MINDORO
RESOURCES LTD

Consolidated Financial Statements
&
Management's Discussion and Analysis

For the year ended December 31, 2012

(Expressed in Canadian Dollars)

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Calgary Alberta T2P 3T7

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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

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For the year ended December 31, 2012

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RESOURCES LTD

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For the three months and year ended December 31, 2012

As reported on March 29, 2012

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CAUTION FORWARD LOOKING INFORMATION

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

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

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

TECHNICAL DISCLOSURES

Mindoro's exploration programs are prepared and/or designed and carried out under the supervision of Tony Climie, Tony Climie, P.Geo., who is a qualified person as defined by National Instrument 43-101(Canada) and is a competent person as defined by the JORC Code (Australia), and who has reviewed and verified the pertinent disclosure of exploration related technical information contained in this document. Mr. Climie is the CEO of Mindoro and 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.

COMPANY PROFILE AND STRATEGY

During the year ended December 31, 2012 (the "year"), Mindoro Resources Ltd. ("Mindoro" or the "Company") continued activities with the objective of advancing base and precious metals exploration and development projects in the Philippines.

During the year ended December 31, 2012, the Company focussed on achieving two key objectives:

- To form a strategic investment and/or project level partnership to advance the Agata nickel project towards direct shipping ore production ("DSO") and complete a hydrometallurgical processing feasibility study as well as a partnership to advance the Pan de Azucar copper-gold-sulphur project towards development.

- To "spin-out" the gold and copper-gold assets into a listed company with sufficient funds to enable drill-testing and expansion of the resource base on the Archangel and Lobo gold projects at Batangas, and advance key porphyry copper-gold projects within the Company's portfolio.

This Management's Discussion and Analysis ("MD&A") presents the operating results and financial status of the Company for the three months and year ended December 31, 2012, and should be read in conjunction with the Company's consolidated financial statements ("financial statements") for the year ended December 31, 2012. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian Dollars.

The Company trades on the TSX Venture Exchange, Australian Securities Exchange ("ASX"), and Frankfurt Exchange as MIO, MDO, and OLM respectively. Additional information related to the Company is available in the Company's Annual Information Form ("AIF"), on SEDAR at www.sedar.com, and on the Company's website at www.mindoro.com.

OVERVIEW FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2012

- **Agata Nickel Project and Pan de Azucar Copper-Gold-Sulphur Project**

  ✓ Under the Agata Mining Joint Venture ("AMJV") and Agata Processing Joint Venture ("APJV") agreements and the Pan de Azucar Mining Joint Venture ("PDAMJV") and Pan de Azucar Processing Joint Venture ("PDAPJV") agreements signed on September 25, 2012, TVIRD will operate exploration and development activities and earn 60% equity in each joint venture subject to satisfying certain milestones and/or expenditure objectives:

    - Under the AMJV, TVI as operator to fund development of DSO production to earn 60%. Minimum expenditure requirement $2 million in year 1 and minimum commitment of $500,000 before withdrawal.

    - Under the APJV, TVI as operator to fund completion of a Definitive Feasibility Study ("DFS") to earn 60%. Minimum expenditure requirement of $2 million in year 1 and minimum commitment of $500,000 before withdrawal.

    - Under the PDAMJV, TVI as operator to fund development of DSO production to earn 60%. Minimum expenditure requirement $2 million in year 1 and minimum commitment of $500,000 before withdrawal.

    - Under the PDAPJV, TVI as operator to fund $2 million to earn 51% then an option to spend another US$3 million to earn an additional 9%, increasing its interest to 60%.

  During the fourth quarter, development teams have been assembled to advance the Agata and Pan de Azucar Joint Ventures, with the objectives of determining the potential to establish the following near-term and medium term operations:

Near term:

- high iron (Fe) laterite direct shipping ore ("DSO") operation
- limestone DSO operation

Medium term:

- pyrite material DSO
- lime production facility
- nickel (Ni) processing plant

- **Gold and Copper-Gold Exploration**

  Mindoro completed a limited drill program at the Archangel project, Batangas, as described in the August 31 and September 26, 2012, press releases, and prior to selling the project to Red Mountain Mining Ltd. ("Red Mountain") on October 30, 2012. Red Mountain subsequently commenced exploration and drill programs at the Archangel and Lobo projects in Batangas with the objectives of defining and potentially extending potential high-grade "feeder" structures at Archangel and locating and defining potential high-grade epithermal gold shoot targets at Lobo.

- **Financial**

  ✓ After tax loss of $99.7 million represents an increase compared to the net loss in 20112011 of $33.9 million. The Company has recognized an impairment of $77.6 million on exploration properties that were sold in the period.

  ✓ Raised $3.6 million from private placements in the year

  ✓ At December 31, 2012, the cash balance was $0.6 million and working capital was $0.2 million compared with $22.1 million and $11.3 million respectively at December 31, 2011.

(Expressed in Canadian Dollars)

Table 1: Activities summary for the three months and year ended December 31, 2012

January	Archangel – final results received from drilling program
	Received $0.2 million in second tranche of Private Placement announced in November 2011
February	Received$1.3 million from major shareholders in final tranche of Private Placement.
	Pan de Azucar – Exploration Target announced on pyritic sulphide copper-gold-sulphur project
	Released Financial Results and Management Discussion for 2011
March	Special shareholders meeting held to approve the directors of the Company subscribing for common shares to the value of $0.25 million. Private placement subsequently raised $0.3 million, including funds received from an additional qualified investor.
April	
May	Agata Nickel – update on nickel strategic partnership
	Batangas – update on gold drilling plans
	Major Restructuring of Philippines Assets – Term sheet signed with Red Mountain for sale of Batangas and Tapian San Francisco Assets
June	Annual Shareholders meeting held where shareholders approved a plan to spin out the Batangas and Tapian San Francisco gold and copper-gold projects and changes to the Company's By-Laws to allow for the distribution of assets (Red Mountain shares) as a reduction of capital.
July	TVI Pacific Heads of Agreement for proposed investment and Agata joint ventures
	Binding Gold and Copper-Gold assets Sale Agreement signed with Red Mountain
	Funding drawn from Red Mountain to commence drilling Batangas gold targets
August	Results of first new drill hole at Archangel announced
September	Red Mountain Shareholders approve purchase of Mindoro Gold Projects
	Further drill results from Archangel Gold Drill Program
	Mindoro and TVI sign Joint Venture agreements for Agata and Pan de Azucar, Mindoro receives Tranche 1 investment from TVI
October	Mindoro shareholders authorize tranche 2 of TVI's proposed investment at a special meeting of shareholders. Private placement subsequently raises $1.2 million, and a new director is appointed.
	Mindoro completes sale of Gold Projects to Red Mountain for 100 million Red Mountain shares worth $9.8 million.
November	Mindoro's Philippines Subsidiary Wins Key Environmental and Safety Awards
December	Mindoro Appoints New CEO

MILESTONES TARGETED FOR 2013

Agata Nickel Development Project and Pan de Azucar Exploration:

The Company has signed Joint Venture agreements with TVI over the Agata Nickel and Pan de Azucar projects (refer to note 7 of the financial statements). The objectives of the joint ventures, subject to final agreements, are as follows:

- Stage 1: undertake feasibility study and permitting for the DSO project then, subject to economic viability, establish DSO production. Targeted for late 2013.
- Stage 2: advance preferred processing technology to pilot testing, and then complete a definitive feasibility study.
- Pan de Azucar: additional drilling to define S-Cu-Au resources and complete a development scoping study.

Red Mountain Distribution and Exploration Program

Mindoro had a 53% interest in Red Mountain at December 31, 2012 and intends to distribute at least a majority of its interest to shareholders of in late 2013.

Red Mountain has been operating a drill program at the Archangel and Lobo projects in Batangas. The objectives of the Red Mountain programs at Batangas are as follows:

- Archangel: initial drilling to define and potentially extend potential high-grade "feeder" structures prior to resource definition and extension drilling.
- Lobo: targeting for further drilling to locate and define potential high-grade epithermal gold shoot targets within the >5km mapped vein trends.
- Batangas and TSF porphyry copper-gold targets: refine priority copper-gold targets on the Batangas and TSF properties and prioritise targets for further drilling, subject to finance or joint venture funding.

SELECTED FINANCIAL INFORMATION AND SUMMARY OF QUARTERLY RESULTS

TABLE 2: SELECT FINANCIAL INFORMATION

For the years ended December 31,	2012	2011	2010
Revenue ($000)	-	-	-
Loss for the period ($000)	9,712	3,860	3,331
Loss per share ($)	0.037	0.017	0.023
Total assets ($000)	38,469	37,007	38,668
Non-current liabilities ($000)	95	155	2,967
Working capital ($000)	193	1,315	9,419

TABLE 3: SUMMARY OF QUARTERLY RESULTS

	2011-Q1	2011-Q2	2011-Q3	2011-Q4	2012-Q1	2012-Q2	2012-Q3	**2012-Q4**
	$000	$000	$000	$000	$000	$000	$000	**$000**
Total revenue	-	-	-	-	-	-	-	**-**
General and administrative expenses	(427)	(511)	(692)	(674)	(377)	(443)	(561)	**(160)**
Employee benefits expenses	(317)	(393)	(699)	(293)	(254)	(239)	(183)	**(268)**
Stock based compensation	(15)	(38)	(151)	65	12	54	(8)	**8**
Depreciation and amortization	(37)	(20)	(33)	(53)	(35)	(32)	(34)	**(35)**
Operating Expenses	(796)	(962)	(1,575)	(955)	(654)	(660)	(786)	**(455)**
Interest income	85	86	60	26	13	10	5	**3**
Foreign exchange	(119)	74	43	(9)	(60)	121	(104)	**550**
Loss on disposal of equipment	-	-	(26)	(2)	-	-	-	**-**
Extinguishment of deferred capital subscription funding	-	-	3,171	-	-	-	-	**-**
Impairment of exploration and evaluation assets	-	-	(2,951)	-	-	(9,562)	2,280	**(322)**
Loss before income taxes	(830)	(802)	(1,278)	(940)	(701)	(10,091)	1,395	**(224)**
Income taxes	-	-	-	(10)	-	-	-	**(91)**
Loss for the period	(830)	(802)	(1,278)	(950)	(701)	(10,091)	1,395	**(315)**
Loss per share ($)	(0.004)	(0.004)	(0.006)	(0.004)	(0.003)	(0.040)	0.005	**(0.001)**

LOSSES

The increase in annual losses from 2011 to 2012 reflects the disposition of its gold assets in the fourth quarter of 2012 offset by a reduction on operating expenses in 2012. The Company's quarterly operating expenses have decreased in the fourth quarter of 2012 compared to the third quarter of 2012 and fourth quarter of 2011 and are below the average operating loss in the last eight quarters ($855,000).

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

- Changes in key management in the third quarter of 2012 and third quarter of 20112011;
- The closure of the Edmonton, Canada office, and the relocation of associated functions to Melbourne, Australia and Manila, Philippines in the third quarter of 2011; and
- Corporate transactions with Red Mountain and TVI Pacific in the third and fourth quarters of 2012;

Further commentary on operating expenses in the fourth quarter and year ended December 31, 2012 with respective comparatives:

- In the three months and year ended December 31, 2012, operating expenses were lower ($455,000 and $2,555,000) compared to the same periods in 2011 ($2,532,000 and $4,288,000). Consulting and legal fees were lower in the quarter compared to the same period of 2011 (2012: $71,000 vs. 2011: $343,000). The Company engaged consultants in the fourth quarter of 2011 to find a strategic partner for the nickel project. Consulting and legal fees were higher in 2012 than in 2011 ($874,000 vs. $677,000) as the Company negotiated TVI and Red Mountain transactions. However, the Company spent less on travel and other administrative costs (2012: $89,000 and $667,000 vs. 2011: $331,000 and $1,627,000) due to efficiency gains from the Edmonton office closure.

- Employee benefit expenses are lower in the current quarter compared to the same period last year as a result of reduction in personnel noted above and continues the downward trend noted in the fourth quarter of 2011(Table 3).

- Impairment losses in 2012 were recorded as a result of the transaction with Red Mountain noted above and in note 8 if the financial statements. Impairment losses in 2011 were the result of Gold Field's withdrawal from joint ventures on the Batangas properties (note 18 of the financial statements).

- Variations in interest income and foreign exchange over the last eight quarters have largely been due to changes in the Company's cash balances, which was $9,908,000 at December 31, 2010 and drawing down to $613,000 at the end of the fourth quarter of 2012. Translation reserves of $721,000 were recycled through foreign exchange gains and loss in the quarter as a result of the sale of the Gold Projects to Red Mountain. Foreign exchange gains and losses also reflect fluctuations in the Australian Dollar and Philippine Peso relative to the Canadian dollar over the last eight quarters, resulting in higher costs incurred in those currencies. The change in functional currency has not materially affected the financial statements.

CASH FLOWS

In the fourth quarter of 2012, the Company used $1,453,000 in operating activities compared to $1,273,000 in the fourth quarter of 2011. This reflects a decrease in non-cash working capital of $241,000 in the quarter compared to a $378,000 decrease in the fourth of quarter 2011 and lower corporate and employee benefit expenses noted above.

In 2012, the Company used $3,594,000 in operating activities compared to $3,511,000 in the same period of 2011. This reflects a reduction in non-cash working capital of $348,000 in the current period compared to a $219,000 increase in same period of 2011 and lower corporate and employee benefit expenses noted above.

In 2012, the Company invested $11,927,000 in exploration activities compared to $8,868,000 in 2011. Most of the expenditures in the three months and year ended December 31, 2012 relates to internal mine planning and economic modelling on the Agata Nickel project, in preparation for pilot testing and feasibility studies, the Archangel drill program funded by Red Mountain, and continued social and environmental field programs on all the Company's tenements.

GOING CONCERN

The Company has incurred a net loss of $9,712,000 (December 31, 2011 - $3,860,000) and operating cash outflows of $3,594,000 (December 31, 2011 – $3,511,000). At December 31, 2012 the Company has net current assets before investments held for distribution of $193,000 (December 31, 2011 - $1,315,000). Mining and exploration licences held by the Company have annual expenditure obligations to maintain their 'good standing' status.

The ability of the Company to continue as a going concern is dependent on obtaining additional funding to finance ongoing exploration activities. In the fourth quarter of 2012 the Company has disposed of the Gold Projects to Red Mountain in exchange for 100 million Red Mountain Shares and 50 million performance shares (note 8 of the financial statements). Pursuant to a private placement, the Company has received $2,139,000 from TVI. In addition, the Company and TVI have entered into joint venture agreements where TVI has the right to earn a 60% interest in Agata and regional nickel projects by sole funding a direct shipping ore ("DSO") project to production and completing a Definitive Feasibility Study ("DFS") on a Nickel processing project, and up to 60% in the Pan De Azucar massive sulfide project by meeting certain expenditure and earn-in objectives (notes 7 of the financial statements). Because of these two transactions, Red Mountain and TVI are now required to finance Mindoro's mineral property expenditure commitments.

The Company intends to be proactive over the upcoming period to reduce overhead costs and, if required, raise additional capital through financing activities in order to finance its operations. While both transactions have closed during 2012, until the Company begins seeing positive cash flow from the TVI Joint Ventures there is material uncertainty related to events or conditions that may cast significant doubt as to whether the Company will be able to continue as a going concern 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 Board of Directors consider the Company to be a going concern, but recognize that it is dependent on the raising of additional funds, the support of partners, the sale of interests in or relinquishment of mining tenements held by the Company and ultimately the future profitability of the Company. These financial statements have therefore been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. 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 Company not continue as a going concern with the exception of the property write-downs and reversals summarized within note 8 of the financial statements.

DISCUSSION OF PROJECTS

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

The Company's joint venture partner, TVI Pacific Inc. ("TVI") and its Philippines based operator, ("TVIRD"), are progressing a two stage development strategy for the Agata Nickel Project. This includes a Stage 1 direct shipping ore ("DSO") operation followed by a Stage 2 low operating cost nickel processing operation based on established hydrometallurgical acid leach processing technology. TVIRD's Project Execution/Technology Development team for the Mindoro joint venture projects is composed of highly skilled technical experts who are familiar with the assets and the type of processing plant technology expected to be used.

High Iron and Limestone DSO Operations/Lime Production Facility

The high iron laterite and limestone deposits occur up to one kilometre from the coast, which is expected to positively impact transportation costs due to the close proximity of the mine pit to the port.

The upper portions of the laterite profile comprise the ferruginous zone and limonite zone, both rich in iron. It is estimated that there are approximately 7 million wet metric tonnes (wmt) of high iron material with iron grades ranging between 45% and 52%. The deposit is expected to be developed as a surface mining operation with the high iron material most probably sold to the Chinese iron ore market. Beneath the ferruginous and limonite zone is the higher nickel grade saprolite zone, which will be the dominant feed for a new nickel processing facility currently under consideration by the Project Execution/Technology Development team.

The high iron DSO operation would be expected to generate early cash flow until the nickel processing plant is built and becomes operational, but shipments are expected to continue after this until the high iron material is exhausted. The high iron DSO operation already has an existing Environmental Compliance Certificate (ECC); however, other permits such as a port permit and a Declaration of Mining Feasibility are also required.

The limestone occurring at the coast is a massive recrystallized limestone of very high purity levels with calcium carbonate ($CaCO_3$) of greater than 95%. Five (5) holes were drilled into the limestone horizon but the number of holes drilled is not considered sufficient to classify a mineral resource. The limestone is estimated to be up to 50 metres thick. *The potential quantity and grade is conceptual in nature, because there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource.* The initial plan is to develop a resource, and mine and ship limestone DSO utilizing the infrastructure developed initially for the high iron DSO operation. Currently no permits are in place for mining the limestone.

Since the quality of limestone quarried at Agata is expected to be high, the Project Execution/Technology Development team also plans to construct a lime production facility at the Agata project site. The lime produced would be used in the nickel processing plant, offsetting the costs of imported lime while also creating potential for some to be sold. The lime processing facility is a medium-term project currently expected to come online at the beginning of 2015 pending the receipt of all required permits, among other things. The development plans and initial pre-development activities for the two DSO operations are underway and include:

a. For the high iron DSO operation:
    - the preparation of compliance reports to regulators
    - land acquisition for the port facilities and roads
    - planning and design for port construction
    - road/infrastructure design and construction plans
    - initial pre-development activities, including initial road construction and camp development
    - confirming markets for products
    - mine development planning
    - community relations
b. For the Limestone DSO operation:
    - further drilling on the limestone deposits to delineate resource to NI 43-101 standards
    - preliminary concepts and mining plans for the limestone
    - confirming markets for limestone and lime products
    - metallurgical test works

An update to the NI 43-101 report together with a scoping study on both the high iron and Limestone operations are also initially planned and are to be followed by feasibility studies.

Agata Nickel (Ni) Processing Plant

The Project Execution/ Technology Development team is proposing the use of innovative, low cost leaching and downstream Ni recovery and purification technology rather than the traditional high cost HPAL processes used in the laterite nickel industry. TVIRD's team of technical staff engaged to deal with the Mindoro joint venture projects have substantial expertise in this leaching and downstream Ni recovery and purification technology and their expertise will be used to fast track the processing plant. The plant would initially be designed to have a 20-year life, and would be built in modules with the ability to add capacity over time by adding further modules to increase throughput and Ni production.

The laterite feed to the processing plant comprising limonite material and saprolite material would be mixed with sulphuric acid and undergo numerous steps to ultimately produce a nickel hydroxide product. This intermediate nickel product could either be sold as is or further processed to produce metallic nickel.

Site infrastructure is excellent with local sources of labour, fresh water and power (supplemented by back-up generators). The processing plant could be located within two kilometres of the port, thereby simplifying acid transport and other logistics, as well as keeping operating costs down. Deep water for ships up to 50,000 tonne capacity occurs within 250 metres of the coastline.

A number of activities relating to the Agata Ni Processing Plant are underway and include:

- internal project feasibility scoping including previous relevant Mindoro scoping work
- external laboratory testing at BGRIMM of a representative bulk ore sample taken from the Agata Ni deposit, including:

- crushing and grinding tests
  - pre-leach thickener settling tests
  - primary and secondary leaching tests
  - leach residue preliminary settling and filtration tests
- establishment of laboratory and pilot testing facility (in the Philippines)
  - bench-scale laboratory equipment has been installed and testwork will commence at this facility before mid-February 2013
  - pilot plant equipment has been identified and specified
- the process flowsheet has been identified and confirmed by laboratory tests
- process flow diagrams are near completion
- mass and energy balance have been developed in METSIM, using laboratory test data to calibrate the model
- environmental and leached ore storage facilities designs are well advanced
- preliminary infrastructure design is underway, including:
  - port/jetty design, including reagent storage facilities
  - water source identification
  - road design
  - process plant location and preliminary layout

An update to the NI 43-101 report, together with a scoping study, is initially planned, to be followed by delivery of a full feasibility study. The feasibility study is underway and expected to be completed by the end of 2013. Pending a positive feasibility study and a decision to proceed, plant construction is expected to commence in 2014 with the commissioning/commercial production of nickel hydroxide product in Q2 of 2015, dependent on obtaining permits in a timely manner, among other things.

PAN DE AZUCAR PYRITE PROJECT (75% ECONOMIC INTEREST)

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

Mindoro and its partner TVI expect that commercializing the project may involve both the DSO export of pyrite material to China for the production of sulphuric acid and/or the self-production of sulphuric acid at the Agata Ni processing plant site. Currently there are no permits in place for the mining of the pyrite material.

Activities planned or underway for the Pan de Azucar Pyrite Project include:

- laboratory testing of the pyrite samples as a suitable feed for a sulphuric acid plant
- additional diamond drilling to delineate resource to NI 43-101 standards
- preliminary concepts and mining plans
- confirming markets for products
- metallurgical test works
- community relations

A total of 30 drill holes in three drilling programs (2001/2002; 2003; March to August 2011) have partially defined a body of nearly pure pyrite containing from 36% to 42% sulphur, 150 to 200 metres wide by 1 kilometre (km) long and typically between 10 to 40 metres thick. The mineralization is open to the north and east and geophysical conductivity measurements indicate potential extensions for a further 200-300 metres, to the Mineral Production Sharing Agreement ('MPSA') property boundary.

The reader is cautioned that the Valderama massive sulphide mineralization, located on the Pan de Azucar MPSA, is currently an Exploration Target only. Detailed drilling will be required to convert the Exploration Target into NI 43-101-compliant resources. There is no guarantee that these resources, if delineated, will be economic or sufficient to support a commercial mining operation. Until a feasibility study has been completed there is no certainty that the company's projections will be economically viable.

INVESTMENT

In 2012, Mindoro acquired a 55.8% interest in Red Mountain as a result of the sale of the Batangas and Tapian San Francisco gold projects. Mindoro has classified its interest in Red Mountain as a held for distribution asset because under the terms of the share sale agreement, the Company will distribute at least a majority of the Red Mountain shares to its shareholders following a twelve month ASX imposed escrow period. Management expect to complete the distribution before the end of 2013.

The following table provides select financial information of Red Mountain for its two most recently completed financial years.

For the years ended June 30,	2012	2011
Revenue (AUD $000)	174,499	9,772
Loss for the period (AUD $000)	(5,178,481)	(1,617,692)
Total assets (AUD $000)	4,556,305	577,390
Total liabilities (AUD $000)	280,035	529,380

TRANSACTIONS BETWEEN RELATED PARTIES

The consolidated financial statements for the year ended December 31, 2012 include the financial statements of Mindoro and the following significant subsidiaries and affiliates:

	Country of Incorporation	Status	% Equity Interest 2012	2011
MRL Nickel Philippines Inc	Philippines	Active	**100%**	100%
El Paso Corp	Philippines	Inactive	**100%**	100%
Talahib Corp	Philippines	Inactive	**100%**	100%
Batangas Metals and Mining Corp	Philippines	Inactive	**100%**	100%
Red Mountain Mining Ltd	Australia	Held for distribution	**55.8%**	-
Egerton Gold Philippines Inc	Philippines	Disposed in 2012	**-**	100%

TVI has a 14.4% interest in Mindoro. In 2012, the Company recorded recoveries from the joint venture with TVI Pacific of $412,000.

In 2011 the Company recorded $31,000 as exploration and evaluation assets for consulting services provided by a firm whose managing director is also a non-executive director of the Company.

The following remuneration has been paid to directors and officers of the Company:

	2012 $000	2011 $000
Salaries and directors fees	637	1,378
Stock based compensation	(66)	183
Key management compensation	**571**	**1,561**

SIGNIFICANT ACCOUNTING POLICIES

CRITICAL ACCOUNTING ESTIMATES

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

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

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 affect the future recoverability include the level of reserves and resources, future technological changes, which could affect 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

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2013 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) IFRS 9 Financial Instruments,

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 1, 2015 but is available for early adoption. When adopted, the standard is not expected to have a material impact on the group's accounting for its financial assets and liabilities.

The group has not yet decided when to adopt IFRS 9.

(ii) IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, revised IAS 27 Separate Financial Statements, IAS 28 Investments in Associates and Joint Ventures (effective January 1, 2013)

In August 2011, the IASB issued a suite of five new and amended standards that address the accounting for joint arrangements, consolidated financial statements and associated disclosures. IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 Consolidated and Separate Financial Statements. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

IFRS 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. IFRS 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The adoption of these standards are not expected to have a material impact on the Company due to the transactions entered into with Red Mountain and TVI.

The group will adopt the new standards from their operative date. They will therefore be applied in the financial statements for the annual reporting period ending December 31, 2013.

(iii) IFRS 13 Fair Value Measurement (effective January 1, 2013)

IFRS 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change because of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognized in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group will adopt the new standard from its operative date, which means that it will be applied in the annual reporting period ending December 31, 2013.

(iv) IFRS 19 Employee Benefits (effective January 1, 2013)

In September 2011, the IASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method), the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively however is not expected to have a material impact.

The Group will apply the new standard when it becomes operative, being from January 1, 2013.

(Expressed in Canadian Dollars)

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

OUTSTANDING SHARE DATA

Issued - Common shares	Common Shares	Stock Options	Purchase Warrants
December 31, 2011	239,073,360	14,847,000	19,054,725
Issued pursuant to private placements	57,764,039	-	42,779,353
Stock options issued	-	250,000	-
Forfeited/expired	-	(2,502,000)	(7,500)
December 31, 2012	296,837,399	12,595,000	61,826,578

In October 2012, pursuant to a private placement, the Company issued 24,000,000 units to TVI at a price of $0.05 for gross proceeds of $1,200,000. Each unit consisted of one common shares and one purchase warrants exercisable at $0.10 per share for five years.

In September 2012, pursuant to a private placement, the Company issued 18,779,353 units at $0.05 per unit for gross proceeds of $938,968. Each unit consisted of one common shares and one purchase warrants exercisable at $0.10 per share for five years. Also in September 2012, 800,000 stock options with a weighted average exercise price of $0.25 per share expired following the resignation of two directors.

In July 2012, 7,500 purchase warrants with an exercise price of $0.31 per share expired. Also in July 2012, the Company issued 250,000 stock options exercisable at $0.10 within three years of the grant.

In June 2012, 1,652,000 stock options with an exercise price of $0.84 per share expired.

In March 2012, pursuant to a private placement, the Company issued 2,464,729 common shares at a price of $0.12 for gross proceeds of $294,534.

In January 2012, pursuant to a private placement, the Company issued 12,519,957 common shares at a price of $0.12 for gross proceeds of $1,517,991. The Company received $135,000 for this private placement prior to December 31, 2011 that was recorded as share obligations on the December 31, 2011 statement of financial position.

RISKS AND UNCERTAINTIES

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

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

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

The Company's principal operations are located in the Philippines and are subject to the risks associated with operating in a developing country. These risks include, but not are not limited; 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.

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

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.

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 December 31, 2012. 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 December 31, 2012 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.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Chief Executive Office and Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting as of December 31, 2012. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that they were effective at a reasonable assurance level.

The Company's management, including the Chief Executive Officer and Chief Financial Officer does not expect that its disclosure controls and internal controls over financial reporting will prevent all errors and fraud. A cost effective system of internal controls, no matter how well designed or operated, can provide only reasonable not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

Given the small finance and management team ther are limits to the Company's ability to have a robust and segregated control environment. The Chief Executive Officer and Chief Financial Officer conclude the control environment to be operating effectively given the size and complexity of the Company.

EVENTS SUBSEQUENT TO DECEMBER 31, 2012

Subsequent to December 31, 2012, Red Mountain issued 8,412,000 fully paid ordinary shares. This issuance reduced the Company's ownership interest in Red Mountain to 53%.

MINDORO
RESOURCES LTD

Consolidated Financial Statements

For the years ended December 31, 2012 and 2011

(Expressed in Canadian Dollars)

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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

March 30, 2013

Independent Auditor's Report

To the Shareholders of Mindoro Resources Ltd

We have audited the accompanying consolidated financial statements of Mindoro Resources Ltd and its subsidiaries, which comprise the consolidated Statement of Financial Position as at December 31, 2012 and December 31, 2011, and the consolidated Statement of Comprehensive Loss, consolidated Statement of Changes in Equity and consolidated Statement of Cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mindoro Resources Ltd and its subsidiaries as at December 31, 2012 and December 31, 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

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

PricewaterhouseCoopers

Chartered Accountants
Melbourne, Australia

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

MINDORO RESOURCES LTD

	Note	**December 31, 2012 $000**	December 31, 2011 $000
Assets			
Current assets			
Cash and cash equivalents	*5*	**619**	2,089
Accounts receivable		**257**	257
Prepaid expenses and other current assets		**52**	81
Investment held for distribution	*6*	**17,537**	-
		18,465	2,427
Non-current assets			
Exploration and evaluation assets	*7*	**19,767**	34,163
Property and equipment	*9*	**237**	417
		38,469	37,007
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**728**	1,034
Share based liability	*15*	**7**	78
		735	1,112
Non-current liabilities			
Defined benefit retirement obligation	*10*	**95**	155
		830	1,267
Shareholders equity			
Share capital	*12*	**53,704**	50,925
Share obligation		**-**	135
Reserves		**12,473**	11,271
Non-controlling interests	*6*	**7,765**	-
Accumulated losses		**(36,303)**	(26,591)
		37,639	35,740
		38,469	37,007

Going concern (Note 1)
Subsequent events (Note 19)

These consolidated financial statements were approved for issue by the Board of Directors on March 30, 2012 and are signed on their behalf by:

"signed"
Doug Frondall, Director

"signed"
A. Robson Garden, Director

Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

	Note	Year Ended December 31, 2012 $000	2011 $000
Operating Expenses			
General and administration expenses		**(1,541)**	(2,304)
Employee benefits expense		**(944)**	(1,702)
Stock based compensation	*14,15*	**66**	(139)
Depreciation and amortization	*9*	**(136)**	(143)
Operating Expenses		**(2,555)**	(4,288)
Finance income		**31**	257
Foreign exchange gain (loss)		**507**	(11)
Loss on disposal of property and equipment		**-**	(28)
Extinguishment of deferred capital subscription funding	*18*	**-**	3,171
Impairment of exploration and evaluation assets	*7,18*	**(7,604)**	(2,951)
Loss before income tax		**(9,621)**	(3,850)
Income tax benefit (expense)	*16*	**(91)**	(10)
Loss for the period		**(9,712)**	(3,860)
Exchange differences on translation of foreign operations	*3(C)*	**211**	(101)
Total comprehensive loss for the period		**(9,501)**	(3,961)
Basic and diluted net loss per share		**$ (0.037)**	$ (0.017)
Weighted average number of common shares outstanding (thousands)		**262,728**	226,137

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

MINDORO RESOURCES LTD

			Attributable to shareholders of the Company							
	Note	Number of shares outstanding	Share capital $000	Share obligation $000	Employee benefit reserve $000	Warrants reserve $000	Currency reserve $000	Accumulated losses $000	Non-controlling interests $000	Total equity $000
January 1, 2012		**239,073,360**	**50,925**	**135**	**5,156**	**5,961**	**154**	**(26,591)**	**-**	**35,740**
Common shares issued for:										
Private placement	*12*	57,764,039	2,779	(135)	-	985	-	-	-	3,629
Stock-based compensation	*14,15*		-	-	6	-	-	-	-	6
Non-controlling interests on acquisition of subsidiary	*6*	-	-	-	-	-	-	-	7,765	7,765
Transactions with owners		57,764,039	2,779	(135)	6	985	-	-	7,765	11,400
Loss for the period		-	-	-	-	-	-	(9,712)	-	(9,712)
Other comprehensive income	*3(C)*	-	-	-	-	-	211	-	-	211
Comprehensive income (loss)		-	-	-	-	-	211	(9,712)	-	(9,501)
December 31, 2012		**296,837,399**	**53,704**	**-**	**5,162**	**6,946**	**365**	**(36,303)**	**7,765**	**37,639**
January 1, 2011		**206,289,497**	**45,057**	**-**	**5,052**	**7,274**	**255**	**(22,731)**	**-**	**34,907**
Common shares issued for:										
Private placement		10,017,482	1,121	135	-	-	-	-	-	1,256
Exercise of warrants	*13*	22,566,381	4,700	-	-	(1,313)	-	-	-	3,387
Exercise of stock options	*14*	200,000	47	-	(21)	-	-	-	-	26
Stock-based compensation	*14,15*	-	-	-	125	-	-	-	-	125
Transactions with owners		32,783,863	5,868	135	104	(1,313)	-	-	-	4,794
Loss for the period		-	-	-	-	-	-	(3,860)	-	(3,860)
Other comprehensive loss		-	-	-	-	-	(101)	-	-	(101)
Comprehensive loss		-	-	-	-	-	(101)	(3,860)	-	(3,961)
December 31, 2011		**239,073,360**	**50,925**	**135**	**5,156**	**5,961**	**154**	**(26,591)**	**-**	**35,740**

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

MINDORO RESOURCES LTD

	Note	Year Ended December 31, 2012 $000	2011 $000
Cash provided by (used in)			
Operating activities			
Loss for the period		**(9,712)**	(3,860)
Items not affecting cash			
Stock based compensation	*13,14*	**(66)**	139
Depreciation and amortization	*9*	**136**	143
Impairment of exploration and evaluation assets	*7,18*	**7,163**	2,951
Extinguishment of deferred capital subscription funding	*18*	**-**	(3,171)
Unrealized exchange differences		**(721)**	6
Loss on disposal of property and equipment		**-**	28
Other		**(46)**	34
Net change in non-cash working capital items		**(348)**	219
		(3,594)	(3,511)
Investing activities			
Expenditure on exploration and evaluation assets	*7*	**(1,927)**	(8,868)
Cost recoveries from Joint Venture Partner	*7*	**412**	-
Proceeds from disposal of equipment	*9*	**10**	18
Purchases of equipment	*9*	**(11)**	(407)
		(1,516)	(9,257)
Financing activities			
Issue of share capital, net of issuance costs	*12*	**3,764**	4,534
Deposits held for private placement	*12*	**(135)**	135
Cash received from loan facility		**1,613**	-
Loan repayments		**(1,613)**	-
Cash received for deferred capital subscription funding		**-**	286
Cash returned from deferred capital subscription funding		**-**	(77)
		3,629	4,878
Increase (decrease) in cash and cash equivalents		**(1,481)**	(7,890)
Effects of exchange rate changes on cash and cash equivalents		**11**	5
Cash and cash equivalents at beginning of period		**2,089**	9,974
Cash and cash equivalents at end of period		**619**	2,089

1. GOING CONCERN

These consolidated financial statements ("financial statements") are prepared on a going concern basis.

Mindoro Resources Ltd. (the "Company" or "Mindoro") has incurred a net loss of $9,712,000 (December 31, 2011 - $3,860,000) and operating cash outflows of $3,594,000 (December 31, 2011 – $3,511,000). At December 31, 2012 the Company has net current assets before investments held for distribution of $193,000 (December 31, 2011 - $1,315,000). Mining and exploration licences held by the Company have annual expenditure obligations to maintain their 'good standing' status.

The ability of the Company to continue as a going concern is dependent on obtaining additional funding to finance ongoing exploration activities. In the fourth quarter of 2012, the Company has disposed of the Batangas and Tapian San Francisco Gold Projects (collectively the "Gold Projects") to Red Mountain Mining Ltd ("Red Mountain") in exchange for 100 million Red Mountain shares and 50 million Performance Shares (note 8). Pursuant to a private placement, the Company has received $2,139,000 from TVI Pacific Inc. ("TVI"). In addition, the Company and TVI have entered into joint venture agreements where TVI has the right to earn a 60% interest in Agata and regional nickel projects by sole funding a direct shipping ore ("DSO") project to production and completing a Definitive Feasibility Study ("DFS") on a Nickel processing project, and up to 60% in the Pan De Azucar massive sulfide project by meeting certain expenditure and earn-in objectives (note 7). Because of these two transactions, Red Mountain and TVI are now required to finance Mindoro's mineral property expenditure commitments.

The Company intends to be proactive over the upcoming period to reduce overhead costs and, if required, raise additional capital through financing activities in order to finance its operations. While both transactions have closed during 2012, until the Company begins seeing positive cash flow from the TVI Joint Ventures there is material uncertainty related to events or conditions that may cast significant doubt as to whether the Company will be able to continue as a going concern 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 Board of Directors consider the Company to be a going concern, but recognize that it is dependent on the raising of additional funds, the support of partners, the sale of interests in or relinquishment of mining tenements held by the Company and ultimately the future profitability of the Company. These financial statements have therefore been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. 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 Company not continue as a going concern with the exception of the property write-downs and reversals summarized within note 8.

2. NATURE OF OPERATIONS

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

Mindoro 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 corporate office is at 2000, 736 6Ave SW, Calgary, Alberta T2P 3T7. The Company maintains its registered offices at 2200, 10235 – 101 Street NW, Edmonton, Alberta, Canada, T5J 3G1 and Unit 4, 12 Pendlebury Road, Cardiff, NSW 2285, Australia.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. These financial statements are for the consolidated entity consisting of Mindoro Resources Ltd. and its subsidiaries, collectively referred to as “Mindoro” or the “Company”.

(A) BASIS OF PRESENTATION

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

The policies applied in these financial statements are based on the IFRS issued and outstanding as of the date the Board of Directors approved the statements 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, 2012, could result in restatement of these financial statements.

The 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 3(S).

(B) BASIS OF CONSOLIDATION

These financial statements include the accounts of Mindoro Resources Ltd., and its wholly owned subsidiaries, MRL Nickel Philippines, Inc. (“MRL Nickel”, formerly MRL Gold Phils., Inc.), and three inactive Philippine subsidiaries. All inter-company balances and transactions are eliminated on consolidation.

Non-controlling interests in the results and equity of subsidiaries are shown separately (if applicable) in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(C) FOREIGN CURRENCIES

The Company has presented these financial statements in Canadian Dollars (“CAD” or “$”). The functional currency of Mindoro Resources Ltd. is the Australian Dollar (“AUD” or “A$”). The functional currency of MRL Nickel and the inactive Philippine subsidiaries is the Philippine Peso (“PHP” or “Pp”).

Change in functional currency

The Functional currency of Mindoro Resources Ltd. changed on January 1, 2012 to the AUD from CAD. This change in accounting treatment is the result of a change in circumstances for Mindoro Resources Ltd. and is applied prospectively with no material impact on the financial statements. The following factors were considered by the directors in arriving at this conclusion:

- A majority of forecast expenditures are expected to be denominated in AUD; and
- Increasing trend of cash inflows from financing activities have been denominated in AUD.

All assets, liabilities, share capital and other components of equity where translated into AUD at the exchange rate on the date of change in functional currency.

Functional and presentation currency

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

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

Transactions and balances

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

(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 December 31, 2012 the Company had $45,000 cash equivalents (December 31, 2011 - $Nil).

(E) TRADE RECEIVABLES

Trade receivables are recognized initially at fair value and subsequently measured at amortized 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 that 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 reorganization, 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 capitalized 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.

Property and equipment are amortized using the following annual rates and methods:

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

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

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.

(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).

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

An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount in the statement of comprehensive loss 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. Impairment reversals are recognized in the statement of comprehensive loss for the period in which the reversal arises.

(I) NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE OR DISTRIBUTION

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

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

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

(J) TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are initially recognized at 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.

(K) 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.

(L) 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.

(M) 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.

(N) SHARE BASED PAYMENT TRANSACTIONS

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

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 is recognized as a stock based compensation expense with a corresponding increase in employee benefit reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee), or provides services similar to those performed by a direct employee.

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

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

(O) 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.

(P) 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 CEO.

The CEO reviews segment information in line with the information outlined in Note 7 Exploration and Evaluation Assets. As a result, the disclosures within Note 7 meet the disclosure requirements of Segment Reporting.

(Q) 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.

(R) DEFINED BENEFIT RETIREMENT OBLIGATION

MRL Nickel and 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 unit credit 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.

(S) SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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.

(T) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2013 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) IFRS 9 Financial Instruments,

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 1, 2015 but is available for early adoption. When adopted, the standard is not expected to have a material impact on the group's accounting for its financial assets and liabilities.

The group has not yet decided when to adopt IFRS 9.

(ii) IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, revised IAS 27 Separate Financial Statements, IAS 28 Investments in Associates and Joint Ventures (effective January 1, 2013)

In August 2011, the IASB issued a suite of five new and amended standards that address the accounting for joint arrangements, consolidated financial statements and associated disclosures. IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 Consolidated and Separate Financial Statements. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

IFRS 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. IFRS 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The adoption of these standards are not expected to have a material impact on the Company due to the transactions entered into with Red Mountain and TVI.

The group will adopt the new standards from their operative date. They will therefore be applied in the financial statements for the annual reporting period ending December 31, 2013.

(iii) IFRS 13 Fair Value Measurement (effective January 1, 2013)

IFRS 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change because of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognized in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group will adopt the new standard from its operative date, which means that it will be applied in the annual reporting period ending December 31, 2013.

(iv) IFRS 19 Employee Benefits (effective January 1, 2013)

In September 2011, the IASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called ‘corridor’ method), the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively however is not expected to have a material impact.

The Group will apply the new standard when it becomes operative, being from January 1, 2013.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(U) COMPARATIVE PERIODS

Certain amounts included within the comparative period have been reclassified to conform to the current period’s presentation.

4. FINANCIAL RISK MANAGEMENT

Capital management

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

The Company does not have any long-term debt and therefore proceeds raised from financing activities are used to meet these requirements.

The Board of Directors does not establish quantitative return on capital criteria for management. The Company also does not have any externally imposed capital requirements and does not currently pay dividends.

There has been no change with respect to the overall capital risk management strategy during the year ended December 31, 2012 or December 31, 2011.

Foreign exchange 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 a negative direction.

The Company was exposed to foreign exchange risk through the monetary assets and liabilities in the table below at December 31, 2012 and December 31, 2011. The Company has not hedged its exposure to currency fluctuations. Foreign exchange risk is managed by holding cash and cash equivalents in different currencies in line with the anticipated expenditure requirements of the Company.

	December 31, 2012		December 31, 2011	
	PHP 000	AUD 000	PHP 000	AUD 000
Cash	8,205	82	12,633	1,158
Accounts receivable	8,201	52	2,351	208
Accounts payable	(23,360)	(122)	(19,997)	(328)
Net foreign currency exposure	**(6,954)**	**12**	(5,013)	1,038
Exchange rate	0.02426	1.03390	0.02320	1.04240
Foreign currency exposure ($000)	**(169)**	**12**	(116)	1,082

Based on net exposures at December 31, 2012, and assuming all other variables remain constant, a 10% fluctuation in the exchange rate between the Canadian dollar and the Philippine peso would affect Mindoro's other comprehensive loss by $17,000 (2011 - $12,000). A 10% fluctuation in the exchange rate between the Canadian dollar and Australian dollar would affect the Company's comprehensive loss by $1,000 (2011 - $108,000).

Credit risk

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

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

Liquidity risk

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

Accounts payable and accrued liabilities are due within twelve months of the balance sheet date.

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 $619,000 in cash and cash equivalents at December 31, 2012 (2011 - $2,089,000), on which it earns variable rates of interest, and is therefore subject to a certain amount of interest rate risk, deemed to be acceptable by the Company.

	December 31, 2012		December 31, 2011	
	$000	Weighted average effective interest rate	$000	Weighted average effective interest rate
Financal assets				
Cash and cash equivalents	619	2.36%	2,089	3.67%
Accounts receivables	257	0.00%	257	0.00%
	876		2,346	
Financial Liabilities				
Accounts payable and accrued liabilities	(728)	0.00%	(1,034)	0.00%
	(728)		(1,034)	
Net Exposure	148		1,312	

At December 31, 2012 if interest rates had increased/decreased by 100 basis points from the year end rates with all other variables held constant, loss for the year would have been $13,000 (2011: $20,000) higher/lower, as a result of higher/lower interest income from cash and cash equivalents.

5. RESTRICTED CASH

Cash and cash equivalents at December 31, 2012 includes $45,000 (December 31, 2011 - $Nil) in a term deposit which is restricted as it has been used as security for a bank guarantee and corporate credit card facility.

6. INVESTMENT HELD FOR DISTRIBUTION

On October 30, 2012, the Company acquired 100 million shares of Red Mountain representing a 55.8% interest in Red Mountain through the sale of its Batangas and Tapian San Francisco Gold Projects. Under the sale agreement, Mindoro will distribute to its shareholders at least a majority of the Red Mountain shares following a twelve-month escrow period that has been imposed by the Australian Securities Exchange (ASX) as a condition of their approval for the transaction. Mindoro expects to complete the distribution before the end of 2013; therefore, the interest in Red Mountain has been classified as held for distribution at acquisition.

		December 31, 2012 $000
Number of fully paid Red Mountain shares issued and outstanding	179,060,026	
Red Mountain share price at acquisition (AUD per share)	0.095	
CAD/AUD rate at the transaction date	1.0363	
Market value ($000)	17,628	17,628
CAD/AUD rate at December 31, 2012	1.0339	
Translation adjustment ($000)	(41)	(41)
Carrying value of Red Mountain shares		17,587
Distribution costs		(50)
Carrying value less costs to distribute		**17,537**
Unowned Red Mountain shares	79,060,026	
Red Mountain share price at acquisition (A$0.095 per share)	$0.098	
Non-controlling interests in Red Mountain	**7,765**	**7,765**

Mindoro has agreed under the sale agreement to pay up to $30,000 for costs associated with Red Mountain's requirements to file a prospectus because of this transaction. Additionally, Mindoro expects to incur other distribution costs estimated at $20,000 to complete the distribution. These distribution costs have been recorded to the impairment of exploration and evaluation assets because the Red Mountain shares were held for distribution at acquisition.

The non-controlling interests in Red Mountain represent the 44.3% of Red Mountain shares that are not owned by the Company. There is no amount included in the loss for the period or total comprehensive loss for the period attributable to the non-controlling interests.

At December 31, 2012, Red Mountain's shares were trading at $0.145 (A$0.14) per share on the ASX.

(Expressed in Canadian Dollars unless otherwise noted)

7. EXPLORATION AND EVALUATION ASSETS

	Surigao		**Batangas**						
	Agata	Tapian & Regional	El Paso	Lobo	Talahib	Archangel	**Pan de Azucar**	**Royalty Deposits**	**Total**
	$	$	$	$	$	$	$	$	$
December 31, 2010	**8,277**	**3,675**	**2,193**	**5,883**	**348**	**6,930**	**620**	**214**	**28,140**
Property acquistion	267	(75)	38	68	3	1	5	-	**307**
Exploration	5,777	933	151	553	42	318	804	-	**8,578**
Royalty deposits	-	-	-	-	-	-	-	27	**27**
Impairment	-	-	(1,140)	(1,572)	(231)	-	-	(8)	**(2,951)**
Currency translation	242	77	(195)	(105)	(68)	92	22	(3)	**62**
December 31, 2011	**14,563**	**4,610**	**1,047**	**4,827**	**94**	**7,341**	**1,451**	**230**	**34,163**
Exploration*	955	237	190	93	(9)	569	144	-	**2,179**
Joint venture recoveries	(260)	-					(152)		**(412)**
Royalty deposits	-	-	-	-	-	-	-	7	**7**
Disposals	-	(1,585)	(788)	(2,866)	(50)	(4,763)	-	(93)	**(10,145)**
Impairment	-	(1,234)	(505)	(2,267)	(39)	(3,494)	-	(65)	**(7,604)**
Currency translation	676	211	56	213	4	347	61	11	**1,579**
December 31, 2012	**15,934**	**2,239**	**-**	**-**	**-**	**-**	**1,504**	**90**	**19,767**

** Includes depreciation and other non-cash items recognised in 2012 totalling $74,000 (2011 - $72,000)*

The following table summarizes Mindoro's earned mineral property interests and future commitments at December 31, 2012:

Region	***Project(s)***	***Interest Earned***	***Terms for Further Earn-In And Potential Future Commitments***
Surigao	Agata and Surigao 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.*

(Expressed in Canadian Dollars unless otherwise noted)

Region	*Project(s)*	*Interest Earned*	*Terms for Further Earn-In And Potential Future Commitments*
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%.
Panay	Pan de Azucar	75%	The Company has no outstanding commitments on Pan de Azucar.

* Mindoro is currently renegotiating 10% and 15% options on the Nickel Laterite deposits in Agata and the Surigao region to acquire the remaining 25% interest from its local partner.

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 2012, royalty payments amounted to $7,000 (2011 - $27,000).

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.

TVI JOINT VENTURES

On September 25, 2012, the Company and TVI signed the Agata Mining Joint Venture and Agata Processing Joint Venture agreements and the Pan de Azucar Mining Joint Venture and Pan de Azucar Processing Joint Venture agreements. Details of the joint ventures are as follows:

<u>Agata Mining Joint Venture ("AMJV"):</u> TVI has the exclusive right and option to earn 60% of the AMJV by sole funding a mining project into commercial production with three years on the Agata MPSA or Surigao Regional tenements (excluding the TSF tenements which were subject to the Red Mountain transaction). TVI must maintain the tenements in good standing, spend a minimum of $500,000 within the first year, and spend at least $2 million on the project to exercise the option. TVI will retain no interest in the AMJV if it withdraws prior to commencing a Mining operation.

If certain local ordinances are not amended with 90 days of the agreement, at its sole discretion TVI has the right to:

1) Withdraw from the agreement and recover from the Company up to $500,000 of expenditure on the project;
2) Suspend its obligations under the agreement until such time as the local ordinances are reversed; or
3) Extend the amendment period.

<u>Agata Processing Joint Venture (APJV):</u> TVI has exclusive right and option to earn up 60% of the APJV and a 60% interest in the tenements by incurring a minimum expenditure of $2 million by the first anniversary of the agreement and sole funding a definitive feasibility study ("DFS"), including pilot-scale metallurgical testing, third-party engineering studies and documentation, within four years. Upon delivery of the DFS TVI will retain no interest in the APJV if it withdraws prior to completing the DFS.

If certain local ordinances are not amended with 90 days of the agreement, at its sole discretion TVI has the right to:

1) Withdraw from the agreement and recover from the Company up to $500,000 of expenditure on the project;
2) Suspend its obligations under the agreement until such time as the local ordinances are reversed; or
3) Extend the amendment period.

Pan de Azucar Mining Joint Venture ("PDAMJV"): TVI has the exclusive right and option to earn 60% of the mining project by sole funding a mining project into commercial production with three years on the Pan de Azucar MPSA. TVI must maintain the tenements in good standing, spend a minimum of $500,000 within the first year, and spend at least $2 million on the project to exercise the option. TVI will retain no interest in the PDAMJV if it withdraws prior to commencing a Mining operation.

Pan de Azucar Processing Joint Venture ("PDAPJV"): TVI has the exclusive right and option to earn 51% of the PDAPJV and a 60% interest in the tenements by spending at least $2 million within 2 years of receiving a declaration of mining feasibility from the Philippines Mines and Geosciences Bureau ("MGB"). In addition, TVI will have the exclusive right and option to earn an additional 9% by spending another US$3 million within 4 years, of receiving a declaration of mining feasibility from the MGB, increasing its total interest to 60%.

OTHER

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.

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 $35,000). 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 $650,000).

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 $23,000). Once the tenement is granted, the Philippine company will receive an additional payment of 2 million Philippine Pesos (approximately $46,000). 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.

8. DISPOSED EXPLORATION AND EVALUATION ASSETS

On October 31, 2012, the Company announced that it completed a transaction with Red Mountain, an Australian ASX listed company, whereby Mindoro sold the Batangas and Tapian San Francisco Gold Projects ("Gold Projects") in exchange for 100 million Red Mountain common shares and 50 million Performance Shares (the "Performance Shares").

The Performance Shares will convert to an equal number of Red Mountain shares if Red Mountain increases the Indicated Resource to 600,000 ounces of gold and completing a scoping study demonstrating a viable gold mining project based on over 50% of the Indicated Resource converting to a Probable Ore Reserve or equivalent economic ounces on or before October 30, 2013. Mindoro has estimated the value of the Performance Shares to be nil because the probability of conversion to Red Mountain shares cannot be reliably estimated at this time.

As a result of the sale, the Company realized an impairment loss on the Gold Projects as exploration and evaluation assets held for sale and revalued the assets to the lower of their carrying amount and fair value less costs to sell. The carrying amount of the Gold Projects at settlement was $17,750,000 while the fair value less costs to sell was $10,145,000 (table below).

The fair value less costs to sell of the Gold Projects has been estimated based on the following assumptions:

	October 30, 2012	
		$000
Number of RMX Shares to be received under SSA	100,000,000	
Closing price of RMX shares at settlement (AUD per share)	0.095	
CAD/AUD rate at closing	1.0363	
Market value ($000)	9,845	9,845
Loan facility transferred		674
Defined benefit retirement obligation transferred		68
Fair value of Gold Projects		10,587
Costs to sell		(442)
Fair value less costs to sell Gold Projects		**10,145**

Red Mountain has assumed the contracts of a number of key Philippine employees under the share sale agreement ("SSA") and provides their services back to Mindoro under service agreements. Red Mountain has assumed the defined benefit retirement obligations associated with these employees, carried in the amount of $68,000.

Red Mountain provided a draw down loan facility to the Company to fund a drill program on the Archangel Program at Batangas, which began in August (Note 1). The loan was assumed by Red Mountain at settlement of this transaction on October 30, 2012, eliminating Mindoro's requirement to repay the balance of the loan facility.

The Company has incurred documentary stamp tax and value added tax, in the Philippines of $166,000 due to a corporate restructure required as a conditions precedent to settlement of the SSA as well as $215,000 in contract termination payments and $10,000 in other costs associated with settlement. These costs were expensed in the period they occur. The Company will also pay $91,000 in minimum corporate income taxes ("MCIT") in the Philippines because of this transaction. MCIT may be used as an income tax credit if income tax is incurred within the next three years. The Company will incur an additional $50,000 in costs to distribute the Red Mountain shares to its shareholders (see note 6).

The following table identifies how the impairment has been recognized:

	Tapian San Francisco	El Paso	Lobo	Talahib	Archangel	Royalty deposits	**Total**
October 30, 2012	$000	$000	$000	$000	$000	$000	**$000**
Book value at disposition	2,819	1,293	5,133	89	8,257	158	**17,749**
LESS: Fair value less cost to sell	(1,585)	(788)	(2,866)	(50)	(4,763)	(93)	**(10,145)**
Impairment recognized	**1,234**	**505**	**2,267**	**39**	**3,494**	**65**	**7,604**

The Company has reclassified $721,000 of translation reserves that had previously been recorded to other comprehensive income to foreign exchange gains because of the disposal of the Gold Projects.

	Foreign exchange $000	Translation adjustment $000
Translation reserve realized upon disposal of exploration and evaluation assets	721	(721)
Translation adjustment for the year	-	933
Foreign exchange loss for the year	(214)	-
	507	212

9. PROPERTY AND EQUIPMENT

	Office equipment & furnishings $000	Computer software & hardware $000	Vehicles $000	Field equipment $000	Building & Leasehold improvements $000	Total $000
Cost						
December 31, 2010	119	259	205	69	89	741
Additions	21	53	23	53	257	407
Disposals	(32)	(72)	(35)	(8)	-	(147)
Translation adjustment	1	5	4	2	5	17
December 31, 2011	109	245	197	116	351	1,018
Additions	-	9	-	-	2	11
Disposals	(2)	(6)	(7)	-	-	(15)
Translation adjustment	5	12	9	4	16	46
December 31, 2012	**112**	**260**	**199**	**120**	**369**	**1,060**
Accumulated depreciation						
December 31, 2010	56	177	71	40	82	426
Depreciation	44	85	58	35	32	254
Disposals	(25)	(58)	(13)	(5)	-	(101)
Translation adjustment	3	9	4	2	4	22
December 31, 2011	78	213	120	72	118	601
Depreciation	14	19	44	21	112	210
Disposals	(1)	(2)	(2)	-	-	(5)
Translation adjustment	3	5	3	1	5	17
December 31, 2012	**94**	**235**	**165**	**94**	**235**	**823**
Net book value at:						
December 31, 2011	**31**	**32**	**77**	**44**	**233**	**417**
December 31, 2012	**18**	**25**	**34**	**26**	**134**	**237**

10. DEFINED RETIREMENT BENEFIT OBLIGATION

MRL Gold Phils., Inc., has an unfunded, defined benefit retirement plan covering the retirement, separation, death and disability benefits of all its eligible employees.

The pension expense charged to the profit and loss account includes amortization of the amount of the accumulated unrecognized actuarial gains or losses at the beginning of the year to the extent that this amount falls outside a 10% corridor. The amount is spread over the expected average remaining working lives of 13.20 years in 2012 (13.18 years in 2013) of the employees participating in the plan.

	December 31,	
	2012	2011
	$000	$000
Current service cost	78	23
Interest cost	23	10
Amortization of unrecognized actuarial loss	12	-
Curtailment cost (gain)	(179)	-
Foreign exchange gain (loss)	-	1
Benefit charged to operations	(66)	34
Balance at January 1	347	128
Current service cost	78	22
Interest cost	23	10
Actuarial loss (gain)	6	181
Curtailment cost (gain)	(305)	-
Foreign exchange gain (loss)	13	6
Present value of defined benefit obligation	162	347
Present value of defined benefit obligation	162	347
Unrecognized actuarial gain (loss)	(71)	(190)
Foreign exchange gain (loss)	4	(2)
Recognized liability	95	155

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

	2012	2011
Discount rate	5.75%	6.50%
Rate of compensation increase	12.00%	12.00%

The Company does not expect to contribute to this pension plan in 2013.

11. CONTINGENT LIABILITY

Through the operation of its subsidiaries in the Philippines, the Company is subject to Documentary Stamp Taxes ('DST') as issued by the Bureau of Internal Revenue in the Philippines on advances granted from foreign affiliates to the Company's Philippine subsidiaries. The Company has not made an accrual as there is uncertainty surrounding the measurement and timing of the DST. The maximum potential impact on the Company is expected to be

$180,000. Management does not believe that the final determination of the measurement and timing of the DST will have a material adverse effect on the financial position or results of operations of the company.

12. SHARE CAPITAL

The authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid. As at December 31, 2012, the Company had 296,837,399 common shares issued and outstanding.

a) In October 2012, pursuant to a private placement, the Company issued 24,000,000 common shares to TVI at a price of $0.05 for gross proceeds of $1,200,000.

b) In September 2012, pursuant to a private placement, the Company issued 18,779,353 common shares to TVI at a price of $0.05 for gross proceeds of $938,968.

c) In March 2012, pursuant to a private placement, the Company issued 2,464,729 common shares at a price of $0.12 for gross proceeds of $294,534.

d) In January 2012, pursuant to a private placement, the Company issued 12,519,957 common shares at a price of $0.12 for gross proceeds of $1,517,991. The Company received $135,000 for this private placement prior to December 31, 2011, which was recorded as share obligations on the December 31, 2011 statement of financial position.

e) In December 2011, pursuant to a private placement the Company issued 10,017,482 Common Shares at a price of $0.12 for gross proceeds of $1,203,449 less agents' commissions of $72,207.

f) 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.

g) 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.

h) 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.

i) 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.

j) A total of 9,313,233 Purchase Warrants expired during 2011 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.

k) 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 2011.

(Expressed in Canadian Dollars unless otherwise noted)

13. WARRANTS

The following table summarizes information about Common Share purchase warrants outstanding and exercisable as at December 31, 2012:

Expiry date	Exercise price $	**December 31, 2011**	Granted	Exercised	Expired/ cancelled	**December 31, 2012**
Jul 09, 2012	0.310	**7,500**	-	-	(7,500)	**-**
Jul 09, 2015	0.310	**5,881,632**	-	-	-	**5,881,632**
Jul 22, 2015	0.310	**13,165,593**	-	-	-	**13,165,593**
Sep 28, 2017	0.100	**-**	18,779,353	-	-	**18,779,353**
Oct 10, 2012	0.100	**-**	24,000,000	-	-	**24,000,000**
		19,054,725	42,779,353	-	(7,500)	**61,826,578**
Weighted average exercise price ($)		**0.310**	0.100	-	0.310	**0.165**

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. The fair value of warrants issued in 2012 was 985,000. There were no warrants issued in the year 2011. The fair value of warrants is estimated at the grant date using the Black-Scholes option-pricing model based on the following ranges of assumptions:

	2012
Risk Free Interest Rate	**1.28%**
Expected Life	**5.00 years**
Expected Volatility	**122%**
Expected Dividend	**-**
Expected Forfeitures	**-**

(Expressed in Canadian Dollars unless otherwise noted)

14. EQUITY SETTLED OPTIONS

Expiry date	Exercise price $	**December 31, 2011**	Vested	Granted	Exercised	Expired/ cancelled	**December 31, 2012**
Jun 07, 2012	0.840	**1,652,000**	-	-	-	(1,652,000)	**-**
Jul 03, 2013	0.290	**2,080,000**	-	-	-	(150,000)	**1,930,000**
Jul 28, 2013	0.208	**4,000,000**	-	-	-	(200,000)	**3,800,000**
Sep 22, 2013	0.310	**700,000**	-	-	-	-	**700,000**
Oct 04, 2013	0.300	**500,000**	-	-	-	-	**500,000**
Oct 04, 2013	0.340	**150,000**	-	-	-	(150,000)	**-**
Oct 30, 2013	0.130	**50,000**	-	-	-	-	**50,000**
Dec 26, 2013	0.290	**100,000**	-	-	-	-	**100,000**
Jan 13, 2014	0.180	**100,000**	-	-	-	-	**100,000**
Feb 11, 2014	0.360	**650,000**	-	-	-	(100,000)	**550,000**
Apr 20, 2014	0.260	**300,000**	-	-	-	-	**300,000**
Aug 04, 2014	0.130	**2,365,000**	-	-	-	(200,000)	**2,165,000**
Aug 18, 2014	0.250	**550,000**	-	-	-	(50,000)	**500,000**
Jan 12, 2015	0.125	**200,000**	-	-	-	-	**200,000**
Mar 15, 2015	0.190	**1,450,000**	-	-	-	-	**1,450,000**
Jul 04, 2015	0.100	**-**	-	250,000	-	-	**250,000**
Options outstanding and exercisable		**14,847,000**	-	250,000	-	(2,502,000)	**12,595,000**
Weighted average exercise price ($)		**0.293**	**-**	**0.100**	**-**	**0.639**	**0.221**

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.

In 2012, the Company issued 250,000 options. The weighted average fair value of equity settled options issued in the current period on the date of grant was $0.02 per option (2011 - $0.12). 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:

	2012	2011
Risk Free Interest Rate	**1.00%**	1.56%
Expected Life	**3.00 years**	3.00 years
Expected Volatility	**110%**	133%
Expected Dividend	**-**	-
Expected Forfeitures	**-**	-

15. CASH SETTLED OPTIONS

Expiry date	Exercise price	**December 31, 2011**	Vested	Granted	Exercised	Expired/ cancelled	**December 31, 2012**
	$						
August 18, 2014	0.250	**1,500,000**	-	-	-	(300,000)	**1,200,000**
Options outstanding		**1,500,000**	-	-	-	(300,000)	**1,200,000**
Weighted average exercise price ($)		**0.250**	-	-	-	0.250	**0.250**

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

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

No cash settled options were issued in 2012. The weighted average fair value of cash settled options issued in 2011 was $0.11 per option on the date of grant 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:

	2011
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 outstanding on the balance sheet date was $0.01 per option (2011 – $0.08). The fair value was estimated the using the Black-Scholes option-pricing model based on the following assumptions:

	December 31, 2012	December 31, 2011
Risk Free Interest Rate	1.10%	1.23%
Expected Life	1.63 years	2.88 years
Expected Volatility	113%	126%
Expected Dividend	-	-
Expected Forfeitures	-	-

16. INCOME TAXES

	2012	2011
	$000	$000
Current income tax expense (recovery)	91	10
Future income tax expense (recovery)	-	-
Income tax expense (recovery)	**91**	10

The Company has incurred $91,000 in minimum corporate income taxes ("MCIT") in the Philippines because of the corporate restructure required to complete the transaction with Red Mountain (note 8). MCIT was charged at 2% of gross revenue on intercompany transactions that have been eliminated upon consolidation. MCIT may be used as an income tax credit if income tax is incurred within the next three years.

Income tax expense (recovery) differs from that which would be expected from applying the combined effective income tax rates of 25% (2011 – 26.5%) to the loss as follows:

	2012 **$000**	**2011** $000
Loss before tax per consolidated financial statements	(9,570)	(3,850)
Expected income tax recovery	(2,278)	(1,032)
Unrealized foreign exchange loss of subsidiary	-	(44)
Effect of change in substantively enacted tax rates	-	56
Stock-based compensation	(16)	35
Minimum tax	(91)	-
Share issuance costs	(47)	(28)
Expiration of non-capital losses carried forward	157	181
Change in valuation allowance	2,419	824
Other non-deductible amounts	(144)	8
	-	-

	December 31, 2012 **$000**	December 31, 2011 $000
Tax values in excess of book value of exploration and evaluation assets and property and equipment	354	129
Retirement benefit	28	21
Share issue costs	205	251
Unrealized foreign exchange loss	-	45
Loss carry forwards	6,583	3,655
Deferred tax assets (Unrecognised)	**7,170**	4,101

At December 31, 2012, the Company has non-capital taxable losses of approximately $24,981,000 (2011 - $12,704,000) available to reduce Canadian taxable income in future years that expire at various dates until 2032. The Company has other deductible tax pools of approximately $1,870,000 (2011 – $2,052,000) for Canadian income tax purposes that are available to reduce taxable income of future years. The Company's subsidiaries in the Philippines have losses for income tax purposes of $922,000 (2011 – $1,394,000) which may be carried forward for three years from occurrence.

17. RELATED PARTY TRANSACTIONS

These consolidated financial statements include the financial statements of the Mindoro and the following significant subsidiaries and affiliates:

	Country of Incorporation	Status	% Equity Interest 2012	2011
MRL Nickel Philippines Inc	Philippines	Active	**100%**	100%
El Paso Corp	Philippines	Inactive	**100%**	100%
Talahib Corp	Philippines	Inactive	**100%**	100%
Batangas Metals and Mining Corp	Philippines	Inactive	**100%**	100%
Red Mountain Mining Ltd	Australia	Held for distribution	**55.8%**	-
Egerton Gold Philippines Inc	Philippines	Disposed in 2012	**-**	100%

TVI has a 14.4% interest in Mindoro. In 2012, the Company recorded recoveries from the joint venture with TVI Pacific of $412,000.

In 2011 the Company recorded $31,000 as exploration and evaluation assets for consulting services provided by a firm whose managing director is also a non-executive director of the Company.

The following remuneration has been paid to directors and officers of the Company:

	2012 $000	2011 $000
Salaries and directors fees	637	1,378
Stock based compensation	(66)	183
Key management compensation	**571**	**1,561**

18. 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 $3,171,000 on the reversal of the related provision for deferred capital subscription funding since a legal liability to the joint venture partner no longer existed.

The Company intended to continue exploration on the El Paso, Lobo, and Talahib projects, but not on the exploration targets that were explored by the joint venture partner and therefore, the Company has written off $2,951,000 capitalized expenditures that had been financed by the joint venture partner. The Company has recorded a loss of $18,000 on sale of equipment with a net book value of $36,000 to the partner for proceeds of $28,000 in the year ended December 31, 2011.

19. SUBSEQUENT EVENTS

Subsequent to December 31, 2012, Red Mountain issued 8,412,000 fully paid ordinary shares. This issuance reduced the Company’s ownership interest in Red Mountain to 53%.