COVER SHEET

6 2 3 2 3

NIHAO MINERAL RESOURCES INTERNATIONAL, INC. formerly MAGNUM HOLDINGS, INC.

(Company's Full Name)

20F THE PEAK TOWER 107 L.P. LEVISTE ST. MAKATI CITY

(Business Address : No. Street City / Town / Province)

ARSENIO C. CABRERA, JR.	(632) 8137111
Contact Person	Company Telephone Number

1 2	3 1	SEC 17-Q2 2008		
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

468		
Total No. of Stocholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2008**

2. Commission identification number **62323** 3. BIR Tax Identification No **050-000-889-223**

4. Exact name of issuer as specified in its charter **NiHAO MINERAL RESOURCES INTERNATIONAL, INC. formerly Magnum Holdings, Inc.**

5. Province, country or other jurisdiction of incorporation or organization **Philippines**

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office Postal Code

   20F The Peak Tower, 107 L. P. Leviste Street, Salcedo Village, Makati City

8. Issuer's telephone number, including area code **(632)-856-20-11**

9. Former name, former address and former fiscal year, if changed since last report

   NOT APPLICABLE

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common stock , ₱1.00 par value	**100,000,000 shares**

*** with pending application with the Philippine Stock Exchange to list all the shares*

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [**X**] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    Philippine Stock Exchange   Common stock- 85,000,000 shares

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [**X**] No [ ]

    (b) has been subject to such filing requirements for the past 90 days.
    Yes [ ] No [**X**]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The Company's consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

This Financial Statements meeting the requirements of SRC Rule 68, is furnished as specified therein.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

FINANCIAL PERFORMANCE AND RESULTS OF OPERATION

In view of the fact that the Company's mining claims are still in the exploration stage, no income can be generated from its mining activities and continues to incur losses during the first semester of 2008. Consolidated financial results as of 30 June 2008 show ₱ 72.71 million in losses which were brought about by the following transactions:

1) P23.89 million are attributable to the direct acquisition of 100% interest in Bountiful Geomines, Inc. and Visayas Ore Philippines, Inc., and acquisition by wholly-owned subsidiary, Mina Tierra Gracia, Inc. of 100% interest of Minedomain, Inc., Companhia Nube Minerale, Inc. and Companhia Minera Tierra, Inc., which companies have deficits.

2) P 22.83 million covering the expenses for the Botolan Mining Claim such as follows:

   a. Expenses incurred relative to the various applications for small scale mining permits and temporary mineral land occupation permits in Botolan, Zambales by the Company's Subsidiaries : (a) Companhia Minera Tierra, Inc.; (b) Companhia Nube Minerale, Inc.; and (c) Minedomain, Inc.

   b. Exploration costs, permitting and other costs incurred by MTGI relative to EP 01-2008-III.

3) P9.41 million representing expenses incurred for the mining claim in Manticao, Misamis Oriental.

   These are expenses relative to the application for exploration permit of Bountiful Geomines, Inc. (EXPA-000093-X) and small-scale mining permit of Minedomain, Inc. over the mining claim located in Manticao, Misamis Oriental.

4) P12.83 million representing test shipment costs inclusive of shipping, trucking, insurance and inventory costs.

5) P3.67 million representing the Company's operating expenses mostly composed of the office lease payments. Other expenses include annual PSE listing fees, salaries, professional fees and other expenses.

6) P78 thousand representing expenses incurred for the mining claim in Antique held by Visayas Ore Philippines, Inc.. These are expenses relative to the application of exploration permits per EXPA-000077-VI.

Total liabilities amounted to P182.02 million, of which P171.3 million were attributed to advances from shareholders. Due to lack of income, the Company still relies on advances from shareholders to support its funding requirements for acquisition of mining claims, exploration and working capital. These advances are non-interest bearing and are payable upon demand. Of this amount, approximately P83.9 million were used by the Company to acquire the entire issued and outstanding capital stock of the following:

Company		**Acquisition Price**
Mina Tierra Gracia, Inc..		61,469,586
Bountiful Geomines, Inc.………………………………		12,500,000
Visayas Ore Philippines, Inc.		2,500,000
Minedomain, Inc.		2,500,000
Companhia Nube Minerale, Inc.		2,500,000
Companhia Minera Tierra, Inc.		2,500,000
Total	P	83,969,586

Total assets stood at P105.02 million due to the acquisition of the subsidiaries.

Total deficits amounted to P177 million which causes the Company's negative stockholders' equity to reach P77 million .

June 30, 2008 as compared with June 30, 2007

a. Increase in Losses

As of 30 June 2008, the Company recognized losses amounting to P72.7 million, which is five (5) times the losses as of 30 June 2007. The substantial increase in losses is attributable to the expenses relating to the acquisition of 100% interest in Bountiful Geomines, Inc. and Visayas Ore Philippines, Inc., and acquisition by wholly-owned subsidiary, Mina Tierra Gracia, Inc. of 100% interest of Minedomain, Inc., Companhia Nube Minerale, Inc. and Companhia Minera Tierra, Inc., which companies have deficits; and exploration and permitting of the mining claims held by these subsidiaries. The deficits amounting to P 23.89M is presented as part of the Company's other losses.

b. Increase in total assets :

Total consolidated assets as of the end of the 1st semester of 2008 was recorded at P105.02 million while total assets of the Company (parent only) as of the same period last year is P0.40 million. This increase in assets is attributable mainly to the acquisition of the Company's subsidiaries mentioned above.

c. Increase in total liabilities:

The increase in liabilities as compared with last year's report is mainly due to substantial increase in advances made from its stockholder which stood at P171.3 million. These advances were used to fund the acquisition of the Company's subsidiaries and to fund the operations of the Group.

d. Increase in capitalization:

The SEC has issued a Certificate of Approval of Valuation on the issuance of 14,960,000 common shares subsidized by Oyez!!! Corporation and Mr. Chia Kim Teck by way of debt-to-equity conversion in August 2007. This results into the full subscription of its authorized capital stock of 100Million shares.

Key Performance Factors:

	Consolidated June 2008	Parent June 2007
Net Income (Loss)	(P72,707,463)	(P11,586,277)
Total Current Assets	27,089,410	397,427
Current Liabilities	182,018,334	16,800,644
Total Liabilities	182,018,334	16,800,644
Stockholders' Equity	(77,000,148)	(16,403,216)
Debt to Equity Ratio	(2.36)	(1.02)
Current Ratio	0.15	0.02
Loss per share (P72,707,463/97,506,667)	P0.75	
(P11,586,277/85,040,000)		P 0.14

Debt to Equity Ratio:
This ratio is determined by dividing the total liabilities into the total stockholders equity. The ratio measures the leverage on borrowed capital.

Current Ratio:
The ratio is computed by dividing the current assets into the current liabilities. The ratio measures the company's ability to pay maturing obligations.

Loss Per Share:
Loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding.

Discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operation of the following:

a. Any known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

ACQUISITION OF SUBSIDIARIES:

On 09 January 2008, the Board of Directors authorized the acceptance of shareholder advances from OYEZ!!! Corporation for the acquisition of Bountiful Geomines, Inc. ("Bountiful Geomines") and Visayas Ore Philippines, Inc. ("Visayas Ore") and advances to the Company's wholly-owned subsidiary, Mina Tierra Gracia, Inc. ("Mina Tierra"). The advances of the Company to Mina Tierra Gracia, Inc. were used by the latter to acquire its subsidiaries, namely, Minedomain, Inc. ("Minedomain"), Companhia Nube Minerale, Inc. ("Nube Minerale") and Companhia Minera Tierra, Inc. ("Minera Tierra").

Mining Claims and Permits

The operations of the Company's subsidiaries are primarily conducted in the Mining Claims and Small-Scale Mining Claims.

The following table sets forth certain information related to the Company's Mining Claims and Small-Scale Mining Claims and their corresponding permits or permit applications as of 30 June 2008.

Location	Name of Claim	Permit Description	Validity	Permittee/ Applicant	Area Covered (in hectares)
Zambales					
Botolan and Iba	Botolan Mining Claim	EP-001-2008-III[1]	2 years or until 12 February 2010	Saprolite Mining, Inc.	5,081.6408
Mambog, Botolan	Botolan Small-Scale Mining Claim	SSMP No. NI-BTZ-061308-0001	2 years or until 13 June 2010	Nube Minerale	5.0000
Mambog, Botolan	Botolan Small-Scale Mining Claim	SSMP No. NI-BTZ-061308-00002	2 years or until 13 June 2010	Minera Tierra	5.0000
Mambog, Botolan	Botolan Small-Scale Mining Claim	ASSMP–Z-346-BT	Not applicable	Minedomain, Inc.	5.0000
Misamis Oriental					
Opol, Manticao	Manticao Mining Claim	EPA-000093-X		Bountiful Geomines	1,944.0000
Malitbog, Manticao	Manticao Small-Scale Mining Claim	SSMP No. 2008-006	2 years or until 26 February 2010	Minedomain, Inc.	20.0000
Antique					
Patnongon, Valderama, San Remigio	Antique Mining Claim	EPA-000077-VI		Visayas Ore	2,374.3125
North Cotabato					
Antipas	Cotabato Mining Claim	EXPA-095-XII		Visayas Ore	11,441.250
					20,841.2008

Notes:
(1) Transfer of EP to Mina Tierra is subject to MGB approval.

HEADS OF AGREEMENT WITH GEOGRACE RESOURCES PHILIPPINES, INC.

On 09 January 2008, the Company's Board of Directors approved the execution of a Heads of Agreement ("HOA") with Geograce Resources Philippines, Inc. ("Geograce"). Pursuant to the HOA, Geograce has been granted the exclusive right to explore, develop and operate various mining tenements which are controlled by the Company or controlled by it through its subsidiaries Mina Tierra, Bountiful Geomines and Visayas Ore, as described herein under "Mining Claims and Permits" (collectively known as the "Mining Tenements").

Geograce's exclusive right to explore, develop and operate any, some or all of the Mining Tenements covered by the HOA shall be conditional upon the fulfillment of the following conditions precedent: (a) satisfactory legal and technical due diligence on the Company and the Mining Tenements; (b) satisfactory legal and technical due diligence on Minedomain, Nube Minerale and Minera Tierra and their respective Small-scale Mining Companies; (c) satisfactory legal and technical due diligence on Mina Tierra, Bountiful Geomines and Visayas Ore and their respective mining tenements, and the Small-Scale Mining Permits for the Small-Scale Mining

Companies; and (d) the approval of the terms and conditions of the Operating Agreements for any, some or all of the mining tenements by the appropriate regulatory agencies.

Subject to compliance with applicable laws, the parties intend to execute the necessary Operating Agreements within sixty (60) days from the date the Exploration Permits and/or Small Scale Mining Permits are secured for the various mining tenements covered by the HOA. Subject to such other terms and conditions as may be agreed upon by the parties in the Operating Agreement. The Company and Geograce agree to share equally in the net profits and operating expenses arising from or relating to the operation of the concerned mining tenements covered by the HOA.

The HOA also granted Geograce the option to purchase any, some or all of the Mining Tenements by way of cash or through property-for-share swaps whereby Geograce shall issue unissued shares in exchange for the target Mining Tenements. The option to purchase granted to Geograce is subject to the completion of satisfactory due diligence as detailed in the preceding paragraph, the fair valuation of the target Mining Tenements and the approval of said transactions by the appropriate regulatory agencies.

COOPERATION AGREEMENT WITH JIANGXI

The Company, together with GEOGRACE Resources Philippines, Inc. ("GEOGRACE") signed on 07 August 2008, a Cooperation Agreement with Jiangxi Rare Earth & Rare Metals Tungsten Group Co. ("Jiangxi") (collectively known as the "Parties"). The Parties agree to form a strategic partnership to jointly explore and develop the nickel mining tenements directly or indirectly, held by NiHAO and GEOGRACE located in the province of Zambales, as more particularly described below:

NiHAO Tenements

Affiliate Company	EPA #	location	area (has.)
Mina Tierra Gracia, Inc.	EP-001-2008-III	Botolan	5,081.6410

GEOGRACE Tenements

Affiliate Company	EPA #	location	Area (has.)
Nickeloadeon Mines, Inc.	AEP-III-08-07	Palauig and Tarlac	9,958
Ophiolite Mining, Inc.	EPA-106-III	Masinloc, Zambales	1,996.00
Garnierite Mining, Inc.	AEP-III-16-06 EPA-000063-III	Botolan and Cabangan	12,957
Saprolite Mining, Inc.	AEP-III-17-06 EPA-000064-III	San Felipe and San Narciso	2,029
Saprolite Mining, Inc.	AEP-III-22-06 EPA-000069-III	Cabangan and San Felipe	3,474
		Total	**30,414**

Pursuant to the Cooperation Agreement, Jiangxi proposed to GEOGRACE and NiHAO the following:

1) The formation of a Joint Venture (JV) company to conduct venture exploration on the nickel mining tenements, directly or indirectly, held by NiHAO or GEOGRACE, subject to equity ownerships to be determined later;
2) The establishment of a joint venture processing plant for nickel and cobalt in the Philippines, subject to a detailed exploration work program and feasibility study; and
3) The execution of an Offtake Agreement subject to terms and conditions to be agreed upon by the parties.

These proposed cooperation arrangements shall be covered by definitive agreements upon completion by the Parties of their technical and legal due diligence of the parties and the respective mining tenements described herein.

EXPLORATION PERMIT

On 20 February 2008, the Mines and Geosciences Bureau ("MGB") of the Department of Environmental and Natural Resources ("DENR") issued an Exploration Permit ("EP) denominated as EP-001-2008-III for the Botolan Mining Claim.

The EP was issued in the name of Saprolite Mining, Inc., the original applicant. Saprolite Mining, Inc. filed its initial Exploration Permit Application for the Botolan Mining Rights on January 10, 2007. On July 31, 2007, a Deed of Assignment was entered into by and between Saprolite Mining, Inc, and Mina Tierra Gracia, Inc. whereby Saprolite Mining, Inc. assigned its rights and interests in the Botolan Mining Claim to Mina Tierra Gracia, Inc. The Company, through Mina Tierra Gracia, Inc. is now in the process of completing the requirements for registration of the Deed of Assignment of the Botolan Mining Claim with the MGB.

The Company's Botolan Mining Claim covers approximately 5,081.6408 hectares of prospective nickel sites located in the town of Botolan, Zambales. Approximately 2,020 hectares were excised by the MGB from the original Exploration Permit Application which covered 7,107 hectares.

On July 1, 2008, the Board of Directors of Mina Tierra Gracia, Inc. approved the execution of a "Supplemental Agreement" with Saprolite Mining, Inc. the Supplemental Agreement states that Saproltie filed an application in its name with the MGB to upgrade or convert approximately 2,956 hectares of the 5,081.64 has. covered by EP-001-2008-III to a Mineral Production Sharing Agreement ("MPSA"). In view of the filing of the Application for Upgrade/Conversion, the parties confirmed that Mina Tierra would be the sole, absolute and legitimate owner of (a) EP-001-2008-III; (b) the application for Upgrade or Conversion; and (c) any MPSA covering the Botolan Mining Claim upon the approval by the DENR Secretary and/or the MGB of the transfer of the foregoing permits or applications in favor of Mina Tierra. Mina Tierra has agreed to assume all the responsibilities, duties and liabilities imposed by Law in relation to the aforementioned permits or applications upon the approval by the relevant government agencies of the transfers thereof to its name.

STOCK RIGHTS OFFERING

The Company has a pending application with the Philippine Stock Exchange, Inc, ("PSE") to list up to 500,000,000 common shares to cover its proposed 5:1 Stock Rights Offering ("the Offer") at an offer price of P1.00 per share to existing shareholders as of a record date to be determined upon approval by the PSE. These shares shall come from the increase in authorized capital stock of the Company from P100 million to P2 billion.

The Company has appointed AB Capital and Investment Corporation as issue manager and underwriter for the Offer. The Company has already filed on 16 July 2008 a Registration Statement for the necessary registration of the Offer and the Offer shares with the Securities and Exchange Commission ("SEC").

The Company intends to use the net proceeds from the Offer to finance the exploration, project development and the working capital requirements of its Botolan Projects and Manticao Projects and to settle the advances made from shareholders.

MANAGEMENT PLAN OF OPERATIONS

The Company shall use the net proceeds from the Offer amounting to approximately P485.75 Million to finance the exploration, project development and working capital of the Botolan and Manticao Projects and to repay its advances from shareholders. The exploration and project development of the Botolan and Manticao Projects covers a period of at least two (2) years.

The Company expects to acquire capital equipment which includes loaders, excavators, dozers, dumptrucks, etc.; laboratory equipment such as pulverizers and micro electronic balance equipment; beneficiation equipment such as jaw crusher, vibrating grizzly; and additional drilling equipment over the next twelve (12) months. The Company does not expect any significant change in the number of its employees over the next twelve (12) months.

Botolan Projects

NIHAO, through its wholly-owned subsidiary, Mina Tierra, expects to further explore, develop and operate the Botolan Mining Claim for the next twelve (12) months. The Company anticipates that it will secure the approval of the transfer of the EP/MPSA in the name of Mina Tierra within the next 12 months, thereby allowing it to engage in full-scale mining. With the MPSA, the Company projects that it will produce and ship up to 450,000 dry metric tons (DMT) of raw ore at a grade of 1.6% Ni grade.

Meanwhile, Mina Tierra's subsidiaries can mine and extract a maximum of 150,000 DMT of raw ore annually from the Botolan Small-Scale Mining Claims. This raw ore shall be shipped to buyers in China for processing and refining.

In view of these expected shipments and income, the Company does not anticipate having cash flow or liquidity problems within the next twelve (12) months.

Marketing Plan

The Company plans to sell ore mined from Botolan on the spot market to establish the "branding" for Zambales ore and is currently in contact with a range of interested buyers. These buyers are mainly representatives of trading companies and smelter operators in China. Trial shipments of ore will be sold to these buyers to allow the latter to determine their suitability for the technical configurations of their nickel processing facilities. To mitigate the risks from spot market volatility, the Company also has plans to establish long-term supply contracts through joint venture partnerships with Chinese nickel smelting and refining companies. Discussions with prospective partners are ongoing.

The Company also plans to build a processing plant for nickel ore upon further expansion of its resource and reserve figures. This will mean that the Company will have another outlet for its ore and will have a value-added product to sell to the downstream market. The profit margins for ferronickel products are significantly better compared to raw ore sales and will further lessen the risks from the price swings of the commodity.

Other Potential Areas

Aside from the Botolan Projects, the Company expects its Manticao Projects to also contribute to its shipment of nickel ore for the year 2008 through the SSMP issued for the Manticao Small-Scale Mining Claim while the EPA covering the Manticao Mining Claim remains under application.

Potential contributions to the Company's nickel reserves can also be sourced from its prospective Antique and Cotabato Mining Claims.

a) There is no known trend, event or uncertainty that has or is reasonably likely to have a negative impact on the Company's short-term or long-term liquidity. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring the Company to make payments.

b) The liquidity of the Company is expected to be generated from the Company's financial resources as well as from the proceeds of the Offer

c) There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

d) There are no material commitments for capital expenditures except for those provided in the "Use of Proceeds" from the proposed 5:1 Stock Rights Offering.

e) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Company's financial statements.

f) There are no significant elements of income or loss that did not arise from the Company's continuing operations.

Top Five Key Performance Indicators

The following describes the Company's top performance indicators.

Tonnage Sold. The amount of nickel ore the Company manages to sell will be the key driver for revenues. Another factor affecting the revenues gained from shipments is the nickel content of the ore.

Nickel Prices. The price NiHAO will receive for the nickel ore it mines and sells will be based on prevailing world prices. Nickel is a widely traded metal and the industry's benchmark price for nickel is obtained from the London Metal Exchange.

Currency Exchange Rates. Because nickel is traded worldwide, its price is denominated in U.S. dollars and all transactions for nickel are conducted in this currency. NiHAO's profitability as a Philippine-based company will be affected by short-term fluctuations and long-term movement in the exchange rates of U.S. dollars and Philippine pesos.

Cost per Ton. The cost the Company incurs for mining each metric ton of nickel is a key measure of its operation's efficiency and competitiveness. Lowering costs through economies of scale is an important consideration for NiHAO in order to achieve maximum profit.

Earnings Per Share. The Company's earnings per share is a key measurement of its profitability especially when benchmarked against the earnings per share of other operators in the mining industry.

PART II--OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

<u>NOT APPLICABLE</u>

SIGNATURES

Pursuant to the requirements of the Securities Regulations Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Signature/Date:

MICHAEL T. DEFENSOR
Chairman

JERRY C. ANGPING
Treasurer/Director

Date signed: 8/15/2008

Date signed: 8/15/08

NIHAO MINERAL RESOURCES INTERNATIONAL, INC.
INDEX TO FINANCIAL STATEMENTS

FORM 17-Q, Item 1

Consolidated Financial Statements

NIHAO MINERAL RESOURCES INTERNATIONAL, INC. & SUBSIDIARIES
BALANCE SHEETS

		Unaudited Consolidated June 30, 2008		Audited Consolidated December 31, 2007
ASSETS				
Current Assets				
Cash and cash equivalents	₱	21,006,108	₱	3,818,121
Accounts receivable		2,768,392		4,802,227
Advances - others		951,781		
Other current assets		2,363,128		134,475
Total Current Assets		27,089,410		8,754,823
Noncurret Assets				
Property and Equipment - net		9,745,260		442,500
Goodwill		49,469,586		58,469,586
Other Assets		18,713,931		
Total Noncurrent Assets		77,928,777		58,912,086
	₱	105,018,186	₱	67,666,909
LIABILITIES & STOCKHOLDERS' EQUITY				
Liabilities				
Accounts payable and other current liabilities	₱	10,714,855	₱	887,708
Payable to Stockholder and Affiliates		171,303,479		71,071,886
Total Liabilities		182,018,334		71,959,594
Stocholder's Equity				
Capital Stock - P1 par value				
Authorized - 100,000,000 shares				
Issued - 100,000,000 shares		100,000,000		100,000,000
Additional Paid-In Capital		271,465		271,465
Deficit		(177,271,613)		(104,564,150)
Total Stockholders' Equity		(77,000,148)		(4,292,685)
	₱	105,018,186	₱	67,666,909

NIHAO MINERAL RESOURCES INTERNATIONAL, INC. & SUBSIDIARIES
STATEMENTS OF INCOME
(Unaudited)

		April 1 to June 30, 2008 (Three Months)	April 1 to June 30, 2007 (Three Months)		January 1 to June 30, 2008 (Six Months)	January 1 to June 30, 2007 (Six Months)
REVENUES						
Net sales	₱			₱		
Interest Income		15,465			30,223	
		15,465	-		30,223	-
EXPENSES		31,259,454	2,290,131		48,269,878	11,586,277
INCOME (LOSS)		(31,243,989)	(2,290,131)		(48,239,655)	(11,586,277)
OTHER INCOME (LOSSES)		22,920,000	-		(24,467,808)	
NET INCOME (LOSS)	₱	(8,323,989)	(2,290,131)	₱	(72,707,463)	(11,586,277)
WEIGHTED AVE. NUMBER OF COMMON SHARES		97,506,667	85,040,000		97,506,667	85,040,000
Loss Per Share		(0.085)	(0.027)		(0.746)	(0.136)

Note: No dividends declared during the period

NIHAO MINERAL RESOURCES INTERNATIONAL, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

		Unaudited Consolidated June 30, 2008		Audited Consolidated December 31, 2007		Unaudited Parent June 30, 2007		Audited Parent December 31, 2006
CAPITAL STOCK - P 1 par value								
Authorized - 100,000,000 shares								
Issued - 100,000,000 shares	₱	100,000,000	₱	100,000,000	₱	85,040,000	₱	85,040,000
Additional Paid - in Capital		271,465		271,465		190,000		190,000
		100,271,465	₱	100,271,465	₱	85,230,000	₱	85,230,000
DEFICIT								
Balance at beginning of period		104,564,150		90,046,939		90,046,939		89,126,231
Net Income (loss)		(72,707,463)		(14,517,211)		(11,586,277)		(920,708)
Balance at end of period		177,271,613		104,564,150		101,633,216		90,046,939
STOCKHOLDERS' EQUITY, END	₱	(77,000,148)	₱	(4,292,685)	₱	(16,403,216)	₱	(4,816,939)

NiHAO MINERAL RESOURCES INTERNATIONAL, INC. & SUBSIDIARIES
STATEMENT OF CASH FLOWS
(Unaudited)

	April 1 to June 30, 2008 (Three Months)	April 1 to June 30, 2007 (Three Months)	Jan 1 to June 30, 2008 (Six Months)	Jan 1 to June 30, 2007 (Six Months)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	₱ (8,339,454)	₱ (2,290,081)	₱ (72,737,686)	₱ (11,586,278)
Adjustment to reconcile net loss to net cash provided by operating activities				
Depreciation and amortization	109,188		582,093	
Interest earned from savings deposits	15,465		30,223	
Operating income (loss) before working capital changes	(8,214,801)	(2,290,081)	(72,125,370)	(11,586,278)
Changes in operating assets and liabilities				
Decrease (increase) in :				
Accounts receivable	19,142,403	(70,000)	2,033,835	(70,420)
Advances - others	(951,781)		(951,781)	
Other current assets	(1,724,411)	(41,207)	(2,228,653)	(73,007)
Other non-current assets	(18,573,034)		(18,853,584)	
Increase (decrease) in :				
Accounts payable and accrued expenses	(13,870,016)	38,710	9,966,800	33,110
Other current liabilities	(3,690,000)			
Net cash provided by operating activities	(27,881,640)	(2,362,578)	(82,158,753)	(11,696,595)
CASH FLOWS FROM INVESTING ACTIVITIES				
Adjustment on Goodwill	9,000,000		9,000,000	
Disposals (acquisitions) of property and equipment	(1,085,531)		(9,884,853)	
Net cash used in investing activities	7,914,469	-	(884,853)	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Payables to stockholders and affiliates	29,797,653	2,562,578	100,231,593	11,896,595
Net cash provided by (used in) financing activities	29,797,653	2,562,578	100,231,593	11,896,595
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,830,482	200,000	17,187,987	200,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11,175,626	14,000	3,818,121	14,000
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱ 21,006,108	₱ 214,000	₱ 21,006,108	₱ 214,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

NiHAO Mineral Resources International, Inc. (the parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission on July 9, 1975 under SEC Reg. No 62323. It currently holds office at 20th floor The Peak, 107 L. P.Leviste Street, Salcedo Village, Makati City.

The Company's primary purpose is to carry on the business of mining, milling, concentrating, converting, smelting, preparing for market, manufacturing, buying, selling, exchanging, and otherwise producing and dealing in gold, silver, copper, lead, and all kinds of ores, metal, minerals and by-products.

The consolidated financial statements of the Company and subsidiaries for the two-quarter ending June 30, 2008 comprise the Parent and its wholly owned subsidiaries:

Company	Percent of Holding	Activities
Mina Tierra Gracia, Inc. Incorporated in June 6, 2007	100.00%	Mining, milling, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in gold, silver, copper, lead and all kinds of ores, metals, minerals and by-products
Visayas Ore Philippines, Inc. Incorporated on Oct. 31, 2006	100.00%	
Bountiful Geomines, Inc. Incorporated on Sept. 14, 2007	100.00%	

Consolidated Financial Statements of Mina Tierra Gracia, Inc. includes the following wholly owned subsidiaries:

Company	Percent of Holding	Activities
Companhia Minera Tierra, Inc. Incorporated in June 18, 2007	100.00%	Mining, milling, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in gold, silver, copper, lead and all kinds of ores, metals, minerals and by-products
Minedomain, Inc. Incorporated on Oct. 25, 2006	100.00%	
Companhia Nube Minerale, Inc. Incorporated in June 18, 2007	100.00%	

2. Basis of preparation

The accompanying consolidated financial statements of the Company have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and certain derivative financial instruments that have been measured at fair value.

Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS includes all PFRS, Philippine Accounting Standards (PAS) and interpretation, which have been approved by the Accounting Standards Council (now called Financial Reporting Standards Council or FRSC).

Use of estimates and judgments

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. Actual results may ultimately differ from these estimates.

Basis of consolidation

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany transactions and balances are eliminated in consolidation.

Subsidiary is fully consolidated from the date of acquisition, being the date on which the Company and its subsidiary obtain control, and continue to be consolidated until the date that such control ceases.

Acquisitions of subsidiary are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination, after reassessment, is recognized in the consolidated statements of income on the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not wholly owned and are presented separately in the consolidated statements of income and consolidated statements of changes in equity and within equity in the consolidated balances sheets, separately from the Company's equity.

Subsidiary

Subsidiary is an entity that is controlled by the Parent Company. Control exits when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of the subsidiary are included in the consolidated financial statements of the Company from the date that control commences, being the date of acquisition, until the date that control ceases.

Functional and presentation currency

Items include in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the Philippine peso). The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency.

<u>Changes in accounting policies</u>

The accounting policies adopted are consistent with the previous financial years, except as follows:

<u>*Standards, amendments and interpretations effective 2006 and onwards.*</u>

The Company has adopted the following amendments to PFRS and Philippine Interpretations [based on interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC)], during the year. Adoption of these amendments to PFRS and Philippine Interpretations did not have any effect on the financial statements of the Company. They did, however, give rise to additional disclosure.

- Amendments to Philippine Accounting Standard (PAS) 19, Employee Benefits, provided additional option to recognize all actuarial gains and losses immediately outside of profit or loss (i.e., in equity). If the new option is adopted, actuarial gains and losses are presented in a statement of changes in equity titled "Statement of Recognized Income and Expenses".

- Amendments to PAS 39, Financial Instruments: Recognition and Measurement -Amendment for Financial Guarantee Contracts, amended the scope of PAS 39 to require financial guarantee contracts that are not considered to be insurance contracts to be recognized initially at fair value and to be remeasured at the higher of the amount determined in accordance with PAS 37, Provisions, Contingent Liabilities and Contingent Assets, and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with PAS 18, Revenue.

- Amendments to PAS 39, Financial Instruments: Recognition and Measurement -Amendment for Hedges of Forecast Intragroup Transactions, amended the scope of PAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the statement of income.

- Amendments to PAS 39, Financial Instruments: Recognition and Measurement -Fair Value Option, amended the scope of PAS 39 to restrict the use of the option to designate any financial asset or any financial liability to be measured at fair value through the statement of income.

- Philippine Interpretation IFRIC 4, Determining Whether an Arrangement Contains a Lease, provided guidance in determining whether arrangements contain a lease to which lease accounting must be applied.

Adoption of the revised accounting standards and interpretation did not result to the restatement of prior year's financial statements.

Standards, amendments and interpretations effective 2007 and onwards.

The following are the new and revised accounting standards and Philippine Interpretations effective to the Company beginning year 2007 and onwards. The revised disclosures provided by these standards and Interpretations are included in the financial statements of the Company for the year 2007.

- PFRS 7, Financial Instruments: Disclosures, and the complementary amendments to PAS 1, Presentation of Financial Statements: Capital Disclosures (effective for annual periods beginning on or after January 1, 2007), introduce new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, as well as sensitivity analysis to market risk. The amendments to PAS 1 introduce disclosures about the level of an entity's capital and how it manages capital.

- PFRS 8, Operating Segments (effective for annual periods beginning on or after January 1, 2009), requires a management approach to reporting segment information. PFRS 8 will replace PAS 14, Segment Reporting, and is required to be adopted only by entities whose debt or equity instruments are publicly traded, or are in the process of filing with the Philippine SEC for purposes of issuing any class of instrument in a public market.

- Philippine Interpretation IFRIC 8, Scope of PFRS 2 (effective for annual periods beginning on or after May 1, 2006), requires PFRS 2, Share-based Payments, to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value.

- Philippine Interpretation IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after June 1, 2006), establishes that the date to assess the existence of an embedded derivative is the date an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows.

- Philippine Interpretation IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after November 1, 2006), prohibits the reversal of impairment losses on goodwill and available-for-sale equity investments recognized in the interim financial reports even if impairment is no longer present at the annual balance sheet date.

- Philippine Interpretation IFRIC 11, PFRS 2 -Group and Treasury Share Transactions (effective for annual periods beginning on or after March 1, 2007), requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or (b) the shareholders of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when the subsidiary's employees receive rights to the equity instruments of the parent.

- Philippine Interpretation IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after January 1, 2008), covers contractual arrangements arising from private entities providing public services.

The following are new IFRIC Interpretations that have been approved as of July 23, 2007 by the IFRIC:

- IFRIC Interpretation 13, Customer Loyalty Programmes (effective for annual reporting periods beginning on or after July 1, 2008) which prescribes that loyalty awards are accounted for as a separate component of the sales transaction in which they are granted, in accordance with IAS 18, Revenue. Under the Interpretation, a portion of fair value of the consideration received is allocated to the loyalty award credits and is deferred until the awards are redeemed. The Interpretation also requires that an entity must apply judgment in determining the appropriate method of measuring award credits and the other components of the sale.

- IFRIC Interpretation 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual reporting periods beginning on or after January 1, 2008) which provides that the asset ceiling test under IAS 19, Employee Benefits, limits the measurement of the net pension asset in respect of a defined benefit plan at the balance sheet date to the total of 1) any cumulative unrecognized net actuarial losses and past service costs and 2) the present value of any economic benefits that will be "available to the employer" in the form of refunds from the plan or reduction in future contributions to the plan. The Interpretation specifies that so long as refunds from the plan will be realizable at some point during the life of the plan or at a final settlement, they will be considered to be "available to the employer" at the balance sheet date, regardless of whether or not the entity intends to settle the plan. The Interpretation further clarifies that the entity controls the asset only if there is an unconditional right to the refund. The Interpretation also prescribes how the following are determined: 1) economic benefits available as a reduction in future contributions 2) how the availability of reductions in future contributions is affected by a minimum funding requirement and 3) when a minimum funding requirement may give rise to a liability.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Revenue and expense recognition

Revenue is recognized to the extent that is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Cost and expenses are charged to operation when incurred.

Interest income from bank deposits are recognized when it is determined that such income will accrue to the Company and is presented gross of applicable tax withheld by the banks.

Cash and cash equivalents

The Company's cash account represents cash in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of change in value, and bank overdrafts which are presented in the current liabilities of the balance sheet. As of December 31, 2007, the Company has money market placement with a term of less than three months and qualified as cash equivalent.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of the investee at the date of acquisition which is not identifiable to specific assets. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently, if events of changes in circumstances indicate that the carrying value may be impaired.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the costs of the business combination, the acquirer shall recognize immediately in the consolidated statement of income any excess remaining after reassessment.

Financial instruments

Date of recognition of financial assets and liabilities
The Company recognizes financial assets or a financial liability in the balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial asset that require delivery of asset within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition financial instruments
Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). The fair values of the consideration given or received are determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit or loss, includes transaction costs.

Determination of fair value
The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking price are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exists, options pricing models, and other relevant valuation model.

Financial assets at fair value through profit or loss (FVPL)
Financial assets at FVPL includes financial assets held for trading and financial assets designated upon recognition as at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling it in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contract. Gains or losses on investments held for trading are recognized in the statement of income

Financial assets maybe designated at initial recognition as at FVPL if the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are party of a group of financial assets which are manage and their performance evaluated on a fair value basis, in accordance with a document risk management or investment strategy, or
- The financial instrument contains an embedded derivative that would need to9 be separately recorded.

As of June 30, 2008 and 2007, the Company has no exposure on financial assets at FVPL.

Held-to-maturity investment (HTM)
Held-to-maturity investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Company's management has the positive intention and ability to hold to maturity. Where the Company sell other than insignificant amount of HTM investments, the entire category would be tainted and classified as available-for-sale securities. After the initial measurement, these investments are measured at amortized cost using effective interest rate method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The amortization is included in interest income in the statement of income. Gains and losses are recognized in income when the HTM investments are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of income. The effects of restatement on foreign currency denominated HTM investments are recognized in the statement of income.

As of June 30, 2008 and 2007, the Company has no exposure on HTM investments.

Receivables
Receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial assets at FVPL.

After initial measurement, the loans and receivable are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The amortization is included in interest income in the statement of income. The losses arising from impairment of such loans and receivable are recognized in the statement of income.

Available-for-sale investments (AFS)
AFS investments are those which are designated as such or do not qualify to be classified as investment at FVPL, HTM, or loans and receivables. They are purchase and held indefinitely, and maybe sold in response to liquidity requirements or changes in market conditions AFS investments includes equity investments.

Available for sale securities are non-derivative financial assets and are valued at fair market value. Any unrealized gains or losses on this account are included directly in equity.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in statement of income. Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS investments are recognized in the statement of income when the right of the payment has been established. The losses arising from impairment of such investment are recognized in the statement of income.

As of June 30, 2008 and 2007, the Company has no exposure on AFS investments.

<u>Derecognition of financial assets and liabilities</u>

Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognized where:

- The right to receive cash flows from the asset have been expired;
- The Company retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full or in without material delay to a third party under a 'pass through' arrangement; or
- The company has transferred its rights to receive cash flows from the assets and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be repaid.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

Where and existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amount is recognized in the profit or loss.

<u>Impairment of financial assets</u>

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic condition that correlate with defaults.

<u>Offsetting financial instruments</u>

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle in a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

<u>Property and equipment</u>

Property and equipment are carried at cost less accumulated depreciation and allowance for impairment loss. When assets are sold or retired, their accumulated depreciation and any allowance for impairment loss is eliminated from the accounts and any gain or loss resulting from the disposal is included in the statement of income. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets:

The initial cost of property and equipment comprises its purchase price, including import duties and taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

The cost of maintenance and minor repairs is charged to operations as incurred; significant renewals and betterments are capitalized when it is probable that future economic benefits in excess of the original assessed standards of performance of the existing asset will flow to the company. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization is removed from the accounts, and any resulting gain or loss is credited or charged to income.

The useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Provisions

Provisions are recognized when, and only when, the Company has the present obligation (legal or constructive) as a result of past event, it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current bets estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a asset but only when the reimbursement is virtually certain.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying the economic benefit is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefit is probable.

Mining exploration and development cost

Expenditures for mine exploration work prior to drilling are charged to operations. Expenditures for the acquisition of property rights and expenditures subsequent to drilling and development cost are deferred. When the exploration work and project development results are positive, these costs and subsequent mine development cost are capitalized and carried under mining exploration and development cost until the start of commercial operations when such cost are transferred to property, plant and equipment. When the results are determined to be negative or not commercially viable, the accumulated costs are written off.

Related party and related party transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities, which are under common control with the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Transactions between related parties are accounted for at arm’s length prices or on terms similar to those offered to non-related entities in an economically comparable market.

Income taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

Deferred income tax is provided, using balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all deductible temporary differences, carryforward benefit of unused tax credits (minimum corporate income tax or MCIT) and unused tax losses (net operating loss carry over or NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefit of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or settled, based on tax rate (and tax laws) that has been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added tax
Revenues, expenses and assets are recognized net of the amount of value-added tax except:

- Where the value-added tax incurred on a purchase of assets or services are not recoverable from the taxation authority, in which case the value-added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

<u>Related entities and related party transactions</u>

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

<u>Basic and diluted loss per share</u>

The Company presents basic and diluted loss per share data for its ordinary shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible preferred shares and bonds and other stock equivalents.

As of June 30, 2008 and 2007, there were no outstanding convertible preferred shares and bonds and other stock equivalents, hence, the basic and diluted loss per share are the same.

4. <u>Going concern uncertainties</u>

The accompanying financial statements have been prepared on the assumption that the Company will continue as a going concern. However, the following factors, among others, indicate that the Company may not be able to continue as a going concern:

- The Company incurred losses of P72,707,463, P14,517,211 and P11,586,277 and capital deficiency of P77,000,148, P4,292,685 and P 16,403,216 for the period ended June 30, 2008, December 31, 2007 and June 30, 2007 respectively, as shown in its financial statements.

5. <u>Significant accounting judgments and estimates</u>

PAS 1, *Presentation of Financial Statements*, requires disclosures about key sources of estimation uncertainty and judgments that management has made in the process of applying accounting policies. The following presents a summary of these significant estimates and judgments:

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations that have the most significant effect on the amounts recognized in the financial statements:

Financial assets and liabilities
The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Receivables, loans, payable and accrued expenses
The historical cost carrying amounts of receivables, advances, accounts payable and accrued expenses, which are all subject to normal credit terms, approximate their fair values.

Estimates
The key assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date 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.

Estimated allowance for impairment losses on receivables
The Company evaluates the possibility of losses that may arise out of the non-collection of receivables based on a certain percentage of the outstanding balance of receivable and on an evaluation of the current status of the account. However, as of March 31, 2007, no allowance for impairment losses was provided for, as the management believes that the receivables accounts are deemed fully collectible.

Asset impairment
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the company considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the financial statements.

Recoverability of mining exploration and project development costs
Mineral property acquisition costs are capitalized until the viability of the mineral interest is determined. Exploration, evaluation and pre-feasibility cost are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration cost and the cost incurred to develop the property are capitalized. The Group reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts,

Estimating mineral reserves and resources
Mineral reserves and resources estimates for development projects are, to a large extent, based on the interpretation of the geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of cost based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating

costs, estimated climatic conditions and other factors. Proven reserves estimates are attributed to future development projects only where there is significant commitment to project funding and execution and for which applicable government and regulatory approvals have been secured or reasonably certain to be secured.

All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from block grading and production activities of from changes in economic factors, including product prices, contact terms or development plans.

Estimates of reserves for undeveloped or partially developed areas are subject to greater uncertainty over their future life than estimates of reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven reserves will be subject to future revision once additional information becomes available. As those areas are further developed, new information may lead to revisions.

Deferred tax assets
The Company reviews the carrying amount of deferred income taxes at each balance sheet date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However there is no assurance that the company will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Company looks at its project performance in assessing the sufficiency of future taxable income.

6. Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

Risk Management Framework
This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the risk management framework. The Board has delegated to the senior management the responsibility for developing and monitoring Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The senior management is responsible for monitoring compliance with the Company's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's senior management is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported in the Company's senior management.

Credit risk
The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the statement of condition date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Company portfolio, could result in losses that are different

from those provided for at the statement of condition date. Management therefore carefully manages its exposure to credit risk.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical locations and exposures to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product and industry sector are approved regularly by the senior management or BOD depending on the amounts involved.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations. Potential loss from credit risk is also minimized by obtaining collateral and corporate and personal guarantees.

Similarly, the Company manages credit risk through a continuing review of credit policies, system and procedures. The Company monitors receivable balances on a regular basis to ensure timely execution of necessary intervention efforts. The Company also establishes credit limits at the level of the individual borrower, corporate relationship and industry sector.

Concentration of credit
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company performance to developments affecting a particular industry or geographic location.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities.

Market Risk
Market risk is the potential loss that may arise from decrease earnings due to declining price or present value of cash flows of a financial instrument. The value of these financial instruments may change as a result of changes in interest rate, foreign exchange rate, and other market changes. The Company's market risk originates from its inventory of foreign exchange and debt securities.

The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimizing the return on risk.

Interest Rate Risk
The Company follows a prudent policy on managing its resources and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

The method by which the Company measures the sensitivity of its assets and liabilities to interest rate fluctuations is by way of regular monitoring of the average weighted cost of funds of the Company. It should be noted that the Company is in a liquid position and funds its risk assets with internally generated funds.

Foreign Exchange Risk
Foreign exchange risk arises on financial instruments that are not denominated in a foreign currency other than the functional currency in which they are measured.

Financial assets and financing facilities extended to the Company were mainly denominated in Philippine Peso. As such, the Company's foreign currency risk is minimal.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market, and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management of the Company. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

7. Cash and cash equivalents

This account consists of the following:

		June 30, 2008		Dec. 31, 2007
Cash				
Cash in bank	**P**	**21,006,108**	P	790,835
Cash equivalent				
Money market placement				3,027,286
Total	**P**	**21,006,108**	P	3,818,121

8. Receivables

This account consists of:

		June 30, 2008		Dec. 31, 2007
Receivable from				
Officers and employees (subject to liquidation)	**P**	**2,768,392**		4,802,227
Others		**951,781**		
	P	**3,720,173**	P	4,802,227

9. Related party transactions

Below shows the confirmed balances of related party transactions:

		June 30, 2008		Dec. 31, 2007
Advances from:				
Shareholders and affiliates	**P**	**171,303,479**	P	71,071,886

Advances from shareholders and affiliates represents accommodation from the shareholders and affiliated companies to augment the Company's working capital.

10. Property and equipment

This account consists of

		Project Site Assets		Transportation Eqpt		Office Equipment		Drilling Eqpt		Laboratory Eqpt.		Total
Cost												
Balance as at December 31, 2007	P	-					P	450,000			P	450,000
Additions		8,060,780		520,000		51,429				1,252,644		9,884,853
Balance, June 30, 2008	P	8,060,780	P	520,000	P	51,429	P	450,000	P	1,252,644	P	10,334,853
Accumulated Depreciation												
Balance as at December 31, 2007	P	-					P	7,500			P	7,500
Additions		428,125		43,333		2,857		45,000		62,777		582,093
Balance, June 30, 2008	P	428,125	P	43,333	P	2,857	P	52,500	P	62,777	P	589,593

11. Accounts payable and accrued expenses

The account consists of the following:

		June 30, 2008		Dec. 31, 2007
Accounts payable	**P**	**420,675**	P	860,762
Accrued expenses		**10,294,181**		26,946
Total	**P**	**10,714,855**	P	887,708

12. Loss per share

Computation of basic and diluted loss per share is shown below.

		June 30. 2008		Dec. 31, 2007
Net loss for the year	**P**	**72,707,463**	P	14,517,211
Weighted average outstanding common shares		**97,506,667**		90,026,667
Basic and diluted loss per share	**P**	**0.746**	P	0.161

NIHAO MINERAL RESOURCES INTERNATIONAL, INC. & SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE

	Current	1-30 days	31-60 days	Over 60 days	Allowance for bad debts	Total
Advances to Officers and Employees	1,299,087	227,601	113,620	1,168,084	(40,000)	2,768,392
Others		477,141		474,641		951,781
	1,299,087	704,742	113,620	1,642,725	(40,000)	3,720,173