MINDORO
RESOURCES LTD

Consolidated Financial Statements

For the three months ended March 31, 2014

(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

Disclosure of Non-Auditor Review of Interim Financial Statements

For the three months ending March 31, 2014

MINDORO
RESOURCES LTD

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

The accompanying unaudited condensed consolidated interim financial statements of Mindoro Resources Ltd. for the interim reporting period ended March 31, 2014, have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board and are the responsibility of the Company's management.

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

Dated May 13, 2014

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Condensed Consolidated Interim Balance Sheet

Unaudited

(Expressed in thousands of Canadian Dollars unless otherwise stated)

MINDORO RESOURCES LTD

	As at *Note*	Mar. 31 2014	Dec. 31 2013
ASSETS			
Current assets			
Cash and cash equivalents		**783**	198
Trade and other receivables		**79**	69
Prepaid expenses and other current assets		**29**	36
Financial assets available for sale	*4*	**544**	285
Investment in held for distribution		**-**	-
		1,435	588
Non-current assets			
Exploration and evaluation assets	*5*	**10,012**	9,710
Property and equipment	*6*	**2**	4
Investment in associates	*7*	**203**	197
		10,217	9,911
TOTAL ASSETS		**11,652**	10,499
LIABILITIES			
Current liabilities			
Trade and other payables		**623**	719
Borrowings	*8*	**484**	476
Warrants liability	*11*	**834**	490
Share based liability	*13*	**1**	1
		1,942	1,686
Non-current liabilities			
Borrowings	*8*	**166**	166
Defined benefit retirement obligation		**120**	116
		286	282
TOTAL LIABILITIES		**2,228**	1,968
Equity attributable to owners of the parent			
Share capital	*9*	**52,400**	52,403
Share obligation	*9*	**1**	1
Other reserves	*10*	**12,329**	11,488
Accumulated losses		**(55,306)**	(55,361)
		9,424	8,531
TOTAL EQUITY		**9,424**	8,531
TOTAL LIABILITIES AND EQUITY		**11,652**	10,499

Going concern (Note 1)
Subsequent events (Note 15)

These condensed consolidated interim financial statements were authorised for issue by the audit committee on May 13, 2014 and are signed on its behalf.

X
A. R. Garden, Director

X
P. Gould, Director

Condensed Consolidated Interim Statements of Comprehensive Loss

Unaudited

(Expressed in thousands of Canadian Dollars unless otherwise stated)

MINDORO RESOURCES LTD

	Note	Three Months Ended March 31 2014	2013
Operating Expenses			
General and administration expenses		**(135)**	(188)
Salaries and other employee benefits		**(97)**	(70)
Interest Expense	*8*	**(22)**	-
Stock based compensation	*12,13*	**-**	4
Depreciation and amortization	*6*	**(2)**	(12)
Operating loss		**(256)**	(266)
Finance income		**-**	1
Remeasurement of warrants liability	*11*	**(345)**	357
Gain on sale of Red Mountain shares	*4*	**655**	-
Impairment of investment held for distribution		**-**	(645)
Impairment of exploration and evaluation assets		**-**	-
Foreign exchange gain (loss)		**1**	537
Loss on disposal of property and equipment	*6*	**-**	(8)
Loss before income tax		**55**	(24)
Income tax benefit (expense)		**-**	-
NET INCOME (LOSS)		**55**	(24)
Basic and diluted loss per share		**$ 0.000**	$ (0.000)
Weighted average number of common shares outstanding (thousands)		**297,437**	296,837
Loss for the year		**55**	(24)
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Actuarial Gains and Losses		**-**	-
Items that may be reclassified to profit and loss			
Remeasurement of financial assets available for sale	*4*	**524**	-
Exchange differences on translation of foreign operations		**317**	173
TOTAL COMPREHENSIVE INCOME (LOSS)		**896**	149

Condensed Consolidated Interim Statement of Changes in Equity

Unaudited

(Expressed in thousands of Canadian Dollars unless otherwise stated)

	Note	Attributable to owners of the parent				Non-controlling interests	Total equity
		Share capital	Share obligation	Other reserves (note 10)	Accumulated losses		
Balance as at December 31, 2013		**52,403**	**1**	**11,488**	**(55,361)**	**-**	**8,531**
Income for the period		-	-	-	55	-	55
Re-measurement of financial assets available for sale	*4*	-	-	524	-	-	524
Translation adjustments		-	-	317	-	-	317
Comprehensive income (loss)		**-**	**-**	**841**	**55**	**-**	**896**
Common shares issued for:							
Private placement	*9*	(3)	-	-			(3)
Transactions with owners		**(3)**	**-**	**-**	**-**	**-**	**(3)**
Balance as at March 31, 2014		**52,400**	**1**	**12,329**	**(55,306)**	**-**	**9,424**
Balance as at December 31, 2012		**52,864**	**-**	**11,251**	**(35,396)**	**7,765**	**36,484**
Loss for the period		-	-	-	(24)	-	(24)
Translation adjustments		-	-	173	-	-	173
Comprehensive income (loss)		**-**	**-**	**173**	**(24)**	**-**	**149**
Proceeds from Red Mountain share issuance				142		959	1,101
Transactions with owners		**-**	**-**	**142**	**-**	**959**	**1,101**
Balance as at March 31, 2013		**52,864**	**-**	**11,566**	**(35,420)**	**8,724**	**37,734**

Condensed Consolidated Interim Statement of Cash Flows

Unaudited

(Expressed in thousands of Canadian Dollars unless otherwise stated)

	Note	Three Months Ended March 31 2014	2013
Cash flows from operating activities			
Net income (loss)		**55**	(24)
Items not affecting cash			
Interest expense	*8*	**22**	-
Interest paid	*8*	**(8)**	-
Stock based compensation	*12,13*	**-**	(4)
Depreciation and amortization	*6*	**2**	12
Remeasurement of warrants liability	*11*	**345**	(357)
Gain on sale of RMX shares	*4*	**(655)**	-
Impairment of investment held for distribution		**-**	645
Impairment of exploration and evaluation assets	*5*	**-**	-
Unrealized exchange differences		**(1)**	(541)
Loss on disposal of property and equipment	*6*	**-**	8
Net change in non-cash working capital items		**(99)**	16
Net cash used in operating activities		**(339)**	(245)
Cash flows from investing activities			
Proceeds from sale of Red Mountain shares	*4*	**946**	-
Expenditure on exploration and evaluation assets	*5*	**(29)**	(106)
Cost recoveries from Joint Venture Partner	*5*	**22**	123
Proceeds from disposal of equipment	*6*	**-**	6
Purchases of equipment	*6*	**-**	-
Net cash used in investing activities		**939**	**23**
Cash flows from financing activities			
Issue of share capital, net of issuance costs	*8,9*	**(3)**	-
Deposits held for private placement	*8,9*	**-**	-
Cash received from borrowings	*8*	**18**	-
Loan repayments	*8*	**(32)**	-
Net cash generated from financing activities		**(17)**	-
Net increase (decrease) in cash and cash equivalents		**583**	(222)
Cash and cash equivalents at beginning of period		**198**	619
Exchange gains (losses) on cash and cash equivalents		**2**	4
Cash and cash equivalents at end of period		**783**	401

1. GENERAL INFORMATION AND GOING CONCERN

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

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

The Company's registered office is located at 2200, 10235 101 Street NW, Edmonton, Alberta, Canada, T5J 3G1 and the Company's Australian branch office is located at Unit 4, 12 Pendlebury Road, Cardiff, NSW 2285, Australia.

These condensed consolidated interim financial statements ("Interim Financial Statements") are prepared using International Financial Reporting Standards ("IFRS") that are applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

The Company earned net income of $55,000 (March 31, 2013 – loss of $24,000) and operating cash outflows of $339,000 (March 31, 2013 – $245,000). At March 31, 2014, the Company has a net working capital of $328,000 (March 31, 2013 - $245,000, excluding warrants and share-based liabilities). In addition to its on-going working capital requirements, mining and exploration licences held by the Company have annual expenditure obligations to maintain their 'good standing' status. The majority of these expenditure obligations have been assumed by TVI Resource Development Phils., Inc. ("TVIRD").

The Company and TVIRD entered into joint venture agreements where TVIRD 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 sulfide project by meeting certain expenditure and earn-in objectives (note 5). These joint venture agreements require TVIRD to finance Mindoro's mineral property annual expenditure obligations and maintain the tenements in good standing. Refer to further details included in note 5. Although management considers it unlikely that TVIRD would withdraw from the joint ventures, in the event that TVIRD were to withdraw, the Company would be required to fund the project obligations itself, acquire a new funding joint venture partner, or withdraw from the projects. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles to a going concern.

In December 2013, the Company signed a bridging loan (the "Loan") with a group of shareholders who provided an additional $175,000 for use as general working capital. In March 2014, the Company raised $879,000, net of broker fees, through the sale of 54% of its Red Mountain Mining Ltd. ("Red Mountain") shares. Subsequent to quarter end, in April 2014 the Company sold an additional 38 million Red Mountain shares for proceeds of $486,000 net of brokers fees (note 15). These undertakings are not sufficient in and of themselves to enable the Company to fund all aspects of its operations for the next 12 months, and, therefore, the ability of the Company to continue as a going concern is dependent on obtaining additional funding to finance ongoing operating activities.

Accordingly, management is pursuing other financing alternatives to fund the Company's operations so it can continue as a going concern. Management believes that it will be able to secure the necessary financing through the issue of new equity or debt instruments or the sale of its remaining shares of Red Mountain (note 15). Nevertheless, there is no assurance that these initiatives will be successful and until the Company begins to receive positive cash flow from the TVIRD 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.

The board of directors believe that sufficient funds will be available for the Company to meet its obligations for the next twelve months and consider the Company to be a going concern, but recognize that it is dependent upon its ability to raise additional funds, repay existing borrowings, obtain the support of partners, sell investments, sell interests in or relinquish mining tenements held by the Company, and ultimately generate positive cash flows from operations. These Interim Financial Statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues, expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these Interim Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. These Interim Financial Statements are for the consolidated group consisting of Mindoro Resources Ltd. (the "Parent") and its subsidiaries, collectively referred to as "Mindoro" or the "Company".

2.1 BASIS OF PRESENTATION

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

These Interim Financial Statements do not include all of the information required for full annual financial statements and should be read inconjunction with the audited Consolidated Financial Statements of the Company for the Year Ended December 31, 2013, which are available on the Compay's website (www.mindoro.com) and on SEDAR (www.sedar.org).

These interim financial statements have not been reviewed by the Company's auditor.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Interim Financial Statements are described in note 4.

(a) Changes in accounting policies and disclosures

These Interim Financial Statements follow the same accounting policies and methods of application as the audited consolidated financial statements for the year ended December 31, 2013 except for the adoption of the new standards and interpretations effective January 1, 2014 as outlined below.

(i) *IAS 36 Impairment of Assets*

In May 2013, the IASB amended IAS 36 – Impairment of Assets, providing guidance on recoverable amount disclosures for non-financial assets.

This amendment did not have a significant impact on the Company's interim financial statements.

(ii) *IFRIC 21 Levies*

IFRIC 21, Levies, clarifies that an entity recognizes a liability for a levy when the activity that triggers payment occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the minimum threshold is reached.

The adoption of this interpretation did not have a significant impact on the Company's interim financial statements.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 2014 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, in its two finalized phases, the classification and measurement of financial assets and financial liabilities and hedge accounting, replacing the parts currently found in IAS 39, Financial Instruments: Recognition and Measurement. In the third and final outstanding phase of this standard, the IASB will address impairment of financial assets. The Company will quantify the effect when the final standard, including all phases, is issued.

There are no other standards or interpretations issued that are not yet effective that the Company anticipates will have a material impact on its financial statements once adopted.

3. FINANCIAL RISK MANAGEMENT

3.1 CAPITAL MANAGEMENT

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

Proceeds raised from financing activities, sale of financial assets and the Company's joint venture agreements are used to meet these requirements, as well as to service short and long-term borrowings.

The board of directors does not establish quantitative return on capital criteria for management. The Company does not currently pay dividends.

There has been no change with respect to the overall capital risk management strategy during the three months ended March 31, 2014.

3.2 FOREIGN EXCHANGE RISK

Business is transacted by the Company in three currencies: PHP, AUD and CAD. 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 March 31, 2014 and December 31, 2013. The Company has not hedged its exposure to currency fluctuations; however, foreign exchange risk is managed by holding cash and cash equivalents in different currencies in line with the anticipated expenditure requirements of the Company.

	March 31, 2014		December 31, 2013	
	PHP 000	AUD 000	PHP 000	AUD 000
Cash and cash equivalents	1,082	399	2,129	4
Trade and other receivables	2,527	10	2,234	10
Financial assets available for sale	-	531	-	300
Trade and other payables	(21,224)	(30)	(21,240)	(23)
Net foreign currency exposure	**(17,615)**	**910**	(16,877)	291
Exchange rate	0.02469	1.02500	0.02395	0.94960
Foreign currency exposure ($000)	**(435)**	**933**	(404)	276

Based on net exposures at March 31, 2014, 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 $44,000 (December 31, 2013 - $40,000). A 10% fluctuation in the exchange rate between the Canadian dollar and Australian dollar would affect the Company's profit or loss for the year by $93,000 (December 31, 2013 - $27,000).

3.3 CREDIT RISK

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

The majority of the Company's cash and cash equivalents are held with major financial institutions in Canada, Australia, and the Philippines. A significant portion of the Company's accounts receivable is due from TVIRD and from government agencies in Canada, Australia, and the Philippines. The resulting credit risk exposure is deemed immaterial by management of the Company.

3.4 LIQUIDITY RISK

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

Trade and other payables are due within twelve months of the balance sheet date.

As at March 31, 2014, the Company has the following loans repayable at fixed rates of interest and maturity dates on an undiscounted basis:

	Principal Outstanding $000	**Interest accrued $000**	**Interest rate %**	**Maturity**
Current note payable	358	37	15	June 2014*
Non-current loan	175	0	15	December 2015

* As described in note 15, on May 5, 2014 the Company announced that has repayed the loan from TVIP.

Currently, the Company does not generate cash flow from operations. The Company's Interim Financial Statements are presented on a going-concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations (Note 1).

3.5 INTEREST RATE RISK

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

The Company had $783,000 in cash and cash equivalents at March 31, 2014 (December 31, 2013 - $198,000), on which it earns variable rates of interest, and is therefore subject to a certain amount of interest rate risk. The resulting interest rate risk is not considered to be material to the Company.

At March 31, 2014, the Company had borrowings totalling $642,000 (December 31, 2013 - $642,000) on which it accrues interest expense at various fixed rates of interest.

Warrants that are classified as liabilities are financial liabilities but are not subject to interest rate risk.

	March 31, 2014		December 31, 2013	
	$000	Weighted average effective interest rate	$000	Weighted average effective interest rate
Financal assets				
Cash and cash equivalents	783	0.00%	198	0.32%
Trade and other receivables	79	0.00%	69	0.00%
	862		267	
Financial Liabilities				
Trade and other payables	(623)	0.00%	(719)	0.00%
Notes and loans payable (15%)	(561)	15.00%	(547)	15.00%
Notes payable (8%)	(89)	8.00%	(61)	8.00%
	(1,273)		(1,327)	
Net Exposure	(411)		(1,060)	

At March 31, 2014 if interest rates paid on cash and cash equivalents had increased/decreased by 100 basis points from the period end rates with all other variables held constant, loss for the period would have been $1,000 (December 31, 2013: $3,000) higher/lower, as a result of higher/lower interest income from cash and cash equivalents.

4. FINANCIAL ASSETS AVAILABLE FOR SALE

During the three months ended March 31, 2014, the Company recorded the following transactions for its investment in Red Mountain:

	Note	Financial asset $000	Remeasurement gain (loss) $000	Foreign exchange gain (loss) $000
December 31, 2013		**285**	**-**	**-**
Returned to Red Mountain to reaquire TSF	(a)	(69)	-	(1)
Sold through ASX	(b)	(391)	491	-
Remeasurement	(c)	26	-	26
Impact on loss for the period			**491**	**25**
Remeasurement	(c)	693	693	-
Impact on other comprehensive loss			**693**	**-**
March 31, 2014		**544**	**1,184**	**25**

(a) On March 4, 2014, the Company returned 4 million Red Mountain shares to reacquire the contractual rights for several tenements in the Philippines including Tapian San Francisco following their release from escrow and obtaining approval from Red Mountain shareholders (note 5);

(b) In the first quarter of 2014, the Company sold 51.8 million Red Mountain shares through the facilities of the ASX for net proceeds of $873,000. As a result of these sales, the Company recycled $491,000 of accumulated other comprehensive income as a remeasurements gain in the current period.

(c) Red Mountain's share price increased in the quarter to to $0.012 (A$0.012), resulting in a $693,000 gain and $26,000 foreign exchange gain during the first quarter of 2014.

Subsequent to March 31, 2014, the Company sold 38.0 million Red Mountain shares for net proceeds of $486,000 (Note 15).

5. EXPLORATION AND EVALUATION ASSETS

	Agata	Surigao Regional	Tapian San Francisco	Pan de Azucar	Total
	$000	$000	$000	$000	**$000**
December 31, 2012	**15,999**	**2,264**	**-**	**1,504**	**19,767**
Acquisition	85	-	125	-	**210**
Exploration	141	3	-	6	**150**
Joint venture recoveries	(165)	-	-	(16)	**(181)**
Impairment	(7,741)	(2,238)	-	-	**(9,979)**
Currency translation	(206)	(29)	(2)	(20)	**(257)**
December 31, 2013	**8,113**	**-**	**123**	**1,474**	**9,710**
Exploration	21	-	8	-	**29**
Joint venture recoveries	(18)	-	-	(4)	**(22)**
Currency translation	247	-	4	44	**295**
December 31, 2014	**8,363**	**-**	**135**	**1,514**	**10,012**

The following table summarizes Mindoro's earned mineral property interests and future commitments at March 31, 2014:

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.**
Surigao	Tapian San Francisco	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 PHP) 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 PHP) within one year. (iii) Mat I is included in option agreements for the Surigao properties and the Company can earn up to 100%.
Surigao	Apical	15%	Apical is an exploration permit application which Mindoro has an interest in by way of an incorporated joint venture with Medusa Mining and Minimax Mining Corp, which Mindoro is free-carried to production on narrow vein exploration targets or to the completion of a bankable feasibility study on large volume exploration targets.
Panay	Pan de Azucar	75%*	The Company is required to apply for a declaration of mining project feasibility ("DMPF") with the Philippines Department of Energy and Natural Resources ("DENR") in 2014 in order to maintain this project in good standing.

* Where applicable, subject to the terms of the Joint Venture agreements described in note 5.1 below.

** Mindoro is renegotiating the 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. The proposed terms of the renegotiated option are that Mindoro will pay an upfront option payment of US$200,000. The Company will also pay US$1 million annually for four years commencing the first anniversary of production from the Agata DSO project provided that Mindoro receives at least US$1 million annually from DSO operations net of all other costs. In the event that the total US$4 million is not paid in full from DSO operations, any shortfall will be paid from processing cash flows at a future date. The partner will also receive a 0.5% net smelter royalty for the life of the processing operation, levied on 100% of production and paid from Mindoro's 40% share of processing cash flow. The renegotiated terms remain subject to payment of the US$200,000, of which the Company has advanced US$80,000, as well as board and any requisite regulatory approvals.

The Company has made advance royalty payments to tenement holders in accordance with the terms of the executed royalty agreements; these payments are included in exploration and evaluation assets. In 2014, royalty payments amounted to $Nil (2013 - $Nil).

Management of the Company reviews exploration costs to ensure deferred expenditures included only costs and projects that are eligible for capitalization.

5.1 TVIRD JOINT VENTURES

On September 25, 2012, the Company and TVIRD 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. These agreements were subsequently amended in June 2013. Details of the amended joint ventures are as follows:

<u>Agata Mining Joint Venture (“AMJV”):</u> TVIRD has the exclusive right and option to earn 60% of the AMJV by sole funding a mining project into commercial production within three years on the Agata MPSA or Surigao Regional tenements (excluding the Tapian San Francisco Tenenments aka. “TSF tenements”). As at December 31, 2013, TVIRD has met its expenditure commitments on the AMJV, however it has yet to reach commercial production on the project. As TVIRD makes expenditures in the AMJV, it receives shares of the joint venture company which are placed in escrow until such time as it fully meets its earn in commitments. TVIRD will retain no interest in the AMJV if it withdraws prior to commencing a mining operation.

<u>Agata Processing Joint Venture (APJV):</u> TVIRD has exclusive right and option to earn up to 60% of the APJV and a 60% interest in the tenements by incurring a minimum expenditure of $2 million by the first anniversary of the agreement and sole funding a definitive feasibility study (“DFS”), including pilot-scale metallurgical testing, third-party engineering studies and documentation, within four years. As at December 31, 2013, TVIRD has met its expenditure commitments on the APJV, however it has yet to complete a DFS on the project. As TVIRD makes expenditures in the APJV, it receives shares of the joint venture company which are placed in escrow until such time as it fully meets its earn in commitments. TVIRD will retain no interest in the APJV if it withdraws prior to completing the DFS. Mindoro is required to transfer its rights, titles, and obligations related to the tenemets to the joint venture company. However, as at December 31, 2013, these transfers remain incomplete and subject to approval of the Philippines Mines and Geosciences Bureau (“MGB”).

<u>Pan de Azucar Mining Joint Venture (“PMJV”):</u> TVIRD has the exclusive right and option to earn 60% of the mining project by sole funding a mining project into commercial production within three years of receiving the declaration of mining project feasibility from the MGB on the Pan de Azucar MPSA. To exercise the option, TVIRD must maintain the tenements in good standing including applying for a DMPF with the DENR in 2014, spend a minimum of $500,000 prior to December 31, 2014, and spend at least $2 million within one year of receiving the declaration of mining project feasibility. TVIRD will retain no interest in the PMJV if it withdraws prior to commencing a Mining operation.

<u>Pan de Azucar Processing Joint Venture (“PPJV”):</u> TVIRD has the exclusive right and option to earn 51% of the PPJV and a 51% interest in the tenements by spending at least $2 million within 2 years of receiving a declaration of mining feasibility from the MGB. In addition, TVIRD will have the exclusive right and option to earn an additional 9% interest by spending another $3 million within 4 years of receiving a declaration of mining feasibility from the MGB, increasing its total interest to 60%. To exercise these option, TVIRD has commited to maintain the tenements in good standing including applying for a DMPF with the DENR in 2014, and must spend a minimum of $500,000 before withdrawing from the project. Mindoro is required to transfer its rights and obligations related to Pan de Azucar MPSA to the joint venture company. However, as at December 31, 2013, these transfers remain incomplete and subject to approval of the MGB.

5.2 IMPAIRMENT

In 2013, Mindoro has recorded an impairment of the Agata and Surigao Regional projects exploration and evaluation assets of $9,979,000. The Company has calculated the recoverable value of these projects based on the estimated costs that TVIRD will need to incur in order to earn its 60% interests in the AMJV and APJV, which implies a fair value of Mindoro’s interest in the projects. The Company anticipates that final approval to transfer the Company’s rights, obligations, and titles related to the Agata and Surigao regional tenements will be granted by the MGB in 2014 and at that time, the Company will record its carrying value of these projects as investments in the joint venture companies rather than exploration and evaluation assets.

6. 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, 2012	105	239	125	55	223	**747**
Disposals	(22)	(20)	(33)	-	(223)	**(298)**
Translation adjustment	(1)	(3)	(2)	(1)	-	**(7)**
December 31, 2013	82	216	90	54	-	**442**
Disposals	(33)	(80)	(50)	(51)	-	**(214)**
Translation adjustment	2	6	3	1	-	**12**
March 31, 2014	**51**	**142**	**43**	**4**	**-**	**240**
Accumulated depreciation						
December 31, 2012	88	228	117	55	221	**709**
Depreciation	6	6	8	-	1	**21**
Disposals	(12)	(17)	(33)	-	(222)	**(284)**
Translation adjustment	(2)	(3)	(2)	(1)	-	**(8)**
December 31, 2013	80	214	90	54	-	**438**
Depreciation	1	1	-	-	-	**2**
Disposals	(33)	(80)	(50)	(51)	-	**(214)**
Translation adjustment	1	6	2	1	-	**10**
March 31, 2014	**49**	**141**	**42**	**4**	**-**	**236**
Net book value at:						
December 31, 2012	17	11	8	-	2	**38**
December 31, 2013	2	2	-	-	-	**4**
March 31, 2014	**2**	**1**	**1**	**-**	**-**	**4**

7. INVESTMENT IN ASSOCIATES

As discussed in notes 8 and 19 of the 2013 annual audited consolidated financial statements, property and equipment with a net book value of $199,000 was reclassified as investments in associates in 2012. The Company transferred this property and equipment to the joint venture companies as part of its obligations under the terms of the APJV and PPJV, which provide TVIRD and the joint venture vehicles with the exclusive use of these assets for the exploration and development of the Agata and PDA projects.

The Company has determined that upon entering into the TVIRD joint ventures in 2012, several items of property and equipment owned by its subsidiary no longer met the definition of property and equipment because the Company had provided the joint venture with exclusive access and usage to explore and evaluate the Agata and PDA projects.

8. BORROWINGS

8.1 SHORT TERM NOTES AND OTHER LOANS

	TVI Pacific Inc	Directors fees	Management fees	Total
	$000	$000	$000	**$000**
Note	*(a)*	*(b)*	*(c)*	
December 31, 2012	**-**	**-**	**-**	**-**
Principal drawn	358	59	32	**449**
Interest accrued	23	2	-	**25**
December 31, 2013	**381**	**61**	**32**	**474**
Repayments	-	-	(37)	**(37)**
Principal drawn	-	26	5	**31**
Interest accrued	14	2	-	**16**
March 31, 2014	**395**	**89**	**-**	**484**

(a) The Company and TVIP have signed a secured promissory note whereby TVIP may, but is not obligated to, lend the Company up to $1.3 million in a series of drawdowns. The note will be payable 12 months from the first draw down, or June 24, 2014, and will pay interest equal to the greater of 15% and TVIP's cost of capital raised for this purpose. The note is secured by Mindoro's interest in its wholly owned subsidiary, MRL Nickel Philippines Inc. As discussed in note 15, the Company announced on May 5, 2014 that it has repayed the outstanding principal and accrued interest on this loan.

(b) Since the fourth quarter of 2011, the payment of non-executive directors' fees ("Directors Fees") for board and committee work have been suspended until the financial condition of the Company improves. In 2013, the Board approved the re-instatement of Directors Fees on the condition that they should be accrued along with interest of 8% per annum until such time that the financial condition of the Company is improved. Subsequent to March 31, 2014, the Company has paid accrued fees and interest totalling $40,000 (note 15).

(c) In June 2013, the Company has entered into a management consulting agreement with an executive director of the Company whereby the director shall earn $6,500 per month for her services, but that $4,000 per month shall be deferred without interest until such time that the financial condition of the Company is improved. In March 2014, this debt was repaid and fees were no longer being deferred.

8.2 LONG TERM LOANS

In December 2013, the Company closed a private placement of loans aggregating $175,000 maturing in December 2015 and bearing interest at a rate of 15% per annum to be paid quarterly commencing March 31, 2014. The Company also issued an aggregate 600,000 common shares to the lenders for entering into the loan agreements. The Company has allocated $9,000 of the loan proceeds as share capital. In the first quarter of 2014, the Company incurred $8,000 of interest expense. On March 31, 2014 the Company paid $8,000 of accrued interest to the lendors

One director of the Company has participated in the loan financing for $25,000. The Company has also reserved 100,000 common shares for issue to the director as a bonus for entering into the loan agreement and recorded a share obligation of $1,000 on the balance sheet. Pursuant to ASX listing rules, the Company must obtain shareholder approval prior to the issue of securities to a director of the Company. The Company has not yet obtained shareholder approval.

9. SHARE CAPITAL

	Number of shares	Share capital $000
At December 31, 2012	296,837,399	52,864
Impact of change in parent's functional currency	-	(464)
Private placement	600,000	3
At December 31, 2013	297,437,399	52,403
Private placement issue costs not previously recognized	-	(3)
At March 31, 2014	**297,437,399**	**52,400**

The authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value and all issued shares are fully paid.

(a) In December 2013, pursuant to a private placement of loans, the Company issued 600,000 common shares to lenders for entering into the loan agreements. The Company has allocated $3,000 of the loan proceeds as share capital, net of share issuance costs of $6,000. The Company has also reserved 100,000 common shares for issue to one director for entering into the loan agreement and recorded a share obligation of $1,000 on the balance sheet. Pursuant to ASX listing rules, the Company must obtain shareholder approval prior to the issue of securities to a director of the Company.

10. OTHER RESERVES

	Note	Employee benefit reserve $000	Warrants reserve $000	Currency reserve $000	Other comprehensive income $000	Transactions with NCI $000	Other reserves **$000**
December 31, 2013		**5,120**	**5,912**	**856**	**(400)**	**-**	**11,488**
Remeasurement of financial assets available for sale	*4*	-	-	-	524	-	**524**
Translation adjustments		-	-	317	-	-	**317**
March 31, 2014		**5,120**	**5,912**	**1,173**	**124**	**-**	**12,329**
December 31, 2012		**5,162**	**5,961**	**324**	**(196)**	**-**	**11,251**
Translation adjustments		-	-	173	-	-	**173**
Proceeds from Red Mountain share issuance		-	-	-	-	142	**142**
March 31, 2013		**5,162**	**5,961**	**497**	**(196)**	**142**	**11,566**

(Expressed in Canadian Dollars unless otherwise noted)

11. WARRANTS

The following table summarizes information about Common Share purchase warrants outstanding and exercisable as at March 31, 2014:

Expiry date	Exercise price $	December 31, 2013	Granted	Exercised	Expired	March 31, 2014
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, 2017	0.100	**24,000,000**		-	-	**24,000,000**
		61,826,578	-	-	-	**61,826,578**
Weighted average exercise price ($)		**0.165**	-	-	-	**0.165**

The grant date fair values of common share purchase warrants are classified as either equity or liability and are recorded as an increase to warrants reserve or warrants liability respectively and a decrease to share capital as an issue cost of each private placement. There were no warrants issued in the first quarter of 2014 or in 2013. Warrants issued in 2012 had a fair value of $1,825,000 on their grant date and were classified as financial liabilities since their exercise price was denominated in a currency other than the Company's functional currency at the time of initial recognition. All warrants issued before 2012 have been classified as equity.

The fair value of warrants classified as liabilities outstanding on the balance sheet date was $834,000 or $0.019 per warrant (2013 – $490,000 or $0.011 per warrant). A remeasurement loss of $345,000 (2013 – gain of $357,000) has been recognised in the statement of loss and comprehensive loss for the period. The fair value was estimated using the Black-Scholes option-pricing model based on the following assumptions:

	March 31, 2014	December 31, 2013
Risk Free Interest Rate	1.34%	1.51%
Expected Life	3.51 years	3.76 years
Expected Volatility	134%	126%
Expected Dividend	-	-
Expected Forfeitures	-	-

(Expressed in Canadian Dollars unless otherwise noted)

12. EQUITY SETTLED OPTIONS

Expiry date	Exercise price $	**December 31, 2013**	Vested	Granted	Exercised	Expired	**March 31, 2014**
Feb 11, 2014	0.360	**550,000**	-	-	-	(550,000)	**-**
Apr 20, 2014	0.260	**300,000**	-	-	-	-	**300,000**
Aug 04, 2014	0.130	**1,535,000**	-	-	-	-	**1,535,000**
Aug 18, 2014	0.250	**450,000**	-	-	-	-	**450,000**
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		**4,735,000**	-	-	-	(550,000)	**4,185,000**
Weighted average exercise price ($)		**0.193**	**-**	**-**	**-**	**0.360**	**0.171**

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 shall not exceed 8% 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 shall 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.

No equity settled options were issued in the first quarter of 2014 or in 2013.

13. CASH SETTLED OPTIONS

Expiry date	Exercise price $	**December 31, 2013**	Vested	Granted	Exercised	Expired	**March 31, 2014**
Aug 18, 2014	0.250	**900,000**	-	-	-	-	**900,000**
Options outstanding and exercisable		**900,000**	-	-	-	-	**900,000**
Weighted average exercise price ($)		**0.250**	**-**	**-**	**-**	**-**	**0.250**

The Company has an incentive plan to issue cash settled options where 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.

(Expressed in Canadian Dollars unless otherwise noted)

No cash settled options were issued in the first quarter of 2014 or in 2013.

The fair value of outstanding cash settled options outstanding on the balance sheet date was less than $0.001 per option (2013 – $0.001). The fair value was estimated using the Black-Scholes option-pricing model based on the following assumptions:

	March 31, 2014	December 31, 2013
Risk Free Interest Rate	1.02%	1.07%
Expected Life	0.38 years	0.63 years
Expected Volatility	181%	170%
Expected Dividend	-	-
Expected Forfeitures	-	-

14. RELATED PARTY TRANSACTIONS

These Interim Financial Statements include the financial statements of Mindoro and the following significant subsidiaries and investments:

	Country of Incorporation	**Classification**	**% Ownership at Mar. 31, 2014**	**% Ownership at Dec. 31, 2013**
MRL Nickel Philippines Inc	Philippines	Active subsidiary	**100%**	100%
El Paso Corp	Philippines	Inactive subsidiary	**100%**	100%
Talahib Corp	Philippines	Inactive subsidiary	**100%**	100%
Batangas Metals and Mining Corp	Philippines	Inactive subsidiary	**100%**	100%
Red Mountain Mining Ltd	Australia	Financial Asset	**6%**	21%
Agata Mining Ventures Inc	Philippines	Investment in associate	**17%**	17%
Agata Processing Inc	Philippines	Investment in associate	**22%**	22%
Pan de Azucar Mining Ventures Inc	Philippines	Investment in associate	**40%**	40%
Pan de Azucar Processing Inc	Philippines	Investment in associate	**40%**	40%
Apmedoro Mining Corp	Philippines	Investment in associate	**15%**	15%

MRL Nickel owns equity interests in four joint venture companies related to the TVIRD joint ventures, and one joint company related to a Medusa which have been accounted for using the equity method.

TVIP has a 14% interest in Mindoro. In the first quarter of 2014, the Company recorded recoveries from the joint ventures with TVIRD, a Philippines Affiliate TVIP, of $22,000. As described in note 8.1, the Company has a note payable to TVI for $395,000 borrowed on which it accues 15% interest per annum. At March 31, 2014 the balance of the note payable includes $37,000 of accrued interest expense in relation to this note payable. As described in note 15, the Company announced on May 5, 2014 that it has repaid the outstanding principal and accrued interest relating to this loan.

The Company has recorded debts payable to current and former non-executive directors totalling $89,000 on which it pays 8% interest per annum (note 8.1). The balance at March 31, 2014 includes $4,000 of accured interest. Subsequent to March 31, 2014, the Company has paid accrued fees and interest totalling $40,000 (note 15).

The Company repaid a note payable to an executive director totalling $32,000 in the first quarter of 2014 (note 8.1).

In December 2013, a director of the Company participated in a private placement of loans for $25,000. The loan is due in December 2015 and pays interest at a rate equal to 15% per annum on a quarterly basis commencing March 31, 2014. The Company has reserved 100,000 common shares for issue to the director for entering into the loan agreement and recorded a share obligation of $1,000 on the balance sheet. Pursuant to ASX listing rules, the Company must obtain shareholder approval prior to the issue of securities to a director of the Company (Note 8.2).

The following remuneration has been paid or is payable to directors and officers of the Company. Movements in stock based compensation relate to the remeasurements of the Company's cash settled options.

	March 31	
	2014	2013
	$000	$000
Salaries and directors fees	**129**	94
Stock based compensation	**-**	(4)
Key management compensation	**129**	90

15. EVENTS AFTER THE REPORTING PERIOD

On May 5, 2014 the Company reported that it has repaid the outstanding principal and accrued interest in the amount of $399,000 due to TVIP, pursuant to the Grid Promissory Note entered into in June 2013. The Grid Promissory Note was due on June 24, 2014 but early repayment was allowed without penalty.

On April 28, 2014 the Company reported that the AMJV received the Declaration of Mining Project Feasibility ("DMPF") and clearance to develop a port facility for the proposed DSO operation on the high-iron laterite resource on the Agata Project. Receipt of the DMPF authorizes the AMJV to proceed to development, including the extraction and sale of iron, nickel and other associated minerals in the contract area. Site development is expected to commence in May 2014 and shipping of the high-iron laterite would then commence through the third quarter of 2014, subject to receipt of remaining port approvals and financing.

In April 2014, the Company paid two current independent directors $40,000, including $39,000 of accrued directors fees and $1,000 of accrued interest.

In April 2014, the Company sold an additional 38 million Red Mountain shares for net proceeds of $486,000 after brokers fees.