Fundamental
Research Corp.

Investment Analysis for Intelligent Investors

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Mindoro Resources Ltd. (TSXV: MIO; Frankfurt: OLM) – New NI 43-101 Resource Estimate on Agata North Nickel Laterite; Batangas Property Joint Ventures

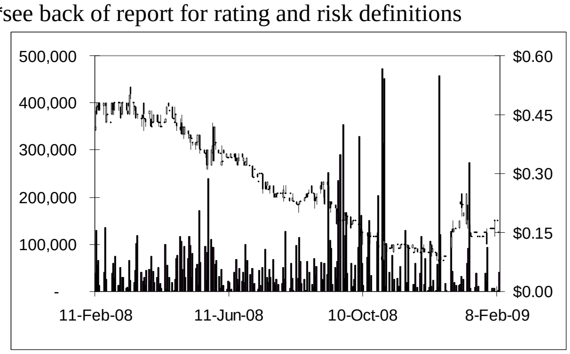
Sector/Industry: Junior Mining

www.mindoro.com

Market Data (as of February 10, 2009)

Current Price	**C$0.15**
Fair Value	**C$0.45 (↓)**
Rating*	**BUY**
Risk*	**5 (Highly Spec)**
52 Week Range	$0.06 - $0.52
Shares O/S	98.26 mm
Market Cap	$14.74 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	0.65
YoY Return	-64.3%
YTD TSXV	67.3%

*see back of report for rating and risk definitions



Investment Highlights

- The company has entered into joint ventures for all of its Batangas properties and is shifting its focus towards its gold projects and the American Tunnels discovery.
- An updated resource estimate has been released quoting measured and indicated resources of 13.17 million wet metric tonnes (WMT) grading 1.13% Ni, 0.078% Co, and 30.93% Fe. Inferred resources are an additional 18.1 million WMT. The most recent estimate represents a near threefold increase over the initial estimate released in August 2008.
- Environmental Compliance Certificate has been granted for Agata North and South Nickel Laterite properties.
- High Grade copper has been intersected by artisanal miners coincident with a suspected porphyry copper IP anomaly.
- At the end of September 2008, the company had $2.65 million in cash. We estimate the company's current cash will last for another 10 months.

Risks

- We believe the political risks of operating in the Philippines are currently high as many non-government organizations including the powerful Catholic Church oppose mining.

Key Financial Data (FYE - December 31) (C $)	**2005**	**2006**	**2007**	**2008 (9 mo)**
Cash	1,419,311	3,602,179	6,673,559	2,648,824
Working Capital	1,661,679	3,146,785	5,844,031	2,250,980
Mineral Assets	5,640,433	9,666,017	17,569,806	20,079,284
Total Assets	7,571,132	13,621,373	24,627,244	23,293,711
Net Loss	(1,904,007)	(1,874,551)	(2,109,569)	(1,622,074)
Loss per Share	(0.04)	(0.03)	(0.03)	(0.02)

Mindoro Resources has over 20 exploration prospects in the Philippines. The company holds a very large land position targeting district scale epithermal and porphyry projects hosting Copper-Gold and Nickel mineralization. The Philippines is a country of great mineral wealth that has seen a mineral exploration revival in the last five years.

Mining Outlook: The Philippines

We have discussed the outlook for mining in the Philippines in previous reports and our perspective has not changed; the country has enormous mineral potential but questionable political stability. In their Survey of Mining Companies for 2007/2008, the Fraser Institute has ranked the Philippines one of the highest countries for mineral potential, but one of the lowest for a number of social, environmental, and political factors. We still believe the President of the Philippines, Gloria Arroyo, thinks foreign investment in mining is an important step towards growth in the Philippines. Unfortunately, it appears her authority is waning and influential portions of the general public such as the Catholic Church and other non-governmental organizations who oppose mining are being heard clearly.

In their annual report *Where not to Invest*, Behre Dolbear Group Inc. noted that the Philippines has continued to see precious and base metal investments but ranked the country 17 out of the 25 countries covered scoring particularly low in the "Social Issues" and "Corruption" categories.

Some of the country's previous experiences with the foreign mining industry have resulted in serious environmental destruction and provided no significant local economic benefit making locals weary of the practice. Government officials, seemingly the only crowd interested in bringing foreign investment through mining, have made it clear that only companies that protect the environment and have good social responsibility will be welcome. Support for the industry is sufficient however to attract companies such as Gold Fields (NSYE: GFI) and Avocet (LSE: AVM) to the country.

Highlight: Social Responsibility

To the company's credit, they are both environmentally and socially responsible. Throughout its 21 year history, Mindoro has always placed a priority on proactively managing social and environmental issues. The company's sincere interest in social responsibility was shown recently with the signing of a Memorandum of Agreement (MOA) with the Mamanwa and Manobo Tribes and the creation of a cooperative with small-scale miners.

The MOA grants the Mamanwa and Manobo Tribes a one percent royalty of the gross output of any mining project relating to the Agata North prospect. In addition to royalty payments, Mindoro has committed to provide skills training, employment opportunities, educational scholarships and medical and dental services. The MOA will also ensure the preservation and development of the community's culture, traditions and institutions, and the protection of burial grounds and sacred places.

The mining partnership will form cooperatives which will assist and regulate small scale mining activities on the company's Tapian San Francisco project. The initiative is being launched with the assistance of the Governor of the Surigao del Norte Province, the Mayor of Malimono Municipality and the Mines and Geosciences Bureau (MGB), and will ensure locals can continue to make a living while mining in a socially and environmentally responsible manner.

Shifting Focus Due to low nickel prices, the company has decided to terminate any activities relating to Direct Shipping Ore (DSO) at its Agata properties and focus on the Batangas properties with gold, silver and copper prospects. Based on our outlook for these commodities, we believe this is a strong move but feel it is also a step backwards as the Agata Nickel Laterite project was more advanced in comparison to the company's gold, silver and copper projects.

Batangas Properties Through its wholly owned Philippine subsidiary, MRL Gold Phils., Inc., Mindoro acquired 100% interest in its Batangas properties in July 2008, and followed up shortly thereafter with proposed joint ventures on several of the properties. The company is shifting its focus to advancing its gold and gold-copper projects in Batangas, Suriagao and Pan de Azucar in anticipation of a future nickel price recovery which will ultimately reduce shareholder risk.

On September 3, 2008, the company announced it had signed a letter of agreement with a member of the Gold Fields (NSYE: GFI) group of companies whereby Gold Fields may earn up to 75% interest on the El Paso, Talahib and Lobo projects (see Figure 1). The properties contain porphyry copper-gold prospects. Goldfields was given a 90 day period in which to conduct further due diligence which proceeded satisfactorily. A formal agreement is now in preparation. Terms of the agreement outlined in the September 3, 2008, news release are as follows:

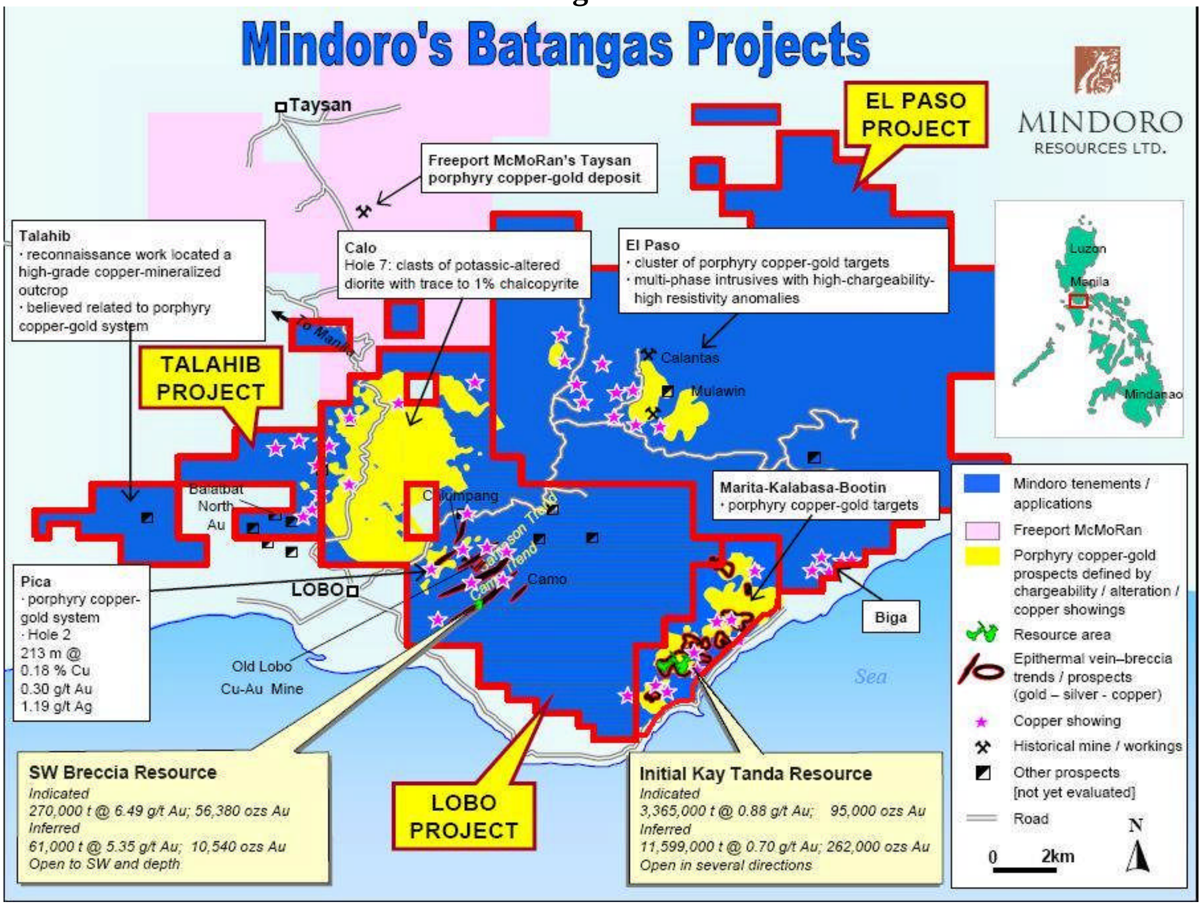
1st Phase

- Gold Fields may earn a 51% interest in the El Paso project and the Lobo project by spending $AU 4 million on the relevant project within 60 months of the farmin period formally commencing.
- In relation to the Talahib project, Gold Fields may attain a 51% interest by spending $AU 2 million on the Talahib project.
- To earn 51%, Gold Fields must maintain a minimum annual expenditure commitment of $AU 350,000 per project.

2nd Phase – feasibility

- After completing the first phase, Gold Fields may elect to continue funding expenditures in relation to the relevant project on their own.
- In doing so, Gold Fields may earn a further 24% interest in the relevant project by completing a feasibility study or contributing a milestone amount of expenditures.
- The milestone amount, for the El Paso and the Lobo projects, is $AU 16 million and is $AU 12 million for the Talahib project. For clarity, these milestone amounts are in addition to the expenditures contributed in the first phase.

Figure 1



Source: Mindoro Resources Ltd.

On September 23, 2008, the company announced the signing of a Memorandum of Understanding with Avocet Mining PLC which will allow Avocet to earn up to a 75% interest in the company's Archangel project. The Archangel project, shown in Figure 2, includes the Kay Tanda epithermal gold-silver resource as well as several porphyry copper-gold prospects. Avocet has been granted a six month due diligence period which will include a minimum requirement of 1,500 meters of diamond drilling.

Terms of the agreement outlined in the September 23, 2008, news release are as follow:

- Under the terms of the MOU, Avocet may earn up to a 75% economic interest in the property from Mindoro's Philippine subsidiary, MRL Gold Phils, Inc., by funding all exploration on the property until reaching a Decision to Mine.
- At the Decision to Mine, Mindoro will receive a cash payment of $AU 4 million, a two percent net smelter royalty on identified ounces, and may participate in production with a 25% interest; Avocet and Mindoro would then be responsible for funding their share of capital and operating costs.

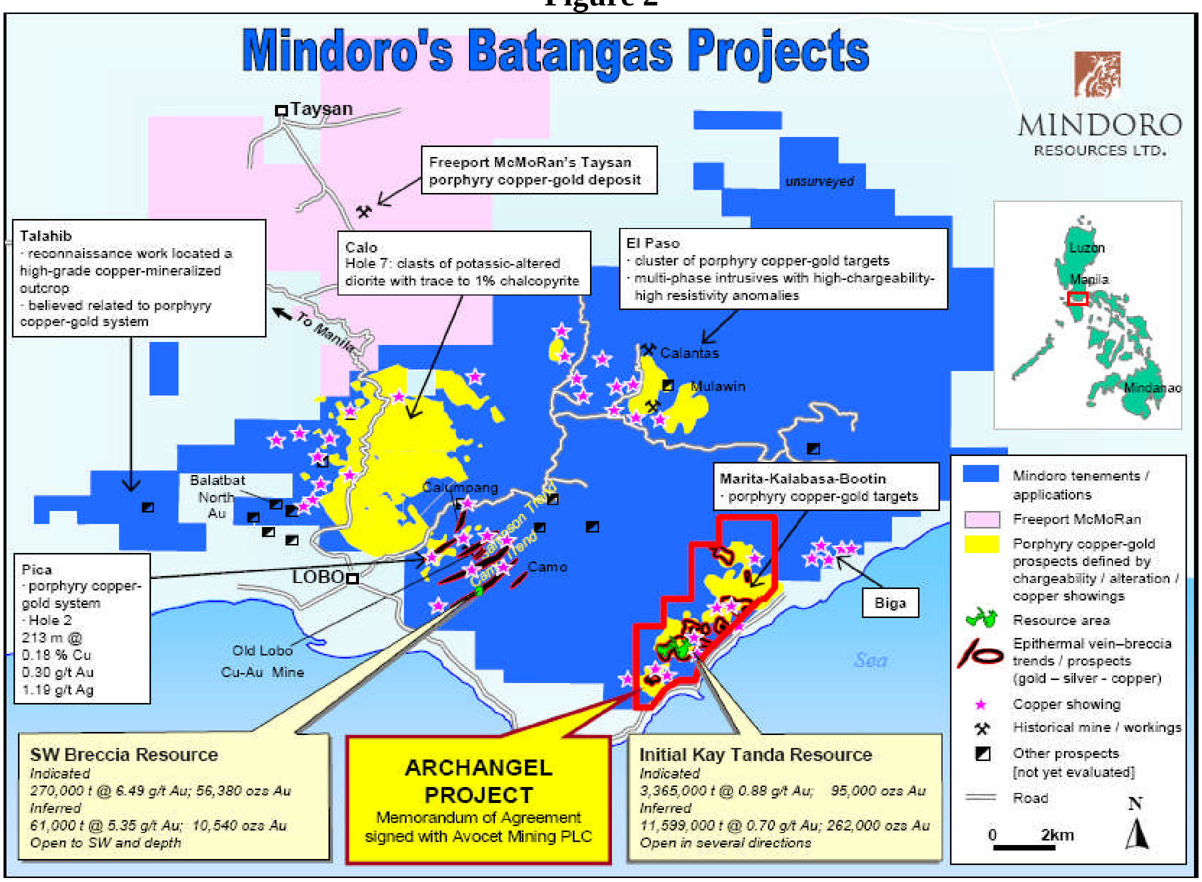
The Archangel project has an NI 43-101 compliant resource delineated at the Kay Tanda-

Pulang Lupa target, identified as the green resource area in Figure 2. The estimate states 3.37 million tonnes grading 0.88 g/t Au and 8.0 g/t Ag totaling 95,000 contained ounces of Au indicated and 11.60 million tonnes grading 0.70 g/t Au and 3.0 g/t Ag totaling 262,000 contained ounces of Au inferred. The estimate was calculated by Ravensgate Minerals Industry Consultants of Perth, Australia (Ravensgate) in February 2008.

It is evident that this initial resource comes at a greatly reduced tonnage than initially proposed in the company's exploration target; however, Ravensgate recognizes that a number of significant intercepts at Kay Tanda have not contributed to the resource estimate due to lack of geological understanding. Ravensgate also concluded that "*there are several potential avenues for adding substantial ounces of Au+Ag to the preliminary resource base at Kay Tanda-Pulang Lupa*." We believe the present resource only represents a portion of the epithermal vein-breccia prospects located in the Archangel project area.

Current Status: Avocet recently commenced drilling at Kay Tanda stating the program will consist of up to 17 diamond drill holes totaling 2,240 meters and will aim to upgrade the existing NI 43-101 resource. The program includes the minimum 1,500 meters required for due diligence. Due to mobilization delays, the company has granted Avocet an additional three months to complete the drilling.

Figure 2



Source: Mindoro Resources Ltd.

In summary, we believe, the company has significantly reduced its risk in these projects while maintaining a considerable interest and benefiting shareholders.

Agata Nickel Laterite

Despite the company shifting its focus in late 2008 to properties with gold, silver and copper prospects, significant development was made in 2008 with the release of an early stage NI 43-101 resource estimate on April 30, 2008. As a result of continued drilling success, an updated estimate was released on August 12, 2008, but the company has decided to terminate any activities relating to Direct Shipping Ore (DSO). Additionally, local artisanal miners discovered high grade copper at the American Tunnels area located on the Agata North property.

Resource Estimate

On Dec 16, 2008, the company released its most recent resource estimate on the Agata North Nickel Laterite project and includes cobalt resources. The estimate, calculated at a 0.5% Ni cut-off for Limonite, and 0.8% cut-off for Saprolite, is presented below in Table 1.

Table 1: Agata North Nickel Laterite Resources

Category	Laterite Horizon	Mil. WMT	Mil. DMT	Ni%	Co%	Fe%	Contained Ni (Mil. pounds)	Contained Co (Mil. pounds)
Measured	Limonite	1.92	1.25	1.00	0.107	43.80	27.58	2.94
	Saprolite	0.37	0.30	1.26	0.023	10.00	8.18	
Indicated	Limonite	6.57	4.27	1.02	0.117	44.70	95.99	11.01
	Saprolite	4.31	3.45	1.29	0.025	11.00	98.36	
Combined Measured + Indicated	Limonite	8.49	5.52	1.02	0.115	44.50	123.57	13.95
	Saprolite	4.68	3.74	1.29	0.024	10.92	106.54	
	Total	**13.17**	**9.26**	**1.13**	**0.078**	**30.93**	**230.11**	**13.95**
Inferred	Limonite	11.87	7.71	1.02	0.121	44.40	172.80	20.58
	Saprolite	6.23	4.99	1.32	0.025	11.40	144.68	
	Total	**18.10**	**12.70**	**1.13**	**0.083**	**31.44**	**317.47**	**20.58**

Source: Mindoro Resources Ltd.

The most recent resource estimate represents a near threefold increase in measured, indicated and inferred resources over the initial estimate released in August 2008. This shows the company’s commitment to efficient advancement of its exploration projects.

Total metal contents reported in this resource estimate represent metal in the ground and have not been adjusted for metallurgical recoveries which have yet to be tested by the company.

Permitting

The company has been granted the Environmental Compliance Certificate (ECC) which it had applied for at the time of our previous update. The company had considered the ECC to be a major permitting hurdle it needed to clear prior to DSO production.

Direct Shipping Ore and On-Site Processing

In our previous reports on Mindoro, we discussed the possibility of the company producing Direct Shipping Ore. On October 22, 2008, the company finalized a statement regarding the termination of activities relating to DSO production stating that “due to market conditions for low-grade DSO product, all activities relating to advancing a potential DSO operation at Agata North have been terminated. Any previously announced scoping studies, mine planning, or planned economic evaluations for a DSO operation at Agata have likewise been terminated" (News Release: Mindoro Clarifies Agata Nickel Laterite Disclosures, October 22, 2008). **We believe this was a positive decision for the company as the company would run the risk of reducing the overall value of the deposit by high grading material in poor market conditions.**

As a positive, the company has stated that a DSO operation was a short term plan and the focus for the company has always been to evaluate the Agata North project for an integrated mining and processing operation. As such, the company has also been evaluating on-site processing options which could include; constructing an on-site blast or electric arc furnace; atmospheric leaching; and High Pressure Acid Leach (HPAL) plants. New generation HPAL plants are currently being used with great success by Sumitomo Metal Mining Co., Ltd (IOB: SMM), a major Japanese conglomerate, at its Coral Bay Nickel operation in Palawan, Philippines. The company has stated they are in search of a partner for the project, particularly an end user of the product.

Agata South Joint Venture

The company is in receipt of exploration results from Joint Venture partner Delta Earthmoving from 241 holes drilled totaling 2,989 meters on the Agata South Nickel Laterite Prospect. The results were evaluated by an independent nickel laterite expert commissioned by the company who believes the results show the resource potential and quality of the Agata South deposit is less than that of the Agata North. The company was expecting production in the first half of 2008; however this did not happen. Information regarding the Agata South project is somewhat lacking but we believe the production plans have been halted due to the same market conditions that resulted in the Agata North DSO operation termination.

The ECC discussed above covers the Agata South prospect in addition to the Agata North prospect.

Current Developments

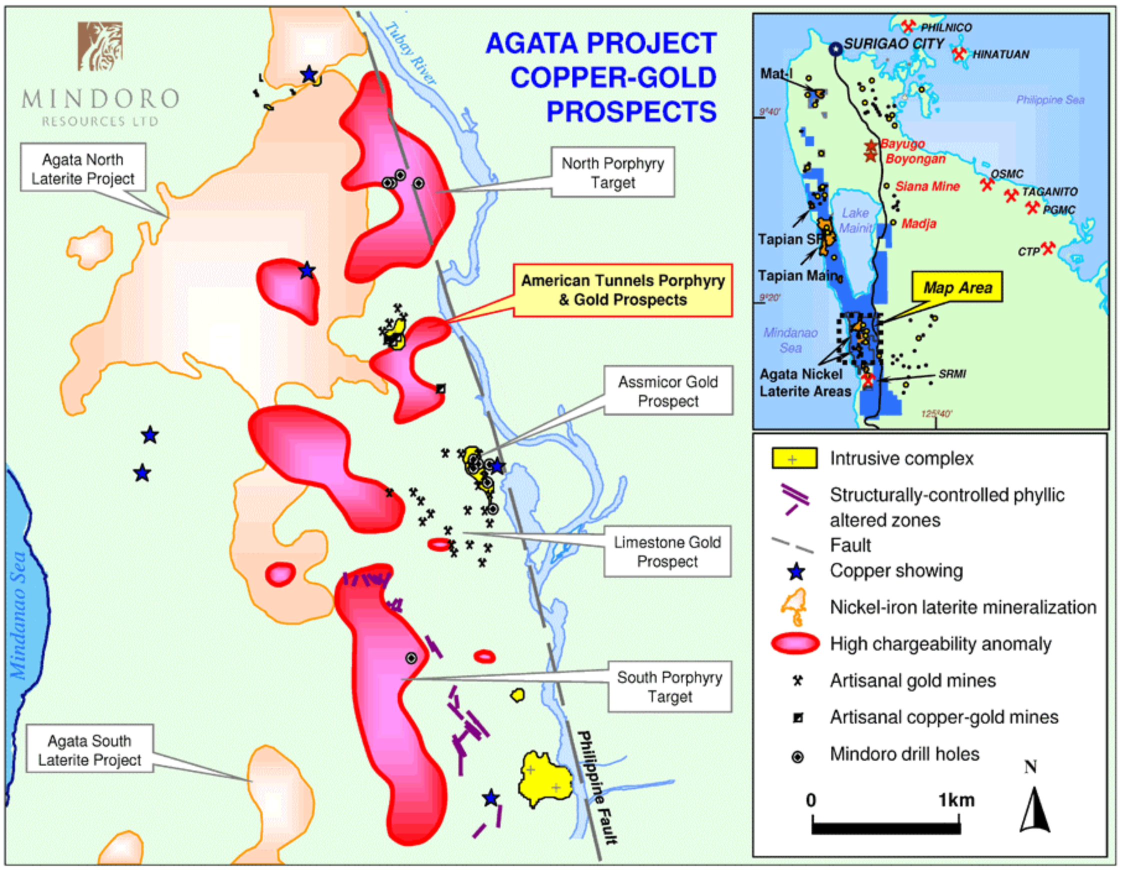
In addition to other exploration activities, the company has been investigating high grade copper mineralization discovered by local artisanal miners in the American Tunnels prospect located adjacent to Agata North. A strong IP chargeability anomaly had previously been identified at the location but had not been previously explored as the company's focus has been on Agata North. The company has since followed up the discovery with underground mapping and sampling within the artisanal small scale mine workings. Significant channel and rock chip results are as follows.

Meters	Copper %	Gold g/t	Silver g/t	Molybdenum ppm	Sample Type
5.0	1.22	0.62	5.6	432	Channel
5.0	0.53	4.95	3.0	68	Channel
6.0	0.48	0.04	2.8	51	Channel
4.0	1.24	0.09	5.9	412	Rock chip
5.0	0.49	0.45	3.0	156	Channel
5.0	2.95	0.36	10.3	418	Channel
1.5	7.79	0.13	26.3	24	Vertical rock chip
4.0	3.82	0.14	13.0	39	Rock chip
6.0	1.14	0.05	4.2	28	Rock chip
5.0	7.97	0.15	27.8	95	Rock chip

Source: Mindoro Resources Ltd.

Geologists with the company have interpreted the mineralization as a high-grade late-stage, concentration at the upper contact of intrusive stocks and dykes that has been derived from porphyry copper-gold mineralization below.

The image below shows the location of the American Tunnels prospect in relation to the company's Agata North Laterite project. **The economics of developing the American Tunnels prospect, we believe, should benefit from the proximity to Agata North infrastructure.**



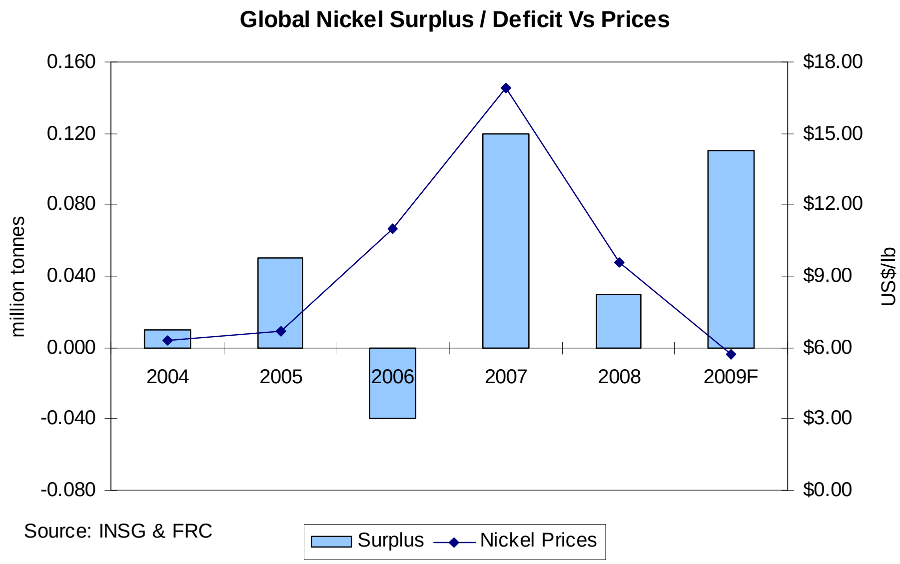
Source: Mindoro Resources Ltd.

Administrative Appointments

Administrative changes include the appointment of Mr. A. Robson Garden as Chairman of Mindoro and Mr. Oscar Reyes as Chairman of MRL Gold Phils., Inc., Mindoro's wholly owned subsidiary. Mr. Reyes, previously a director with the company, provides extensive business management experience in the Philippines that should continue to benefit a company operating in a country with a generally guarded sentiment towards mining. Mr. Garden is also a previous director with the company and Dr. Gerhard Kirchner, the individual whom he replaces, has remained on as an active director of the company. Biographies of the new chairmen can be found in our initiating report.

Outlook on Nickel

The global economic slowdown and financial crisis have negatively impacted the global demand for nickel, and its prices in the last six months. The nickel supply surplus shown in the following chart, we believe, is the primary reason for the significant drop in nickel prices. The supply surplus is expected to increase YOY in 2009 and 2010; indicating that price are expected to stay soft in the near-term.



However, as MIO is not expecting to commence Ni production in the near-term, our valuation on the company depends on our long-term nickel price forecasts.

Long-term price forecast - In order to determine a long-term price forecast, we looked at the relationship between the price of nickel (during 1978 – 2008) and several other independent variables, including global GDP growth, the US$, the global annual nickel supply surplus (deficit), annual nickel mine production growth, and annual refined nickel production.

Based on the relevant factors, we arrived at a long-term nickel price forecast of US$6.20/lb Note that our long-term forecast is well above the historic average price of US$3.71/lb during 1970 – 2008.

Outlook on Gold and Silver

We have maintained our long-term outlook on gold and silver prices at US$600/oz and US$11/oz, respectively.

Financials

At the end of September 2008, the company had cash and working capital of $2.65 million and $2.25 million, respectively. MIO reported a net loss of $1.62 million in the first 9 months of 2008 (EPS: -$0.02), compared to a net loss of $1.62 million in the same period of 2007 (EPS: -$0.02). We estimate the company had a burn rate of $0.46 million per month for the 9-month period ended September 2008. The table below shows the company's cash position and liquidity ratios.

(C$)	2005	2006	2007	2008 (9 mo)
Cash	1,419,311	3,602,179	6,673,559	2,648,824
Working Capital	1,661,679	3,146,785	5,844,031	2,250,980
Current Ratio	9.2	5.9	7.3	5.3
LT Debt / Assets	-	-	1.00	2.00
Cash from financing activities	2,728,714	7,198,122	11,935,702	119,636
Burn Rate (per month)	(217,079)	(417,938)	(738,694)	(458,939)

In January 2009, the company announced it intends to raise up to $0.60 million by issuing 4 million units at a unit price of $0.15. Each unit will consist of one common share and one warrant (exercise price - $0.30 per share; maturity period - two years).

Stock Options and Warrants: At the end of September 2008, the company had 7.24 million stock options outstanding with exercise prices ranging between $0.15 and $1.00, and a weighted average contractual life of 3.64 years. The company also had 18.61 million warrants outstanding with exercise prices between $0.60 and $1.25, and expiry dates between December 2008 and September 2009. The company has amended the terms of 2.39 million warrants originally due in December 2008, and January 2009, with an exercise price of $1.25, to expire in May 2009, with an exercise price of $0.15.

Conclusion: At the end of September 2008, the company had $2.65 million in cash. Based on our discussion with management, the company has reduced its burn rate with further reductions being implemented. Therefore, we estimate the company's current cash will last for another 10 months.

Valuation

Our revised valuation on the company dropped from $0.88 per share to $0.45 per share. A summary of our revised valuation model is shown below.

Valuation Summary	
	Value per share
Agata Nickel Laterite Project	$0.30
Kay Tanda and SW Breccia	$0.06
Book Value of all the other properties	$0.08
Working Capital	$0.01
Fair value per share	**$0.45**

Agata Nickel Laterite Project – Our valuation on the Agata Nickel Laterite Project dropped from $0.45 per share to $0.30 per share primarily because we lowered our long-term (2012+) nickel price forecast from US$8/lb to $6.2/lb, delayed commencement of production from 2008 to 2012, increased the discount rate (from 15.63% to 17.63%), and the number of outstanding shares.

Kay Tanda and SW Breccia – We have lowered our valuation from $0.26 per share to $0.06 per share as we lowered the resource estimate on Kay Tanda (in our revised model, we used the 43-101 compliant resource estimate announced in 2008; previously, we had used an exploration target of 17.50 million tonnes at 1.22 gpt Au and 3.20 gpt Ag), increased the discount rate (from 15.49% to 17.49%), and the number of outstanding shares.

Note: Although we continue to believe that the Philippines has enormous mineral potential, we have raised our discount rate (for conservatism, we have now used the same discount rates that we typically apply to projects located in 'high-risk' areas) due to questionable social, environmental, and political factors in that country.

Conclusion & Rating

As a result of our revised valuation models and review of the company's progress since our previous report, we reiterate our BUY rating, and lower our fair value from $0.90 to $0.45 per share.

Risks

The following risks, though not exhaustive, will cause our estimates to differ from actual results:

- We believe the political risks of operating in the Philippines are currently high as many non-government organizations including the powerful Catholic Church oppose mining.
- The success of further development, exploration, and expansion is a significant factor in the company's success.
- Like other exploration/development companies, the value of the company depends on commodity prices (primarily gold, silver, copper and nickel).
- Financing and share dilution risks

We continue to rate the shares Risk 5 (Highly Speculative).

Fundamental Research Corp. Equity Rating Scale:
Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk
Hold – Annual expected rate of return is between 5% and 12%
Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk
Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:
1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.