MINDORO RESOURCES LTD

Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(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 31, 2014

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 balance sheet as at December 31, 2013 and the consolidated statement of loss and comprehensive loss, changes in equity and cash flows for the year 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 as issued by the International Accounting Standards Board, 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, on a test basis, 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 principles and 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 is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mindoro Resources Ltd. as at December 31, 2013 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

PricewaterhouseCoopers LLP
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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 Mindoro Resources Ltd.'s ability to continue as a going concern.

Other matter
The consolidated financial statements of Mindoro Resources Ltd. for the year ended December 31, 2012 (prior to the restatement of the comparative described in note 19 to the consolidated financial statements) were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 30, 2013.

As part of our audit of the consolidated financial statements of Mindoro Resources Ltd. for the year ended December 31, 2013, we also audited the adjustment described in note 19.1 that was applied to restate the consolidated financial statements for the year ended December 31, 2012 and as at January 1, 2012 and the adjustments described in note 19.2 and note 19.3 that was applied to restate the comparative consolidated financial statements for the year ended December 31, 2012. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the consolidated financial statements of Mindoro Resources Ltd. for the year ended December 31, 2012 and as at January 1, 2012 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended December 31, 2012 and as at January 1, 2012 taken as a whole.

PricewaterhouseCoopers LLP

Chartered Accountants

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Consolidated Balance Sheet

(Expressed in thousands of Canadian Dollars unless otherwise stated)

MINDORO RESOURCES LTD

	Note	Dec. 31 2013	Dec. 31 2012	Jan. 1 2012
ASSETS	19		Restated	Restated
Current assets				
Cash and cash equivalents	5	**198**	619	2,089
Trade and other receivables		**69**	257	257
Prepaid expenses and other current assets		**36**	52	81
Financial assets available for sale	6	**285**	-	-
Investment held for distribution	6	**-**	17,537	-
		588	18,465	2,427
Non-current assets				
Exploration and evaluation assets	7	**9,710**	19,767	34,163
Property and equipment	8	**4**	38	417
Investment in associate	9	**197**	199	-
		9,911	20,004	34,580
TOTAL ASSETS		**10,499**	38,469	37,007
LIABILITIES				
Current liabilities				
Trade and other payables		**719**	728	1,034
Borrowings	10	**476**	-	-
Warrants liability	14	**490**	1,088	-
Share based liability	16	**1**	7	78
		1,686	1,823	1,112
Non-current liabilities				
Borrowings	10	**166**	-	-
Defined benefit retirement obligation	11	**116**	162	348
		282	162	348
TOTAL LIABILITIES		**1,968**	1,985	1,460
Equity attributable to owners of the parent				
Share capital	12	**52,403**	52,864	50,925
Share obligation	12	**1**	-	135
Other reserves	13	**11,488**	11,251	11,078
Accumulated losses		**(55,361)**	(35,396)	(26,591)
		8,531	28,719	35,547
Non-controlling interests		**-**	7,765	-
TOTAL EQUITY		**8,531**	36,484	35,547
TOTAL LIABILITIES AND EQUITY		**10,499**	38,469	37,007

Going concern (Note 1)
Subsequent events (Note 20)

These consolidated financial statements were authorised for issue by the board of directors on March 31, 2014 and are signed on its behalf.

X
A. R. Garden, Chairman

X
J. A. Climie, CEO

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in thousands of Canadian Dollars unless otherwise stated)

MINDORO RESOURCES LTD

	Note	Year Ended December 31 2013	2012
	19		Restated
Operating Expenses			
General and administration expenses		**(781)**	(1,541)
Salaries and other employee benefits	11	**(335)**	(806)
Stock based compensation	15,16	**6**	66
Depreciation and amortization	8	**(21)**	(136)
Operating loss		**(1,131)**	(2,417)
Finance income		**1**	31
Remeasurement of warrants liabilities	14	**598**	737
Impairment of investment held for distribution	6	**(8,157)**	-
Impairment of exploration and evaluation assets	7	**(9,979)**	(7,604)
Foreign exchange gain (loss)	6	**(1,290)**	539
Loss on disposal of property and equipment	8	**(8)**	-
Loss before income tax		**(19,966)**	(8,714)
Income tax benefit (expense)	17	**(5)**	(91)
LOSS FOR THE YEAR		**(19,971)**	(8,805)
Basic and diluted loss per share		**$ (0.067)**	$ (0.035)
Weighted average number of common shares outstanding (thousands)		**296,872**	252,151
Loss for the year		**(19,971)**	(8,805)
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Actuarial gains and losses	11	**81**	(6)
Items that may be reclassified to profit and loss			
Remeasurement of financial assets available for sale	6	**(285)**	-
Exchange differences on translation of foreign operations		**(17)**	173
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(20,192)**	(8,638)

Consolidated Statement of Changes in Equity

(Expressed in thousands of Canadian Dollars unless otherwise stated)

MINDORO RESOURCES LTD

	Note	Share capital	Share obligation	Other reserves (note 13)	Accumulated losses	Non-controlling interests	Total equity
		Attributable to owners of the parent					
Balance as at January 1, 2013 (restated)	*19*	**52,864**	**-**	**11,251**	**(35,396)**	**7,765**	**36,484**
Impact of change in parent's functional currency	*2.4*	**(464)**		**458**	**6**	**-**	**-**
Loss for the period		-	-	-	(12,200)	-	(12,200)
Actuarial gains (losses)	*11*	-	-	81	-	-	81
Re-measurement of financial assets available for sale	*6*	-	-	(285)	-	-	(285)
Translation adjustments		-	-	(17)	-	-	(17)
Comprehensive income (loss) before loss of control of Red Mountain		**-**	**-**	**(221)**	**(12,200)**	**-**	**(12,421)**
Loss of control of Red Mountain	*6*	**-**	**-**	**165**	**(7,771)**	**(8,701)**	**(16,307)**
Comprehensive income (loss)		**-**	**-**	**(56)**	**(19,971)**	**(8,701)**	**(28,728)**
Common shares issued for:							
Private placement	*12*	3	1	-			4
Proceeds from Red Mountain share issuance	*6*	-	-	(165)	-	936	771
Transactions with owners		**3**	**1**	**(165)**	**-**	**936**	**775**
Balance as at December 31, 2013		**52,403**	**1**	**11,488**	**(55,361)**	**-**	**8,531**
Balance as at January 1, 2012 (restated)	*19*	**50,925**	**135**	**11,078**	**(26,591)**	**-**	**35,547**
Loss for the period		-	-	-	(8,805)	-	(8,805)
Actuarial gains (losses)	*11*	-	-	(6)	-	-	(6)
Translation adjustments		-	-	173	-	-	173
Comprehensive income (loss)		**-**	**-**	**167**	**(8,805)**	**-**	**(8,638)**
Common shares issued for:							
Private placement	*12*	1,939	(135)	-	-	-	1,804
Stock-based compensation	*15,16*	-	-	6	-	-	6
Non-controlling interests on acquisition of subsidiary	*6*	-	-	-	-	7,765	7,765
Transactions with owners		**1,939**	**(135)**	**6**	**-**	**7,765**	**9,575**
Balance as at December 31, 2012 (restated)	*19*	**52,864**	**-**	**11,251**	**(35,396)**	**7,765**	**36,484**

Consolidated Statement of Cash Flows

(Expressed in thousands of Canadian Dollars unless otherwise stated)

MINDORO RESOURCES LTD

	Note	Year Ended 2013	2012
Cash flows from operating activities	*19*		Restated
Loss for the period		**(19,971)**	(8,805)
Items not affecting cash			
Accrued interest expense	*10*	**27**	-
Retirement benefit expense	*11*	**37**	(184)
Stock based compensation	*15,16*	**(6)**	(66)
Depreciation and amortization	*8*	**21**	136
Remeasurement of warrants liability	*14*	**(598)**	(737)
Impairment of investment held for distribution	*6*	**8,157**	**-**
Impairment of exploration and evaluation assets	*7*	**9,979**	7,163
Unrealized exchange differences		**1,284**	(753)
Loss on disposal of property and equipment	*8*	**8**	-
Net change in non-cash working capital items		**195**	(348)
Net cash used in operating activities		**(867)**	(3,594)
Cash flows from investing activities			
Expenditure on exploration and evaluation assets	*7*	**(360)**	(1,927)
Cost recoveries from Joint Venture Partner	*7*	**181**	412
Proceeds from disposal of equipment	*8*	**6**	10
Purchases of equipment	*8*	**-**	(11)
Net cash used in investing activities		**(173)**	(1,516)
Cash flows from financing activities			
Issue of share capital, net of issuance costs	*10,12*	**3**	3,764
Deposits held for private placement	*10,12*	**1**	(135)
Cash received from borrowings	*10*	**615**	1,613
Loan repayments	*10*	**-**	(1,613)
Net cash generated from financing activities		**619**	3,629
Net increase (decrease) in cash and cash equivalents		**(421)**	(1,481)
Cash and cash equivalents at beginning of year		**619**	2,089
Exchange gains (losses) on cash and cash equivalents		**-**	11
Cash and cash equivalents at end of year		**198**	619

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 consolidated financial statements ("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 incurred a net loss of $19,971,000 (December 31, 2012 - $8,805,000) and operating cash outflows of $867,000 (December 31, 2012 – $3,594,000). At December 31, 2013, the Company has a net working capital deficit of $1,098,000 (December 31, 2012 - $895,000, excluding its investment held for distribution). 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 7.1). 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 7. 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 June 2013, the Company signed a secured promissory note (the "Note") under the terms of which TVI Pacific Inc ("TVIP") may, but is not obligated to, loan Mindoro up to $1.3 million (notes 10.1 and 20). 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. Subsequent to year end, 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. 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 20). 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 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 consolidated financial statements ("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 group consisting of Mindoro Resources Ltd. and its subsidiaries, collectively referred to as "Mindoro" or the "Company".

2.1 BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with IFRS and IFRIC interpretations, as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein. The financial statements have been prepared under the historical cost convention, except as outlined in the Company's accounting policies that follow.

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 financial statements are described in note 4.

The policies applied in these financial statements are based on the IFRS issued, effective and outstanding as of the date the board of directors approved the statements.

(a) Changes in accounting policies and disclosures

The Company has adopted the new and amended IFRS pronouncements listed below as at January 1, 2013, in accordance with the transitional provisions outlined in the respective standards.

(i) *IAS 19 Employee Benefits*

The Company has adopted revised IAS 19, Employee Benefits ("IAS 19") on January 1, 2013 with retrospective application. The Company applied the amended policy to benefits on and after January 1, 2012, according to the transitional provisions of IAS 19. The Company was not required to adjust the carrying amount of liabilities for changes in employee benefit costs that were included in the carrying amount before the date of initial application.

Under IAS 19, the cost of retirement benefits for defined benefit plans includes net interest expense. This expense is calculated by applying the discount rate to the net defined benefit liability at the beginning of the annual period. It also takes into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments.

Prior service costs will now be recognized immediately in earnings in the period of a plan amendment. Previously, the unvested portion of the prior service costs was amortized on a straight line basis over the period until the benefits were vested.

Retirement benefit costs for defined benefit plans were previously included in salaries and other employee benefits. With this change, service cost will continue to be recognized as an expense in salaries and other employee benefits.

The effects of this change in accounting policy on the Company's financial statements are summarized in note 19.

(ii) *IFRS 10 Consolidated Financial Statements*

The Company has adopted IFRS 10, Consolidated Financial Statements ("IFRS 10") on January 1, 2013 with retrospective application. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in an entity's financial statements. IFRS 10 sets out three elements of control: power over the investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of the investors' return; and the requirements on how to apply the control principle. IFRS 10 supersedes International Accounting Standards ("IAS") 27, Consolidated and Separate Financial Statements and Standing Interpretations Committee ("SIC") 12, Consolidation – Special Purpose Entities.

Implementation of IFRS 10 did not have an effect on the Company's consolidated financial statements for the current period or prior periods presented as the adoption did not result in a change in the consolidation status of any of the Company's subsidiaries.

(iii) *IFRS 11 Joint Arrangements*

The Company adopted IFRS 11, Joint Arrangements ("IFRS 11") on January 1, 2013, with retrospective application. If an arrangement results in joint control, IFRS 11 classifies joint arrangements as either joint operations or joint ventures, depending on the rights and obligations of the parties involved.

A joint operation is an arrangement where the jointly controlling parties have rights to the assets and obligations in respect of the liabilities of the arrangement. An entity accounts for a joint operation by recognizing its portion of the assets, liabilities, revenues and expenses. A joint venture is an arrangement where the jointly controlling parties only have rights to the net assets of the arrangement. A joint venture is accounted for using the equity method.

The adoption of IFRS 11 did not have an effect on the Company's consolidated financial statements for the current period as no joint arrangements existed that resulted in joint control, including the Company's joint venture agreements with TVIRD, which are investments under the equity method.

(iv) *IFRS 12 Disclosure of Interests in Other Entities*

The Company adopted IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12") on January 1, 2013. IFRS 12 outlines the disclosure requirements for interests in subsidiaries and other entities to enable users to evaluate the risks associated with interests in other entities and the effects of those interests on an entity's financial position, financial performance and cash flows. The adoption of IFRS 12 effective January 1, 2013, resulted in additional disclosures in the Company's financial statements for the year ended December 31, 2013.

(v) *IFRS 13 Fair Value Measurement*

The Company adopted IFRS 13, Fair Value Measurement ("IFRS 13") with prospective application from January 1, 2013. IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements for fair value measurements.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement, so assumptions that market participants would use should be applied in measuring fair value.

The adoption of IFRS 13 did not have a significant impact on the Company's financial statements for the year ended December 31, 2013, but requires disclosures about fair values of financial assets and liabilities measured on a recurring basis and non-financial assets and liabilities measured on a non-recurring basis.

(vi) *IFRS 7, Financial Instruments: Disclosures*

IFRS 7, Financial Instruments: Disclosures ("IFRS 7") has been amended to require annual disclosure of information on rights to offset financial instruments and related arrangements. The Company adopted this amendment effective January 1, 2013. The amendments to IFRS 7 did not result in a significant impact on the Company's financial statements for the year ended December 31, 2013. The new disclosures provide information that is useful in evaluating the effect of netting arrangements on the Company's financial position. The new disclosures are required for all recognized financial instruments that are offset according to IAS 32, Financial Instruments: Presentation ("IAS 32"). They also apply to recognized financial instruments that are subject to an enforceable master netting arrangement, irrespective of whether the financial instruments are offset according to IAS 32.

(b) New standards and interpretations not yet adopted

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, 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.

(ii) *IAS 36 Impairment of Assets*

IAS 36, Impairment of Assets, requires entities to disclose the recoverable amount of impaired cash generating units ("CGUs"). The amendment is required to be adopted for periods beginning January 1, 2014 and the Company is assessing the impact of this interpretation on its financial statements..

(iii) *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. Retrospective application of this interpretation is effective for annual periods beginning on or after January 1, 2014, with earlier application permitted. The Company is assessing the impact of this interpretation on its financial statements.

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.

2.2 CONSOLIDATION

(a) Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are deconsolidated from the dated that control ceases.

(a) Business combinations

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree assumed and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

All inter-company balances and transactions are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

(b) Changes in ownership interests in subsidiaries without change of control

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Company ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.3 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 Company's Chief Executive Officer ("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 in accordance with IFRS.

2.4 FOREIGN CURRENCIES

The Company has presented these financial statements in Canadian Dollars ("CAD" or "$"). The functional currency of Mindoro Resources Ltd. is the Canadian Dollar ("CAD" or "C$"). The functional currency of MRL Nickel and the Company's inactive Philippine subsidiaries is the Philippine Peso ("PHP" or "Pp").

(a) Changes in functional currency

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency is conducted through an analysis of the factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates and may involve certain judgments to determine the primary economic environment (note 4). The Company reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment.

The functional currency of Mindoro, the parent company, changed on January 1, 2013 to the CAD from the Australian dollar ("AUD") following a series of corporate transactions resulting in the closure of the Company's Australian office and the return of the Company's management to Canada. In 2013, a majority of forecast expenditures were denominated in CAD and the Company experienced an increasing trend of cash inflows from financing activities denominated in CAD. The functional currency of Mindoro Resources Ltd. had previously been the AUD. On the date of change of functional currency all assets, liabilities, issued capital and other components of equity were translated into CAD at the exchange rate on that date. As a result, the translation reserve which had arisen up to the date of the change of functional currency were reallocated to other components within equity (table below). These changes in accounting treatment were applied prospectively. As a result of the change in functional currency the Company's functional and presentation currency are now the same. There was no change in the functional currency of the Company's subsidiaries during 2013.

The change in functional currency on January 1, 2013 has had the following impact on the Company's financial statements:

	Share capital	Employee benefit reserve	Warrants reserve	Currency reserve	Accumulated losses
Impact of change in parent's functional currency	(465)	(42)	(49)	550	6

(b) 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 balance sheet, 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.

The Company considers its functional currency determination to be a key judgment in the application of its accounting policies (note 4).

(c) 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 entity's functional currency are recognized in the statement of loss and comprehensive loss.

2.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at banks, and other short-term highly liquid investments with original maturities of less than 90 days.

2.6 TRADE RECEIVABLES

Trade receivables are amounts due from joint venture partners and suppliers for expenditures made by the Company on behalf of other parties, advances to employees, or input tax credits recoverable from government agencies in the ordinary course of business. If collection is expected within one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.7 EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation expenditure is stated at cost less accumulated impairment loss 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.

2.8 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 its 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.

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 an indication of impairment exists.

In 2012, the Company transferred property and equipment related to the Agata and Pan de Azucar joint ventures to the joint venture companies (note 19)

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Investments held for distribution, investments in associates, 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 inflows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs of disposal 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 there is a measurable decrease in the estimated future cash flows or fair value less costs of disposal 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 loss and comprehensive loss for the period in which the impairment arises.

The Company evaluates impairment losses for potential reversals where there are objective indicators that the circumstances that resulted in the impairment have reversed. Impairment reversals are recognized in the statement of loss and comprehensive loss for the period in which the reversal arises.

The Company considers the recoverability of exploration and evaluation assets to be a critical accounting estimate (note 4).

2.10 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.

If after assets and liabilities are classified as held for sale or distribution, the Company decides not to sell or distribute, the asset or liability is remeasured at the lower of:

i. carrying amount prior to classification as held for sale or distribution; and

ii. fair value on the date the Company decides not to sell or distribute;

Any gain or loss resulting from remeasurements is recognized in profit or loss.

2.11 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.

2.12 PROVISIONS

Provisions for legal claims and other obligations are recognized when the Company 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.

2.13 EMPLOYEE BENEFITS

(a) 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.

(b) Defined benefit retirement obligation

The Company's Philippine subsidiary has an unfunded, statutory, defined benefit retirement obligation pursuant to Philippines employment legislation covering the retirement, separation, death and disability benefits of all its eligible employees.

The liability recognized in the balance sheet in respect of defined benefit retirement obligations is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of Philippines government bonds that are denominated in PHP and have terms to maturity approximating to the terms of the related retirement obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in income.

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.

2.14 SHARE CAPITAL

Common 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.

2.15 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.

The Company issues shares pursuant to a share option plan (the " Share Option Plan"). Options issued under this 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.

2.16 WARRANTS

The fair value of warrants granted are estimated at the date of grant. For warrants classified as liabilities, the Company remeasures the fair value of its warrants at each reporting period through profit and loss (note 14). The Company accounted for warrants granted by fair valuing the warrants using the Black-Scholes valuation method.

The Company considers the fair value measurement of warrants classified as liabilities to be a critical accounting estimate (note 4).

2.17 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. A deferred tax asset is recognized to the extent that is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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.

2.18 LOSSES 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. Diluted loss per share does not adjust the weighted average number of common shares outstanding when the effect is anti-dilutive.

2.19 FINANCIAL INSTRUMENTS

(a) Financial assets

(i) *Classification*

The Company classifies its financial assets in the following categories: 'financial assets available for sale', and 'loans and receivables'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(ii) *Loans and receivables*

Cash and cash equivalents and trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

(iii) *Financial assets available for sale*

The Company recognizes the fair value of its investments in equity instruments that are not held for trading purposes in other comprehensive loss. These instruments are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in other comprehensive income and presented within equity in the fair value reserve.

The Company's classification of its investment in Red Mountain equity securities as financial assets available for sale, rather than a significant influence investment in associate, is considered to be a key judgment in the application of its accounting policies (note 4).

(iv) *Recognition and de-recognition*

Regular purchases and sales of financial assets are recognized on trade date being the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(v) *Impairment*

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is evidence of impairment for any of the Company's financial assets carried at amortized cost, the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate.

(b) Financial liabilities

(i) *Classification*

The Company classifies its financial liabilities in the following categories: 'other liabilities', and 'financial liabilities at fair value through profit or loss'.

(ii) *Other liabilities*

Trade and other payables and borrowings are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. The Company's borrowings are presented net of their respective transaction costs.

(iii) *Financial liabilities at fair value through profit or loss*

The Company initially recognizes its warrants classified as liabilities at fair value. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in profit and loss.

(iv) *De-recognition*

Financial liabilities are derecognized when the obligation is discharged, cancelled, or expired.

(c) Fair value measurements

The Company must disclose financial instruments carried at fair value, based on inputs used to value the Company's instruments. The hierarchy of inputs and description of inputs is as follows:

- Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
- Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an instrument's assigned level.

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables, and borrowings approximate their fair values. The Company's financial assets available for sale, investment held for distribution and warrant liabilities are measured at fair value on a recurring basis. Financial assets available for sale and the investment held for distribution are classified in Level 1 of the fair value hierarchy and are measured according to published share price information. The Company's warrant liabilities are classified in Level 2 of the fair value hierarchy and are measured using the Black-Scholes valuation method.

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 years ended December 31, 2013 or 2012.

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 December 31, 2013 and 2012. 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.

	December 31, 2013		December 31, 2012	
	PHP 000	AUD 000	PHP 000	AUD 000
Cash and cash equivalents	2,129	4	8,205	82
Trade and other receivables	2,234	10	8,201	52
Financial assets available for sale	-	300	-	-
Trade and other payables	(21,240)	(34)	(23,360)	(122)
Net foreign currency exposure	**(16,877)**	**280**	(6,954)	12
Exchange rate	0.02395	0.94960	0.02426	1.03390
Foreign currency exposure ($000)	**(404)**	**266**	(169)	12

Based on net exposures at December 31, 2013, 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 $40,000 (December 31, 2012 - $17,000). 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 $27,000 (December 31, 2012 - $1,000).

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.

For the year ended December 31, 2013, 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	23	15	June 2013*
Non-current loan	175	2	15	December 2015

* As described in note 20, Prime Resource Holdings Inc.'s ("PRHI") acquisition of 25.42% of the voting shares of Mindoro is an event of default under the terms of this agreement. As a result TVIP has the right, but not the obligation, to demand repayment within five business days at any time prior to the due date. At this time, TVIP has not demanded repayment of the note.

Currently, the Company does not generate cash flow from operations. The Company's consolidated 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 $198,000 in cash and cash equivalents at December 31, 2013 (December 31, 2012 - $619,000), 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 December 31, 2013, the Company had borrowings totalling $642,000 (December 31, 2012 - $Nil) 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.

	December 31, 2013		December 31, 2012	
	$000	Weighted average effective interest rate	$000	Weighted average effective interest rate
Financal assets				
Cash and cash equivalents	198	0.32%	619	2.36%
Trade and other receivables	69	0.00%	257	0.00%
	267		876	
Financial Liabilities				
Trade and other payables	(719)	0.00%	(728)	0.00%
Notes and loans payable (15%)	(547)	15.00%	-	n/a
Notes payable (8%)	(61)	8.00%	-	n/a
Notes payable (0%)	-	0.00%	-	n/a
	(1,327)		(728)	
Net Exposure	(1,060)		148	

At December 31, 2013 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 $3,000 (2012: $13,000) higher/lower, as a result of higher/lower interest income from cash and cash equivalents.

4. 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.

4.1 CRITICAL ACCOUNTING ESTIMATE AND ASSUMPTIONS

(a) Warrants classified as liabilities

The fair value of warrants classified as liabilities are based on several assumptions, including the risk-free interest rate, forfeiture rate, and the expected volatility of the Company's share price, which may not be indicative of future volatility. Accordingly, those amounts are subject to measurement uncertainty.

4.2 CRITICAL ACCOUNTING JUDGMENTS APPLIED IN THE COMPANY'S ACCOUNTING POLICIES

(a) Going concern

Due to the financial condition of the Company at December 31, 2013 and the contractual commitments that are outstanding, judgment has been exercised in applying the assumption that the Company will continue as a going concern for the foreseeable future. Refer to note 1 of the financial statements for further disclosure.

(b) 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 that 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.

(c) Functional currency determination

The determination of functional currency is based on the primary economic environment in which an entity operates. The functional currency of an entity reflects the underlying transactions, events and conditions that are relevant to the entity. Factors that the Company considers when determining its functional currency, and the functional currency of its subsidiaries, include: (i) the currency that the delivery of goods or services are contracted in, (ii) the currency used to conduct business in the region, (iii) the currency that mainly influences labour, material and other costs of providing goods or services, and (iv) the currency in which receipts from operating activities are usually retained in. When the indicators are mixed and the functional currency of an entity is not obvious, management uses its judgment to determine the functional currency that most appropriately represents the economic effects of the underlying transactions, events and conditions. Judgment was applied in determining the functional currency of Mindoro, the parent company, to be Canadian dollars.

(d) Classification of equity investments

During 2013, upon the loss of control of the Company's interest in its subsidiary, Red Mountain, which was previously classified as a held for distribution investment, the Company determined that its remaining equity interest in the shares of Red Mountain should be classified as a financial asset available for sale, rather than a significant influence investment in associate. Judgment was applied in determining the Company's classification of its remaining investment in Red Mountain as a financial asset available for sale.

5. RESTRICTED CASH

Cash and cash equivalents at December 31, 2013 includes $Nil (December 31, 2012 - $45,000) 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 IN RED MOUNTAIN

On October 30, 2012, the Company acquired 100 million shares of Red Mountain, representing a 55.8% interest in Red Mountain at the time of the acquisition, through the sale of its Batangas and Tapian San Francisco Gold Projects. Under the sale agreement, Mindoro was required to distribute to its shareholders at least a majority of the Red Mountain shares following a twelve-month escrow period that was imposed by the Australian Securities Exchange ("ASX") as a condition of their approval for the transaction.

Under the agreement, Mindoro was required to pay $30,000 for costs associated with Red Mountain's requirements to file a prospectus if required pursuant to a distribution of the Red Mountain shares to Mindoro's shareholders. Additionally, Mindoro expected that it would incur other distribution costs estimated at $20,000 to complete the distribution. These distribution costs were recorded to the impairment of exploration and evaluation assets because the Red Mountain shares were held for distribution at acquisition.

During the year ended December 31, 2013, the Company recorded the following transactions for its investment in Red Mountain:

	Note	Financial Asset $000	Investment $000	NCI $000	Transactions with NCI $000	Impairment gain (loss) $000	Foreign exchange gain (loss) $000
December 31, 2012		**-**	**17,537**	**7,765**	**-**	**-**	**-**
Proceeds of Red Mountain private placement	(a)	-	1,101	936	165	-	-
De-consolidation on loss of control of Red Mountain	(b)	-	(16,638)	(8,701)	(165)	(6,754)	(1,018)
Remeasurement upon decision not to distribute Red Mountain shares	(c)	593	(2,000)	-	-	(1,403)	(4)
Remeasurement after decision not to distribute Red Mountain shares	(d)	(23)	-	-	-	-	(23)
Impact on loss for the period						**(8,157)**	**(1,045)**
Remeasurement after decision not to distribute Red Mountain shares	(d)	(285)	-	-	-	(285)	-
Impact on other comprehensive loss						**(285)**	**-**
December 31, 2013		**285**	**-**	**-**	**-**	**(8,442)**	**(1,045)**

(a) In January 2013, pursuant to a private placement Red Mountain issued 8,512,000 fully paid ordinary shares for $0.129 (A$0.125) per share;

(b) On June 25, 2013, pursuant to a rights offering, Red Mountain issued 55 million fully paid ordinary shares for $0.010 (A$0.01) per share reducing the Company's ownership interest in Red Mountain to 41% and resulting in a loss of control of Red Mountain. Therefore, the Company de-consolidated its interest in Red Mountain and recorded an impairment to reduce the carrying value of the investment to its fair value. The Company estimated the fair value of its investment in Red Mountain at June 25, 2013 to be $2,000,000 (A$2,058,000) or $0.020 (A$0.021) per share and recorded an impairment loss of $6,754,000 as well as a foreign exchange loss of $1,018,000 as a result of depreciation of the Australian dollar to 0.9721 CAD per AUD from 1.0363 CAD per AUD at acquisition;

(c) October 15, 2013, the Company and Red Mountain agreed to remove the provision in the sale agreement that required Mindoro to distribute a majority of the Red Mountain shares to its shareholders after October 30, 2013. Under the terms of this amendment, Mindoro has agreed to hold the Red Mountain shares until the earlier of April 30, 2014 and the time when Mindoro meets certain regulatory requirements related to the transfer of the Batangas tenements. Subsequent to year end, on February 19, 2014, the Company announced that the regulatory requirements had been met and the Red Mountain shares would be released from voluntary escrow on March 4, 2014 (Note 20).

As a result of this change in plan, the Company re-measured the Red Mountain shares at their fair value, recorded an impairment loss of $1,403,000 and an foreign exchange loss of $4,000, and reclassified the Red Mountain shares as a financial assets available for sale; and

(d) Subsequent to its classification as a financial asset available for sale, Red Mountain's share price declined to $0.003 (A$0.003), resulting in a $285,000 loss and $23,000 foreign exchange loss during the year ended December 31, 2013.

The non-controlling interests in Red Mountain at December 31, 2012 represented the 44% of Red Mountain shares that were not owned by the Company.

Subsequent to December 31, 2013, the Company has sold 51.8 million Red Mountain shares for net proceeds of $879,000 (Note 20).

7. EXPLORATION AND EVALUATION ASSETS

	Agata	Surigao Regional	Tapian San Francisco	Pan de Azucar	Batangas	Total
	$000	$000	$000	$000	$000	**$000**
December 31, 2011	**14,621**	**1,971**	**2,768**	**1,451**	**13,352**	**34,163**
Exploration	955	196	41	144	843	**2,179**
Joint venture recoveries	(260)	-	-	(152)	-	**(412)**
Royalty deposits	4	3	-	-	-	**7**
Disposals	-	-	(1,652)	-	(8,493)	**(10,145)**
Impairment	-	-	(1,280)	-	(6,324)	**(7,604)**
Currency translation	679	94	123	61	622	**1,579**
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**

(Expressed in Canadian Dollars unless otherwise noted)

The following table summarizes Mindoro's earned mineral property interests and future commitments at December 31, 2013:

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.**
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 has no outstanding commitments on Pan de Azucar.

* Where applicable, subject to the terms of the Joint Venture agreements described in note 7.1 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 2013, royalty payments amounted to $Nil (2012 - $7,000).

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

7.1 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 AMJV, however it has yet to complete a DFS 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 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, TVI must maintain the tenements in good standing, 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. TVI 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%. TVIRD 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.

7.2 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.

8. 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, 2011	109	245	197	116	351	**1,018**
Additions	-	9	-	-	2	**11**
Disposals	(2)	(6)	(7)	-	-	**(15)**
Reclassified*	(7)	(21)	(74)	(65)	(146)	**(313)**
Translation adjustment	5	12	9	4	16	**46**
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**
Accumulated depreciation						
December 31, 2011	78	213	120	72	118	**601**
Depreciation	14	19	44	21	112	**210**
Disposals	(1)	(2)	(2)	-	-	**(5)**
Reclassified*	(6)	(7)	(48)	(39)	(14)	**(114)**
Translation adjustment	3	5	3	1	5	**17**
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**
Net book value at:						
December 31, 2011	31	32	77	44	233	**417**
December 31, 2012	17	11	8	-	2	**38**
December 31, 2013	**2**	**2**	**-**	**-**	**-**	**4**

* Property and equipment with a net book value of $199,000 was reclassified as investments in associates in 2012 (restated). 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 provided TVIRD and the joint venture vehicles with the exclusive use of these assets for the exploration and development of the Company's Agata and PDA projects.

In 2013, no depreciation was capitalized to exploration and evaluation assets (2012 - $18,000).

9. INVESTMENT IN ASSOCIATES

As discussed in notes 8 and 19, 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.

10. BORROWINGS

10.1 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**

(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 described in note 20, Prime Resource Holdings Inc.'s ("PRHI") acquisition of 25.42% of the voting shares of Mindoro is an event of default under the terms of this agreement. As a result TVIP has the right, but not the obligation, to demand repayment within five business days at any time prior to the due date. At this time, TVIP has not demanded repayment of the note.

(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.

(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 their services, but that

$4,000 per month shall be deferred without interest until such time that the financial condition of the Company is improved.

10.2 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. As at December 31, 2013 the Company has accrued $2,000 in interest on the loans.

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.

11. DEFINED BENEFIT RETIREMENT OBLIGATION

Pursuant to Philippines employment legislation, the Company's Philippines subsidiary must pay a one-time lump sum payment upon normal retirement to each employee who attains age 60 and who has provided at least five years continuous service. The retirement payment is equal to one half month's salary for every year of continuous service since the date of hire based on their final monthly salary. Since this retirement obligation is unfunded, the Company meets the obligation as it falls due.

The amounts recognized in the balance sheet are determined as follows:

	As at December 31		
	2013	2012	2011
	$000	$000	$000
Defined benefit obligation	**116**	162	347
Fair value of plan assets	**-**	-	-
Funded status	**116**	162	347
Net liability	**116**	**162**	**347**

The movements in the defined benefit obligation are as follows:

	2013 $000	2012 $000
Defined benefit obligation at end of prior year	**162**	348
Service costs		
Current service cost	**28**	78
Past service cost	**-**	(305)
Interest expense	**9**	23
Defined benefit expense included in profit and loss	**37**	(204)
Remeasurements		
Effect of changes in financial assumptions	**(86)**	15
Effect of experience adjustments	**5**	(9)
Remeasurements included in other comprehensive income	**(81)**	6
Translation adjustments	**(2)**	12
Defined benefit obligation at end of year	**116**	162

The significant weighted average actuarial assumptions were as follows:

	2013	2012
Discount rate	**3.50%**	5.75%
Salary growth rate	**4.00%**	12.00%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**decrease in assumption**
Discount rate	1.0%	-7.3%	8.6%
Salary growth rate	1.0%	8.5%	-7.3%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognized within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period. Refer to Note 19 for disclosure of the change in accounting policy pertaining to the Company's defined benefit retirement obligation.

12. SHARE CAPITAL

	Number of shares	Share capital $000
At January 1, 2012	239,073,360	50,925
Private placement	57,764,039	1,939
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**

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.

(b) 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.

(c) 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.

(d) 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.

(e) 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 January 1, 2012, which was recorded as share obligations on the January 1, 2012 statement of balance sheet.

13. OTHER RESERVES

	Note	Employee benefit reserve $000	Warrants reserve $000	Currency reserve $000	Other comprehensive income $000	Transactions with NCI $000	**Other reserves $000**
At January 1, 2012 (restated)	*19*	**5,156**	**5,961**	**151**	**(190)**	**-**	**11,078**
Actuarial gains (losses)	*11*	-	-	-	(6)	-	**(6)**
Translation adjustments		-	-	173	-	-	**173**
Stock-based compensation	*15,16*	6	-	-	-	-	**6**
At December 31, 2012 (restated)	*19*	**5,162**	**5,961**	**324**	**(196)**	**-**	**11,251**
Impact of change in parent's functional currency	*2.4*	(42)	(49)	550	-	-	**459**
Actuarial gains (losses)	*11*	-	-	-	81	-	**81**
Re-measurement of financial assets available for sale	*6*	-	-	-	(285)	-	**(285)**
Translation adjustments	*19*	-	-	(18)	-	-	**(18)**
Proceeds from subsidiary share issuance	*6*	-	-	-	-	165	**165**
Loss of control of Red Mountain	*6*	-	-	-	-	(165)	**(165)**
At December 31, 2013		**5,120**	**5,912**	**856**	**(400)**	**-**	**11,488**

14. WARRANTS

The following table summarizes information about Common Share purchase warrants outstanding and exercisable as at December 31, 2013:

Expiry date	Exercise price $	**December 31, 2012**	Granted	Exercised	Expired	**December 31, 2013**
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 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. See note 19 for more information.

(Expressed in Canadian Dollars unless otherwise noted)

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	-

The fair value of warrants classified as liabilities outstanding on the balance sheet date was $490,000 or $0.011 per warrant (2012 – $1,088,000 or $0.025 per warrant). A remeasurement gain of $598,000 (2012 - $737,000) 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:

	December 31, 2013	December 31, 2012
Risk Free Interest Rate	1.51%	1.25%
Expected Life	3.76 years	4.76 years
Expected Volatility	126%	125%
Expected Dividend	-	-
Expected Forfeitures	-	-

15. EQUITY SETTLED OPTIONS

Expiry date	Exercise price $	**December 31, 2012**	Vested	Granted	Exercised	Expired	**December 31, 2013**
Jul 03, 2013	0.290	**1,930,000**	-	-	-	(1,930,000)	**-**
Jul 28, 2013	0.208	**3,800,000**	-	-	-	(3,800,000)	**-**
Sep 22, 2013	0.310	**700,000**	-	-	-	(700,000)	**-**
Oct 04, 2013	0.300	**500,000**	-	-	-	(500,000)	**-**
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	**550,000**	-	-	-	-	**550,000**
Apr 20, 2014	0.260	**300,000**	-	-	-	-	**300,000**
Aug 04, 2014	0.130	**2,165,000**	-	-	-	(630,000)	**1,535,000**
Aug 18, 2014	0.250	**500,000**	-	-	-	(50,000)	**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		**12,595,000**	-	-	-	(7,860,000)	**4,735,000**
Weighted average exercise price ($)		**0.221**	**-**	**-**	**-**	**0.237**	**0.193**

(Expressed in Canadian Dollars unless otherwise noted)

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 2013. In 2012, the Company issued 250,000 options that had a fair value of $0.02 per option. 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
Risk Free Interest Rate	1.00%
Expected Life	3.00 years
Expected Volatility	110%
Expected Dividend	-
Expected Forfeitures	-

16. CASH SETTLED OPTIONS

Expiry date	Exercise price $	**December 31, 2012**	Vested	Granted	Exercised	Expired	**December 31, 2013**
Aug 18, 2014	0.250	**1,200,000**	-	-	-	(300,000)	**900,000**
Options outstanding and exercisable		**1,200,000**	-	-	-	(300,000)	**900,000**
Weighted average exercise price ($)		**0.250**	**-**	**-**	**-**	**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.

No cash settled options were issued in 2013 or in 2012.

The fair value of outstanding cash settled options outstanding on the balance sheet date was $0.001 per option (2012 – $0.005). The fair value was estimated using the Black-Scholes option-pricing model based on the following assumptions:

	December 31, 2013	December 31, 2012
Risk Free Interest Rate	1.07%	1.10%
Expected Life	0.63 years	1.63 years
Expected Volatility	170%	113%
Expected Dividend	-	-
Expected Forfeitures	-	-

17. INCOME TAX

	2013 \$000	2012 \$000
Current tax expense (benefit)	**5**	91
Deferrred tax expense (benefit)	**-**	-
Income tax expense (benefit)	**5**	**91**

Income tax expense (recovery) differs from that which would be expected from applying the Canadian statutory income tax rates of 25% (2012 – 25%) to the loss as follows:

	2013 \$000	2012 \$000 Restated
Loss before tax per consolidated financial statements	**(19,966)**	(8,714)
Expected income tax recovery	**(4,992)**	(2,179)
Foreign tax rate differential	**(165)**	115
Stock based compensation	**(2)**	(16)
Unrealized gain on warrants liability	**(149)**	(184)
Expiration of non-capital losses carried forward	**116**	157
Change in valuation allowance	**5,138**	2,389
Other non-deductible items	**59**	(191)
Tax charge	**5**	91

	As at December 31	
	2013 \$000	2012 \$000 Restated
Assets carried below their tax value on the balance sheet	**1,797**	394
Retirement benefit	**35**	49
Share issue costs	**90**	181
Losses available for tax deductions in future periods	**1,434**	4,119
Deferred tax assets (unrecognized)	**3,356**	4,743

The Company has not recognized the benefit of deferred tax assets at December 31, 2013 or at December 31, 2012 because there is material uncertainty as to whether the Company can realize the related tax benefits through future taxable profits. At December 31, 2013, the Company has non-capital tax losses of $17,290,000 (2012 – $14,955,000) available to reduce Canadian taxable income in future years that expire at various dates until 2033. The Company has other deductible tax pools of approximately $8,829,000 (2012 - $8,829000) for Canadian income tax purposes that are available to reduce the taxable income of future years. The Company's subsidiaries in the Philippines have losses for income tax purposes of $9,897,000 (2012 - $16,322,000) which may be carried forward for three years from occurrence.

(Expressed in Canadian Dollars unless otherwise noted)

18. RELATED PARTY TRANSACTIONS

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

	Country of Incorporation	Classification	% Ownership at December 31 2013	2012
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	**21%**	56%
Agata Mining Ventures Inc	Philippines	Investment in associate	**17%**	40%
Agata Processing Inc	Philippines	Investment in associate	**22%**	40%
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%

Signnificant judgement has been applied to the accounting treatment of the classification of the Company's equity interest in Red Mountain (note 4). Subsequent to December 31, 2013, the Company has reduced its interest in Red Mountain to 6.5% through the sale of 51.8 milliion Red Mountain shares (note 20), the return of 4 million Red Mountain shares in exchange for the return of the Tapian San Francisco projects, and Red Mountain's issuance of new ordinary shares.

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 2013, the Company recorded recoveries from the joint ventures with TVIRD, the Philippines Affiliate TVIP of $181,000. As described in note 10.1(a), the Company has a note payable to TVI for $381,000 borrowed on which it accues 15% interest per annum. At December 31, 2013 the balance of the note payable includes $23,000 of accrued interest expense in relation to this note payable.

The Company has recorded debts payable to current and former non-executive directors totalling $61,000 on which it pays 8% interest per annum (note 10.1). The balance at December 31, 2013 includes $2,000 of accured interest.

The Company has recorded a note payable to an executive director totalling $32,000 which does not accrue interest (note 10.1).

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 10.2).

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.

	As at December 31	
	2013	2012
	$000	$000
Salaries and directors fees	**405**	637
Stock based compensation	**(5)**	(66)
Key management compensation	**400**	571

19. RESTATEMENTS

19.1 IAS 19R – EMPLOYEE BENEFITS

The Company has adopted revised IAS 19, Employee Benefits ("IAS 19R") on January 1, 2013 with retrospective application. The impact on the financial statements is as follows: to immediately recognise all past service costs, and to replace interest costs and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit retirement obligation.

The following table shows the impact on the consolidated balance sheet as a result of adopting IAS 19R.

	As at December 31, 2012			**As at January 1, 2012**		
	Previously reported $000	**Changes $000**	**Restated $000**	**Previously reported $000**	**Changes $000**	**Restated $000**
Defined benefit retirement obligation	95	67	162	155	193	348
Other comprehensive income	-	(196)	(196)	-	(190)	(190)
Translation reserve	12,473	(9)	12,464	154	(3)	151
Deficit	(36,303)	138	(36,165)			-
Impact on balance sheet	**(23,735)**	**-**	**(23,735)**	**309**	**-**	**309**

The following table shows the impact on the statement of loss and comprehensive loss as a result of adopting IAS 19R.

	2012		
	Previously reported $000	**Changes $000**	**Restated $000**
Salaries and other empoyee benefits	(944)	138	(806)
Actuarial gains and losses	-	(6)	(6)
Exchange differences on translation of foreign operations	211	(6)	205
Impact on comprehensive loss	**(733)**	**126**	**(607)**

19.2 WARRANTS CLASSIFIED AS LIABILITIES

The Company restated its 2012 financial statements. For the year ended December 31, 2012, the Company's 2012 warrants issued were incorrectly classified as equity instruments rather than liabilities. This was as a result of the Company having an Australian dollar functional currency, but issuing warrants denominated in Canadian dollars. The financial statements for the year ended December 31, 2012 have been restated to correct this error. The impact of the restatement has been summarized below:

	As at December 31, 2012		
	Previously reported $000	Changes $000	Restated $000
Warrants liabilities	-	1,088	1,088
Impact on liabilities	**-**	**1,088**	**1,088**
Share capital	53,704	(840)	52,864
Warrants reserve	6,946	(985)	5,961
Translation reserve	356	(32)	324
Deficit	(36,165)	769	(35,396)
Impact on equity	**24,841**	**(1,088)**	**23,753**
Impact on balance sheet	**24,841**	**-**	**24,841**

	2012		
	Previously reported $000	Changes $000	Restated $000
Remeasurement of share based liabilities	-	737	737
Foreign exchange gain (loss)	507	32	539
Exchange differences on translation of foreign operations	205	(32)	173
Impact on comprehensive income	**712**	**737**	**1,449**

19.3 RECLASSIFICATION

The Company restated its 2012 financial statements. Property and equipment with a net book value of $199,000 was reclassified as investments in associates in 2012. For the year ended December 31, 2012, this property and equipment had been incorrectly classified as property and equipment. The Company had transferred this property and equipment to the joint venture companies as part of its obligations under the terms of the APJV and PPJV, which provided TVIRD and the joint venture 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 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. At December 31, 2012, the Company has reclassified $199,000 of property and equipment to investment in associates.

20. EVENTS AFTER THE REPORTING PERIOD

On February 25, 2014 the Company reported that Philippines based Prime Resources Holdings Inc. ("PRHI") had acquired 25.42% of the common shares of the Company. Pursuant to the terms of the Note provided by TVIP (note

10.1(a)), the acquisition of greater than 20% of the voting shares of Mindoro is an event of default, which grants TVIP the right, but not obligation, to demand repayment of any outstanding principle and interest due under the Note with such amounts becoming due and payable within five business days of Mindoro receiving the demand. Pursuant to the security and chattel mortgage agreement, Mindoro has ten business days to satisfy the demand before TVIP may exercise any rights or remedies provided by applicable laws or any other agreement. Mindoro is in discussions with TVIP to exempt PRHI's acquisition of the Company's shares from the event of default provisions of the Note.

In February 2014, the directors of the AMJV and APJV were advised that TVIRD had earned 59% of the shares in the AMJV and 45% of the shares in the APJV. The shares were issued but remain in escrow and subject to cancellation until satisfaction of the additional earn-in requirements, as described above.

On March 4, 2014, the 100 million Red Mountain shares would be released from a voluntary escrow following the finalization of certain amended agreements relating to the transfer of contractual rights and technical services for the Batangas gold projects. Following their release from escrow and obtaining approval from disinterested Red Mountain shareholders, Mindoro returned 4 million Red Mountain shares to reacquire the contractual rights for several tenements in the Philippines including Tapian San Francisco. As required under Mindoro's joint venture agreement with TVIRD, TVIRD has undertaken due diligence with respect to acquiring an interest in the Tapian San Francisco tenements.

In March 2014, the Company reported that it has sold 51.8 million Red Mountain shares in a series of transactions at an average sale price of A$0.0169 per share for net proceeds of $879,000 (A$869,000). The Company's interest in Red Mountain after these transaction was 6.5%.