settled options. Under the incentive plan, the Company will, upon request from the option holder, make a cash payment to the holder equal to any excess in the share price above the exercise price for the options held at the date of exercise. Subsequent to the approval of the incentive plan the Company issued the following cash settled options.

Expiry date	Exercise price	<b>Dec 31, 2010</b>	Vested	Granted	Exercised	Expired/ cancelled	<b>Sep 30, 2011</b>
	\$						
August 18, 2014	0.250	-	1,500,000	-	-		<b>1,500,000</b>
Options outstanding		-	1,500,000	-	-	-	<b>1,500,000</b>
Weighted average exercise price (\$)		-	0.250	-	-	-	<b>0.250</b>

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

The weighted average fair value of cash settled options issued subsequent to the approval of the incentive plan on the date of grant was \$0.11 per option which is been recognized as a share based liability. The fair value of cash settled options is estimated at the grant date using the Black-Scholes option pricing model based on the following ranges of assumptions:

	<b>2011</b>
Risk Free Interest Rate	1.47%
Expected Life	3.00 years
Expected Volatility	133%
Expected Dividend	-
Expected Forfeitures	-

The fair value of outstanding cash settled options on the balance sheet date was \$0.08 per option (2010 – \$Nil). The fair value was estimated the using the Black-Scholes option pricing model based on the following assumptions:

	<b>September 30, 2011</b>
Risk Free Interest Rate	1.23%
Expected Life	2.88 years
Expected Volatility	126%
Expected Dividend	-
Expected Forfeitures	-

## 12. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these condensed consolidated financial statements include the effects of the Company's adoption of IFRS standards.

The accounting policies in Note 2 have been applied as follows:

- in preparing the condensed consolidated interim financial statements for the nine months ended September 30, 2011;
- the comparative information for the three months ended September 30, 2010;
- the statement of financial position as at December 31, 2010; and
- the preparation of an opening IFRS statement of financial position on the Transition Date, January 1, 2010.

In preparing the opening IFRS statement of financial position, comparative information for the nine months ended September 30, 2010 and the financial statements for the year ended December 31, 2010, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. In preparing these financial statements, the Company has elected to apply the following transitional arrangements:

### *Business combinations*

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before January 1, 2010 ("the date of transition"). The Company has elected to take advantage of this election and apply IFRS 3 to business combinations that occurred on or after January 1, 2010.

### *Estimates*

IFRS 1 includes the mandatory exception which states that a first-time adopter must not use hindsight to create or revise estimates. The estimates made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

### *Share-based payment transactions*

IFRS 2 Share-based Payment has not been applied to equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested before January 1, 2010.

### *IAS 27 – Consolidated and Separate Financial Statements*

In accordance with IFRS 1, if a company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively

### *Property, plant and equipment*

IAS 16 Property, plant and equipment allows for property, plant and equipment to continue to be carried at cost less depreciation, which is the same as under Canadian GAAP.

**Notes to the Condensed Consolidated Interim Financial Statements**  
For the Period Ended September 30, 2011  
(Unaudited – expressed in thousands of Canadian Dollars unless otherwise noted)



*Reclassification within Equity section*

IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. The Company examined its “contributed surplus” account and concluded that as at the Transition Date, \$4,031 relates to “Employee benefit reserve”, and \$4,332 relates to “Warrants reserve”.

As a result, the Company believes that a reclassification is necessary in the equity section between “Contributed surplus” and the various reserve accounts totalling \$8,363.

For comparatives, as at September 2010, \$12,460 “contributed surplus” account was reclassified into \$4,963 “Employee benefit reserve” and \$7,497 “Warrants reserve”.

Furthermore, as at December 31, 2010, \$12,261 “contributed surplus” account was broken down into \$4,987 “Employee benefit reserve” and \$7,274 “Warrants reserve”.





**Notes to the Condensed Consolidated Interim Financial Statements**  
For the Period Ended September 30, 2011  
(Unaudited – expressed in thousands of Canadian Dollars unless otherwise noted)

**Reconciliation of Assets, Liabilities and Equity**

Expressed in thousands of Canadian Dollars

	As at January 1, 2010			As at September 30, 2010			As at December 31, 2010			
	Note	Effects of transition to		GAAP	Effects of transition to		GAAP	Effects of transition to		
		GAAP	IFRS		IFRS	IFRS		IFRS		
		\$	\$	\$	\$	\$	\$	\$	\$	
<b>Assets</b>										
Current assets										
Cash and cash equivalents		1,024	-	1,024	2,794	-	2,794	9,974	-	9,974
Accounts receivable		134	-	134	182	-	182	162	-	162
Prepaid expenses and other current assets	(a)	47	(15)	32	97	(2)	95	84	(7)	77
		1,205	(15)	1,190	3,073	(2)	3,071	10,220	(7)	10,213
Non-current assets										
Mining assets	(a)	23,683	(1,486)	22,197	26,316	(498)	25,818	27,996	(1,236)	26,760
Property and equipment	(a)	195	(6)	189	278	1	279	320	(5)	315
		25,083	(1,507)	23,576	29,667	(499)	29,168	38,536	(1,248)	37,288



**Notes to the Condensed Consolidated Interim Financial Statements**  
For the Period Ended September 30, 2011  
(Unaudited – expressed in thousands of Canadian Dollars unless otherwise noted)

**Reconciliation of Assets, Liabilities and Equity**

Expressed in thousands of Canadian Dollars

	Note	As at January 1, 2010			As at September 30, 2010			As at December 31, 2010		
		GAAP	Effects of transition to		GAAP	Effects of transition to		GAAP	Effects of transition to	
			IFRS	IFRS		IFRS	IFRS		IFRS	IFRS
		\$	\$	\$	\$	\$	\$	\$	\$	
<b>Liabilities</b>										
Current liabilities										
Accounts payable and accrued liabilities		764	1	765	907	-	907	792	2	794
		764	1	765	907	-	907	792	2	794
Non-current liabilities										
Defined benefit retirement plan		86	-	86	90	-	90	119	-	119
Deferred tax liabilities		186	-	186	194	-	194	-	-	-
Deferred capital subscription funding	(a)	1,165	(6)	1,159	1,316	50	1,366	1,459	9	1,468
		2,201	(5)	2,196	2,507	50	2,557	2,370	11	2,381
<b>Shareholders equity</b>										
Share capital		32,381	-	32,381	35,480	-	35,480	45,057	-	45,057
Share obligation		-	-	-	-	-	-	-	-	-
Reserves	(a, b)	8,363	36	8,399	12,460	1,001	13,461	12,260	321	12,581
Accumulated loss	(a, b)	(17,862)	(1,538)	(19,400)	(20,780)	(1,550)	(22,330)	(21,151)	(1,580)	(22,731)
		22,882	(1,502)	21,380	27,160	(549)	26,611	36,166	(1,259)	34,907
		25,083	(1,507)	23,576	29,667	(499)	29,168	38,536	(1,248)	37,288

**Notes to the Condensed Consolidated Interim Financial Statements**  
For the Period Ended September 30, 2011  
(Unaudited – expressed in thousands of Canadian Dollars unless otherwise noted)



**Reconciliation of Loss and Comprehensive Loss**

Expressed in thousands of Canadian Dollars

	Nine months ended September 30, 2010			Year ended December 31, 2010			
	Note	GAAP \$	Effects of transition to IFRS \$	IFRS \$	GAAP \$	Effects of transition to IFRS \$	IFRS \$
<b>Expenses</b>							
General and administration expenses		(1,147)	(9)	(1,156)	(1,415)	(14)	(1,429)
Employee benefits expense		(732)	-	(732)	(1,218)	-	(1,218)
Stock based compensation	(b)	(925)	(3)	(928)	(975)	(28)	(1,003)
Depreciation and amortization		(40)	-	(40)	(54)	-	(54)
<b>Total Expenses</b>		<b>(2,844)</b>	<b>(12)</b>	<b>(2,856)</b>	<b>(3,662)</b>	<b>(42)</b>	<b>(3,704)</b>
Finance income		9	-	9	38	-	38
Foreign exchange gain (loss)		(83)	-	(83)	148	-	148
<b>Loss before income tax</b>		<b>(2,918)</b>	<b>(12)</b>	<b>(2,930)</b>	<b>(3,476)</b>	<b>(42)</b>	<b>(3,518)</b>
Income tax benefit (expense)		-	-	-	187	-	187
<b>Loss for the period</b>		<b>(2,918)</b>	<b>(12)</b>	<b>(2,930)</b>	<b>(3,289)</b>	<b>(42)</b>	<b>(3,331)</b>
Exchange differences on translation of foreign operations	(a)	-	962	962	-	255	255
<b>Total comprehensive loss for the period</b>		<b>(2,918)</b>	<b>950</b>	<b>(1,968)</b>	<b>(3,289)</b>	<b>213</b>	<b>(3,076)</b>

**Notes to the Condensed Consolidated Interim Financial Statements**  
For the Period Ended September 30, 2011  
(Unaudited – expressed in thousands of Canadian Dollars unless otherwise noted)



**Reconciliation of Cash Flows**

Expressed in thousands of Canadian Dollars

	Nine months ended September 30, 2010			Year ended December 31, 2010			
	Note	Effects of transition		GAAP	Effects of transition		
		GAAP	to IFRS		IFRS	GAAP	to IFRS
	\$	\$	\$	\$	\$	\$	
<b>Cash provided by (used in)</b>							
<b>Operating activities</b>							
Loss for the year	(2,918)	(12)	(2,930)	(3,289)	(42)	(3,331)	
Items not affecting cash							
Stock-based compensation	(b)	925	3	928	975	28	1,003
Depreciation and amortization		40	-	40	54	-	54
Unrealized exchange differences	(a)	8	(35)	(27)	-	(3)	(3)
Other		4	-	4	(211)	14	(197)
Net change in non cash working capital items	(a)	44	(13)	31	21	(7)	14
		(1,897)	(57)	(1,954)	(2,450)	(10)	(2,460)
<b>Investing activities</b>							
Payment for mining assets		(2,601)	-	(2,601)	(4,271)	-	(4,271)
Purchases of equipment		(143)	-	(143)	(209)	-	(209)
		(2,744)	-	(2,744)	(4,480)	-	(4,480)
<b>Financing activities</b>							
Issue of share capital, net of issuance costs		6,259	1	6,260	15,586	-	15,586
Cash received for deferred capital subscription funding	(a)	577	55	632	719	15	734
Cash returned from deferred capital subscription funding		(425)	-	(425)	(425)	-	(425)
		6,411	56	6,467	15,880	15	15,895
<b>Increase (decrease) in cash</b>		1,770	(1)	1,769	8,950	5	8,955
<b>Effect of exchange rate changes on cash</b>		-	1	1	-	(5)	(5)
<b>Cash at beginning of period</b>		1,024	-	1,024	1,024	-	1,024
<b>Cash at end of period</b>		2,794	-	2,794	9,974	-	9,974

**Notes to the Condensed Consolidated Interim Financial Statements**  
 For the Period Ended September 30, 2011  
 (Unaudited – expressed in thousands of Canadian Dollars unless otherwise noted)



**Reconciliation of accumulated loss**

Expressed in thousands of Canadian Dollars

	<i>Note</i>	January 1, 2010 \$	September 30, 2010 \$	December 31, 2010 \$
Accumulated loss under GAAP		(17,862)	(20,780)	(21,151)
Cummulative translation differences	<i>(a)</i>	(1,461)	(1,466)	(1,471)
Share based payments	<i>(b)</i>	(36)	(39)	(64)
Other		(41)	(45)	(45)
<b>Accumulated loss under IFRS</b>		<b>(19,400)</b>	<b>(22,330)</b>	<b>(22,731)</b>

**Reconciliation of Comprehensive Loss**

Expressed in thousands of Canadian Dollars

	<i>Note</i>	September 30, 2010 \$	December 31, 2010 \$
Comprehensive loss under GAAP		(2,918)	(3,289)
Cummulative translation differences	<i>(a)</i>	956	255
Share based payments	<i>(b)</i>	(3)	(28)
Other		(3)	(14)
<b>Comprehensive loss under IFRS</b>		<b>(1,968)</b>	<b>(3,076)</b>

**NOTES TO RECONCILIATIONS**

**(a) Cumulative translation differences**

IFRS requires that the functional currency of each entity of the Company be determined separately. The Company has determined that as at the transition date the Canadian Dollar was the functional currency of the parent, Mindoro Resources Ltd. The functional currency of MRL Gold Phils., Inc. and its subsidiaries at the transition date was the Philippine Peso. In accordance with IFRS 1 optional exemptions, the Company elected to transfer the cumulative translation differences, recognized as a separate component of equity, to accumulated losses at the transition date. Under Canadian GAAP, MRL Gold and its subsidiaries was defined as an integrated foreign operation from the date the entities were formed to the transition date and therefore no foreign exchange translation in equity was noted. Under IFRS, MRL Gold and its subsidiaries had a Philippine Peso functional currency since the entities were formed and therefore at the transition date a currency reserve of \$1,460 had accumulated. In electing to take this IFRS 1 exemption, the Company has transferred this currency reserve at the translation date to accumulated losses. The impact of this difference was not significant on the statement of cash flows.

The effect on financial position accounts are as follows:

	January 1, 2010	September 30, 2010	December 31, 2010
<b>Current assets</b>			
Prepaid expenses and other current assets	(15)	(2)	(7)
	(15)	(2)	(7)
<b>Non-current assets</b>			
Mining Assets	(1,384)	(454)	(1,126)
Property and Equipment	(6)	1	(5)
	(1,390)	(453)	(1,131)
	(1,405)	(455)	(1,138)
<b>Non-current liabilities</b>			
Deferred capital subscription funding	(6)	50	9
	(6)	50	9
<b>Shareholders' equity</b>			
Reserves	-	961	255
Accumulated losses	(1,461)	(1,466)	(1,471)
	(1,461)	(505)	(1,216)
	(1,467)	(455)	(1,207)

The effects on net and comprehensive loss are as follows:

	September 30, 2010	December 31, 2010
Currency translation differences	961	255
Increase (decrease) to comprehensive loss	961	255

**(b) Share-based payments**

Under Canadian GAAP, the Company measured share-based payments related to stock options at fair value of the stock options granted using the Black-Scholes option pricing model and recognized this expense over the vesting period of the options. Canadian GAAP permits the expense related to stock options with multiple vesting provisions to be recognized evenly over the entire vesting period. The fair value of stock options

granted to employees is measured on the date of grant. The fair value of stock options granted to consultants is measured on the date the services are completed. Forfeitures are recognized as they occur.

IFRS 2, similar to Canadian GAAP, requires the Company to measure share-based compensation related to stock options granted to employees at the fair value of the stock options on the date of grant and to recognize the expense over the vesting period of the options. For stock options granted to non-employees, IFRS requires that share-based compensation be measured at the fair value of the services received unless the fair value cannot be reliably measured. When a grant of stock options has multiple vesting provisions, IFRS 2 requires that the fair value of each tranche of stock options be determined separately and be expensed over its vesting period. The difference in how multiple vesting provisions are treated under IFRS has resulted in the expense for stock options issued to employees to be re-amortized over the vesting periods of each tranche. The fair value of stock options issued to consultants has been re-measured at the vesting date of each tranche of stock options. The impact of this difference was not significant on the statement of cash flows.