COVER SHEET

6 2 3 2 3

NIHAO MINERAL RESOURCES INTERNATIONAL, INC. AND SUBSIDIARIES

(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 17Q1 - 2009		
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 **March 31, 2009**

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.**

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

The mining claims under the Group of Companies (the "Group") under NiHAO Mineral Resources International, Inc. (the "Company") are still in the exploration stage, hence, no income were generated from the mining activities which resulted into consolidated financial losses of ₱ 3.14 million. These losses were brought about by the following:

1) P 0.95 million expenses for the Botolan Mining Claim composed of the following:

   a. Expenses incurred relative to the maintenance of a site office at Botolan by the Company's Subsidiaries : (a) Companhia Minera Tierra, Inc. and (b) Companhia Nube Minerale, Inc.;

   b. Exploration costs, permitting and other costs incurred by Mina Tierra Gracia, Inc. with respect to its EP-001-2008-III.

2) P0.19 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.

3) P1.98 million as the Company's operating expenses which were majority composed of office lease payments. Other expenses include PSE annual and listing fees, salaries, professional fees and other expenses.

4) P6 thousand representing expenses incurred for the mining claim in Antique held by Visayas Ore Philippines, Inc.. These were used mainly for the renewal of business permits and licenses for 2009.

Total liabilities amounted to P235.4 million, of which P184.29 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 P83.97 million were used by the Company to acquire 100% of the following companies:

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 P128.14 million due to the acquisition of the subsidiaries.

Total deficits amounted to P207.48 million which caused the Company's negative stockholders' equity to reach P107.21 million .

March 31, 2009 as compared with March 31, 2008

a. Decrease in Losses

As of 31 March 2009, the Company recognized losses amounting to P3.14 million, which is 21 times lower than the losses as of 31 March 2008. The substantial decrease in losses is attributable to the temporary suspension of operations in the Botolan and Manticao Mining Claims. The Group's management and technical team decided to temporarily suspend the exploration activities as stockholders has likewise suspended funding to these claims because of the low nickel price and the current global economic crisis. Exploration is expected to resume once proceeds from SRO are secured and when nickel prices revert to former levels.

b. Decrease in total assets :

Total consolidated assets as of the end of the first three months of 2009 was recorded at P128.14 million while total assets as of the same period last year is P131.49 million. This decrease in total assets of P3.34 million is the net result of the following:

- b.1 Decrease in cash due to additional expenses for the exploration activities conducted in Botolan Mining Claim;
- b.2 Ore inventory amounting to P 4.30M from the small scale mining operations conducted by Companhia Nube Minerale, Inc. within the Botolan Mining Claim in conjunction with the test shipments made in 2008;
- b.3 Increase in other current assets brought about by additional advance payments to suppliers and increase in input tax due to various expenses and acquisitions in 2008.
- b.4 additional acquisition of site assets including transportation and office equipment;
- b.5 decrease in goodwill due to collection of subscription receivable from the former stockholders of Mina Tierra Gracia, Inc.;
- b.6 deferred tax assets brought about by benefits from net loss carry over (nolco) and from allowance from uncollectible receivables;
- b.7 decrease in other non-current assets due to application of advance royalty payments against inventory costs and cost of ores delivered to buyers relative to test shipments made in 2008.

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, OYEZ!!! Corporation and from other companies which stood at P32.92 million. These advances were used to fund the acquisition of the Company's subsidiaries and 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 issuance of its authorized capital stock of 100Million shares.

Key Performance Factors:

	March 2009	March 2008
Net Income (Loss)	(P 3,135,361)	(P64,383,474)
Total Current Assets	20,923,199	21,144,365
Current Liabilities	7,188,424	4,914,524
Total Liabilities	235,359,648	200,165,962
Stockholders' Equity	(107,214,361)	(68,676,159)
Debt to Equity Ratio	(2.20)	(2.91)
Current Ratio		
(P 20,923,199/ 7,188,424)	2.91	
(P 21,144,365 / 4,914,524)		4.30
Loss per share		
(P 3,135,361/100,000,000)	P0.03	
(P64,383,474 /93,766,667)		P 0.69

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 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 31 March 2009.

Location	Name of Claim	Permit Description	Validity	Permittee/ Applicant	Area Covered (in hectares)
Zambales					
Botolan and Iba	Botolan Mining Claim	EP-001-2008-III (**)	2 years or until 12 February 2010	Mina Tierra Gracia, 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:
(**) Transfer of EP from Saprolite Mining, Inc. to to Mina Tierra was approved by MGB on September 23, 2008.

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	5,081.6408

GEOGRACE Tenements

Affiliate Company	EPA #	location	Area (has.)
Nickeloadeon Mines, Inc.	AEP-III-08-07	Palauig and Tarlac	9,958

Affiliate Company	EPA #	location	Area (has.)
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'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.

On September 23, 2008, the assignment of the Exploration Permit denominated as EP-001-2008-III of Saprolite Mining, Inc. to Mina Tierra Gracia, Inc. was approved by the Mines and Geosciences Bureau of the Department of Environment and Natural Resources.

STOCK RIGHTS OFFERING

On January 14, 2009, the PSE approved the application of the Company 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 qualified shareholders of record as of February 16, 2009.

On January 29, 2009, however, in view of the recent developments in the negotiations with a potential strategic investor/partner which may affect the work program on the Use of Proceeds from the Offer, the Company's Board of Directors resolved to defer the conduct of its 5:1 Stock Rights Offering.

The Company has appointed AB Capital and Investment Corporation as issue manager and underwriter for the Offer.

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.

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.

FINANCIAL RISK EXPOSURE

Please refer to Note 14 of the notes to the financial statements.

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.

NOT APPLICABLE

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:

JERRY C. ANGPING
President

DAVID C. DELA CRUZ
Treasurer / Chief Financial Officer
/Compliance Officer

Date signed: 5/14/09

Date signed: 5/14/09

NIHAO MINERAL RESOURCES INTERNATIONAL, INC.
INDEX TO FINANCIAL STATEMENTS

FORM 17-Q, Item 1

Consolidated Financial Statements

Consolidated Balance Sheets as of March 31, 2009 and December 31, 2008
Consolidated Statement of Income For the Three Month Period Ending March 31, 2009 and 2008
Statements of Changes in Stockholders Equity
Consolidated Statement of Cash Flows For the Three Month Period Ending March 31, 2009 and 2008
Notes to Consolidated Financial Statements

NIHAO RESOURCES INTERNATIONAL, INC. AND SUBSIDIARIES
BALANCE SHEETS

	Notes		Unaudited Consolidated March 31, 2009		Audited Consolidated December 31, 2008
ASSETS					
Current Assets					
Cash and cash equivalents		₱	637,504	₱	1,142,579
Accounts receivable	4		3,529,055		3,183,346
Inventories	5		4,295,582		4,295,582
Other current assets	6		12,461,058		12,303,591
Total Current Assets			20,923,199		20,925,098
Noncurret Assets					
Property and Equipment - net	7		10,625,462		11,093,912
Mining Rights	8		49,496,586		49,496,586
Deferred Tax Assets			8,692,311		8,692,311
Other Assets	9		38,407,730		38,186,763
Total Noncurrent Assets			107,222,089		107,469,572
		₱	128,145,287	₱	128,394,670
LIABILITIES & STOCKHOLDERS' EQUITY					
Liabilities					
Accounts payable and other current liabilities	10	₱	7,188,424	₱	7,170,906
Accounts Payable - Others	11		228,171,224		225,302,763
Total Liabilities			235,359,648		232,473,669
Stocholder's Equity					
Capital Stock - P1 par value					
Authorized - 100,000,000 shares					
Issued - 100,000,000 shares	12		100,000,000		100,000,000
Additional Paid-In Capital	12		271,465		271,465
Deficit			(207,485,826)		(204,350,464)
Total Stockholders' Equity			(107,214,361)		(104,078,999)
		₱	128,145,287	₱	128,394,670

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

		Jan 1 to March 31, 2009 (Three Months)		Jan 1 to March 31, 2008 (Three Months)
REVENUES	₱		₱	
EXPENSES		3,136,672		17,010,424
INCOME (LOSS) BEFORE OTHER LOSSES		(3,136,672)		(17,010,424)
OTHER (INCOME) EXPENSES		(1,311)		47,373,050 -
NET INCOME (LOSS)	₱	(3,135,361)	₱	(64,383,474)
WEIGHTED AVE. NUMBER OF COMMON SHARES		100,000,000		93,766,667
Loss Per Share		(0.031)		(0.687)

Note: No dividends declared during the period

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

		Unaudited March 31, 2009		Audited December 31, 2008		Unaudited March 31, 2008		Audited December 31, 2007
CAPITAL STOCK - P 1 par value								
Authorized - 100,000,000 shares								
Issued - 100,000,000 shares	₱	100,000,000	₱	100,000,000	₱	100,000,000	₱	100,000,000
Additional Paid - in Capital		271,465		271,465		271,465		271,465
		100,271,465	₱	100,271,465	₱	100,271,465	₱	100,271,465
DEFICIT								
Balance at beginning of period, Parent		204,350,464		104,537,150		104,537,150		90,046,939
Increase in deficit due to acquisition of subsidiaries				(46,335,555)				
Net Income (loss)		(3,135,361)		(53,477,759)		(64,383,474)		(14,490,211)
Balance at end of period		207,485,826		204,350,464		168,920,624		104,537,150
STOCKHOLDERS' EQUITY, END	₱	(107,214,361)	₱	(104,078,999)	₱	(68,649,159)	₱	(4,265,685)

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

		January 1 to March 31, 2009 (Three Months)		January 1 to March 31, 2008 (Three Months)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	₱	(3,135,361)	₱	(64,383,474)
Adjustment to reconcile net loss to net cash provided by operating activities				
Depreciation		468,450		472,905
Changes in operating assets and liabilities				
Decrease (increase) in :				
Accounts receivable		(345,709)		(17,108,568)
Other current assets		(157,467)		(504,242)
Increase (decrease) in :				
Accounts payable and accrued expenses		17,518		23,836,816
Other Liabilities				3,690,000
Net cash provided by operating activities		(3,152,569)		(53,996,563)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment and advances				
Disposals (acquisitions) of property and equipment		-		(8,799,322)
Decrease (increase) in other assets		(220,967)		(280,550)
Net cash used in investing activities		(220,967)		(9,079,872)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payable - Others		2,868,461		70,433,940
Long-term borrowings				
Net cash provided by (used in) financing activities		2,868,461		70,433,940
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(505,075)		7,357,505
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		1,142,579		3,818,121
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱	637,504	₱	11,175,626

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – CORPORATE INFORMATION

NiHAO Mineral Resources International, Inc., (the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 9, 1975 as a mining company under the name Summit Minerals, Inc. On October 3, 1990, the Parent Company's shares were offered to the public and listed on the PSE. On December 10, 1993, the Parent Company changed its primary purpose to that of a holding company. Subsequently, on February 24, 1994, the Parent Company changed its corporate name to "Magnum Holdings, Inc." On June 28, 2007, the Parent Company changed its corporate name to "NiHAO Mineral Resources International, Inc." and its primary purpose to that of a mining company.

The Parent 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 nickel, chromite, and other kinds of ores, metal, minerals and by-products.

As of December 31, 2008, the Parent Company has four (4) mining claims located in the provinces of Zambales, Misamis Oriental, North Cotobato, and Antique. In addition, the Parent Company operated three (3) Small-Scale Mining Claims in Botolan, Zambales as well as a Small-Scale Mining Claim in Manticao, Misamis Oriental. The Company's Mining Claims and Small-Scale Mining Claims cover a total area of approximately 20,841 hectares.

The consolidated financial statements as of and for period ended March 31, 2009 and for the year ended December 31, 2008 comprise the accounts of the Parent Company and its Subsidiaries collectively referred to as (the "Group"). The subsidiaries of the Parent Company are the following:

a. **Mina Tierra Gracia, Inc.,** was incorporated in the Republic of the Philippines on June 6, 2007, primarily to carry on the business of mining, milling, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging, and otherwise producing and dealing in nickel, chromite, and other kinds of ores, metal, minerals and by-products.

   Mina Tierra Gracia, Inc. is the registered owner of a mining claim covering approximately 5,081 hectares of nickel property located in the town of Botolan, Zambales, covered by an Exploration Permit denominated as EP-001-2008-III ("the Botolan Mining Claim").

   Mina Tierra Gracia, Inc., is itself a parent and wholly owns the following corporations which are also consolidated in the financial statements of the Group:

   - **Minedomain, Inc.**, incorporated on October 25, 2006, with a pending application for Small Scale Mining Permit labeled as ASSMP-Z-346-BT covering 5 hectares within the Botolan Mining Claim and a Small Scale Mining Permit denominated as SSMP No. 2008-006 covering 20 hectares of property within the Manticao Mining Claim issued issued by the Province of Misamis Oriental.

- **Companhia Nube Minerale, Inc.,** incorporated on June 18, 2007, is a holder of a Small Scale Mining Permit marked as SSMP No. NI-BTZ-061308-0001 issued by the Province of Zambales covering 5 hectares within the Botolan Mining Claim.

- **Companhia Minera Tierra, Inc.**, incorporated on June 18, 2007, is a holder of a Small Scale Mining Permit marked as SSMP No. NI-BTZ-061308-0002 issued by the Province of Zambales covering 5 hectares within the Botolan Mining Claim.

b. **Visayas Ore Philippines, Inc.** was incorporated on October 31, 2006, primarily to carry on the business of mining, milling, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging, and otherwise producing and dealing in nickel, chromite, and other kinds of ores, metal, minerals and by-products.

Visayas Ore Philippines, Inc. has two exploration permit applications: 1) EPA-000077-VI covering approximately 2,374 hectares of nickel and chromite property located in Patnongon, Valderama and San Remigio in Antique; and 2) EXPA-095-XII covering approximately 11,441.25 hectares located in the municipality of Antipas, Cotobato.

c. **Bountiful Geomines, Inc.** was registered with the Securities and Exchange Commission on September 14, 2007, primarily to carry the business of mining, mills, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging, and otherwise producing and dealing in nickel, chromite, and other kinds of ores, metal, minerals and by products.

Bountiful Geomines, Inc. holds an exploration permit application denominated as EPA-000093-X covering a total area of 1,944 hectares of nickel and chromite property located in Manticao, Misamis Oriental ("the Manticao Mining Claim").

The group is still in its development stage and has not yet started its normal commercial and principal operation.

As an entity under development stage, management is currently undertaking the following business strategies:

- Continue to expedite completion of its exploration work programs to further define and enhance resource/reserve estimates of its mining claims.
- Build up the Company's operating capabilities to explore and develop the mining claims.
- Enter into strategic alliances and joint ventures that will further strengthen the Company's operating capabilities.
- Establish a strong base of foreign clients.
- Expand into nickel processing.
- Pursue strategic leveraging on management's experience and expertise.

The Group's registered office address is located at 107 L. P. Leviste Street Salcedo Village, Makati City.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of financial statements preparation

Statement of Compliance with Philippine Financial Reporting Standards
The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These financial statements have been prepared on the historical cost basis.

Functional and Presentation Currency
Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Parent Company operates (the "functional currency"). The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency.

All values are rounded to the nearest one peso (₱ 1), except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of March 31 of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Group using consistent accounting policies.

Subsidiaries
Subsidiaries are entities over which the Parent Company has the power to govern the financial and operating policies of the entities, or generally has an interest of more than one half of the voting rights of the entities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group or Parent Company directly or through the holding companies.

Control is achieved where the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. They are deconsolidated from the date on which control ceases.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognized in assets are eliminated in full. However, intra-group losses that indicate impairment are recognized in the consolidated financial statements.

The Parent's subsidiaries and its percentage of ownership on these subsidiaries are as follows:

	Ownership Interest	
Name of Subsidiary	**March 2009**	December 2008
MINA TIERRA GRACIA, INC.	**100%**	100%
VISAYAS ORE PHILIPPINES, INC.	**100%**	100%
BOUNTIFUL GEOMINES, INC	**100%**	100%

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, continued

Subsidiaries of MINA TIERRA GRACIA, INC.

	Ownership Interest	
Name of Subsidiary	**March 2009**	December 2008
COMPANHIA MINERA TIERRA, INC	**100%**	100%
COMPANHIA NUBE MINERALE, INC.	**100%**	100%
MINEDOMAIN, INC.	**100%**	100%

Impact of New Amendments and Interpretations to Existing Standards

(a) Effective in 2008 that are relevant to the Group

In 2008, the Group adopted for the first time the following new interpretation and amended standard which is mandatory in 2008.

- PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement* and PFRS 7 (Amendment), *Financial Instruments: Disclosures* (effective from July 1, 2008). The amendments permit an entity to:

  • Reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of fair value through profit or loss category in particular circumstances; and

  • Transfer from the available for sale category to the loans and receivable category those financial assets that would have met the definition of loans and receivables, provided that the entity has the intention and the ability to hold those financial assets for the foreseeable future.

  The amendments are applicable in a partially retrospective manner up to July 1, 2008 provided that the reclassification was made on or before November 15, 2008, the cut-off date set by the FRSC. After the cut-off date, all reclassifications will only take effect prospectively. As the Group did not exercise the option to reclassify its financial assets; hence, it determined that the adoption of these amendments has no impact on the 2008 financial statements. The first time application of these interpretation and amendments has not resulted in any prior period adjustments of the financial statements.

(b) Effective in 2008 but are not relevant to the Group

The following interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2008 but are not relevant to the Group's operations:

- Philippine Interpretation IFRIC 11: *Group and Treasury Share Transaction*
- Philippine Interpretation IFRIC 12: *Service Concession Arrangements*
- Philippine Interpretation IFRC 13: *Customer Loyalty Programmes*
- Philippine Interpretation IFRIC 14 : PAS 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

(c) Effective subsequent to 2008

There are new and amended standards that are effective for periods subsequent to 2008. The following new standards, effective for annual periods beginning on or after January 1, 2009, are relevant to the Group which the Group will apply in accordance with their transitional provisions.

- PAS 1 (Revised 2007) : *Presentation of Financial Statements*
- PAS 23 (Revised 2007) : *Borrowing Costs*
- PAS 32 (Amendment) : *Financial Instruments : Presentation*
- PAS 1 (Amendment) : *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

Below is a discussion of the possible impact of these interpretations / standards.

(i) PAS 1 (Revised 2007), *Presentation of Financial Statements* (effective from January 1, 2009). The amendment requires an entity to present all items of income and expense recognized in the period in a single statement of comprehensive income or in two statements: a separate income statement and a statement of comprehensive income. The income statement shall disclose income and expense recognized in profit and loss in the same way as the current version of PAS 1. The statement of comprehensive income shall disclose profit or loss for the period, plus each component of income and expense recognized outside of profit and loss classified by nature (e.g., gains or losses on available-for-sale assets or translation differences related to foreign operations). Changes in equity arising from transactions with owners are excluded from the statement of comprehensive income (e.g., dividends and capital increase). An entity would also be required to include in its set of financial statements a statement showing its financial position (or balance sheet) at the beginning of the previous period when the entity retrospectively applies an accounting policy or makes a retrospective restatement.

The Group will apply PAS 1 (Revised 2007) in its 2009 financial statements.

(ii) PAS 23 (Revised 2007), *Borrowing Costs* (effective from January 1, 2009). Under acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. The option of immediately expensing borrowing costs that qualify for asset recognition has been removed.

The Group shall apply the standards accordingly when transactions arise.

(iii) PAS 32 (Amendment), *Financial Instruments: Presentation* and PAS 1 (Amendment), *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* (effective from January 1, 2009). The amendments require certain financial instruments that represent a residual interest in the net assets of an entity, which would otherwise be classified as financial liabilities, to be classified as equity, if both the financial instrument and the capital structure of the issuing entity meet certain conditions.

The Group shall apply the standards accordingly when transactions covered by the standards arise.

Financial assets

Financial assets include cash and other financial instruments. Financial assets, other than hedging instruments, are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and cash equivalents

Cash is valued at face amount. The Group considers all highly liquid instruments purchased with maturity of three months or less from date of acquisition and that are subject to an insignificant risk of change in value as cash equivalents. As at March 31, 2009, the Group has no cash equivalents.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated income statement. The foregoing categories of financial instruments are more fully described below.

(a) Financial Assets at Fair Value through Profit or Loss

This category include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling it in the near term or if so designated by management. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the balance sheet date. Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of fair value through profit or loss category if they are no longer held for the purpose of being sold or repurchased in the near term.

As of March 31, 2009 and December 31, 2008, the Group has no exposure on financial assets at FVPL.

(b) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

(c) Held-to-maturity Investments

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to maturity if the Group has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are included in non-current assets under Financial Assets account in the balance sheet, except those maturing within 12 months of the balance sheet date. Held-to-maturity investments are measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

As of March 31, 2009 and December 31, 2008, the Group has no exposure on HTM investments.

(d) Available-for-sale Financial Assets

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 Group 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 consolidated statement of income when the right of the payment has been established. The losses arising from impairment of such investment are recognized in the consolidated statement of income.

As of March 31, 2009 and December 31, 2008, the Group has no exposure on AFS investments.

Derecognition of financial assets

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

- The right to receive cash flows from the asset have been expired;
- The Group 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 Group 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 Group 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 Group’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 Group could be repaid

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, continued

Impairment of financial assets

The Group 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.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed based on carrying values of the property using the straight-line method over their estimated useful lives.

The estimated useful lives of the property are as follows:

Property and equipment		Estimated life
Office furniture and equipment	:	3 years
Household equipment	:	3 years
Leasehold improvement	:	5 years
Drilling and exploration equipment	:	5 years
Core house and field camp		5 years
Transportation equipment	:	5 years
Laboratory equipment	:	5 years

The Group's management periodically monitors the conditions of the property and equipment as well as the depreciation method used and the estimates on related useful lives to ensure that estimates adopted represent the actual situation (see Note 7).

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to working condition. Subsequent expenditures are added to carrying amount of the asset when it is probable that future economic benefits, in excess of the original assessed standard of performance, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is credited or changing to current operations.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, continued

Financial liabilities

Financial liabilities include accrued expenses and other current liabilities and advances from related parties which are measured at amortized cost using the effective interest rate method. Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. Accrued expenses and other current liabilities and advances from related parties are initially recognized at their fair value and subsequently measured at amortized cost less settlement payments. Dividend distributions to shareholders are recognized as financial liabilities when the dividends are approved by the shareholders.

Financial liabilities are derecognized from the consolidated balance sheet only when the obligations are extinguished either through discharge, cancellation or expiration.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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 consolidated balance sheet.

Equity (capital deficiency)

Capital stock is determined using the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Retained earnings (deficit) include all current and prior period results as disclosed in the income statement.

Related party and relationships

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.

Provisions

Provisions are recognized when, and only when, the Group 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 Group 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 consolidated 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 consolidated financial statements but disclosed when an inflow of economic benefit is probable.

Revenue and expense recognition

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

Interest income is recognized as the interest accrues. Interest income arises mainly from cash in banks.

Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term.

Impairment of Non-financial Assets

The Group's investments in subsidiaries and property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Any impairment loss is recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, continued

Employee benefits and retirement plan

(a) *Short term benefits*
The Group provides short term benefits to its employees in the form of basic salary, 13th monthly pay, employer's share on government contribution, and other short term benefits that are presented as part of "*salaries and employees benefits*".

(b) *Retirement benefits*
Republic Act No. 7641 (New Retirement Law) took effect on January 7, 1993. Under the new law, the Group is required to provide minimum benefit benefits to qualified retiring employees. The Group has no formal retirement plan yet. It also did not accrue post-employment retirement benefit expenses, and pension benefit obligation in its financial statements.

The Group's management believes that non-accrual of retirement benefit expense and pension benefit obligation is immaterial to the financial statements.

Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, continued

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.

As at March 31, 2009, deferred tax assets recognized amounted to **₱ 8,692,311** as management believes that there will be sufficient profits in the near future against which the tax assets will be utilized.

Basic and diluted loss per share

The Group 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 Group 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 March 31, 2009 and December 31, 2008, there were no outstanding convertible preferred shares and bonds and other stock equivalents, hence, the basic and diluted loss per share are the same.

NOTE 3 – SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the accompanying consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the financial statements:

- *Revenue, cost and expense recognition.* The Group makes judgment as to the timing of recognition of revenue, costs and expenses.

- *Impairment of assets.* The Group assesses impairment of assets whether events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The Group recognizes an impairment loss whether the carrying amount of an asset exceeds its recoverable amounts. The recoverable amount is the value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while the value in use is the present value of the 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.

- *Realizable amount of deferred tax assets.* The Group reviews its deferred tax assets at each balance sheet date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized (see Note 2).

- *Provisions and Contingencies.* Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.

Critical Accounting Estimates and Assumptions

The key assumptions concerning the future and other sources of estimating uncertainty at the balance sheet date that are significant to the carrying value of assets and liabilities are as follows:

- *Estimating useful lives of property and equipment.* The useful life of each of the Group's property or equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates.

- *Provisions and Estimated allowance for impairment losses on receivables.* The Group 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. As of March 31, 2009, there was no allowance for impairment losses was provided for, as the management believes that these receivables accounts are deemed collectible.

- *Valuation of Financial Assets and Liabilities.* The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity.

  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 due to short term nature of the transactions.

NOTE 3 – SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES, continued

- *Recoverability of mining exploration and project development cost.* 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 Group 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 Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Group looks at its project performance in assessing the sufficiency of future taxable income.

NOTE 4 – RECEIVABLES

Receivables that are less than one year past due were not considered for impairment. As of March 31, 2009 and Dec.31, 2008, receivables and advances of ₱ 3,529,055 and ₱ 3,183,346, respectively, were past due but not impaired. These represent advances and receivables from a number of employees.

The ageing analysis of these receivables is as follows:

		March 2009		Dec. 2008
Current to 60 days	₱	**576,331**	₱	
More than 60 days		**2,952,724**		3,183,346
	₱	**3,529,055**	₱	3,183,346

NOTE 4 – RECEIVABLES, continued

The carrying amounts of the Group's receivables are as follows:

	March 2009	Dec. 2008
Receivables from employees	**₽ 3,569,055**	₽ 3,223,346
Others	**3,217,867**	3,217,867
	6,786,922	6,441,213
Allowance for impairment	**(3,257,867)**	(3,257,867)
	₽ 3,529,055	₽ 3,183,346

NOTE 5 – INVENTORIES

Inventories are valued at the lower of cost and Net Realized Value (NRV). NRV is the selling price in the ordinary course of business, less the cost of marketing and distribution. The Group valued its inventory at cost.

Costs include amount billed by Saprolite Mining, Inc. to the Group which comprise of drilling, trenching, royalty fee based on P50,000 per WMT and other related labor and operating overhead based on normal operating capacity

NOTE 6 – OTHER CURRENT ASSETS

Other current assets consist of excess input tax not yet applied by the Group and advances to suppliers for payments made to surface rights owners and to other contractors.

NOTE 7 – PROPERTY AND EQUIPMENT

This account consists of as of March 31, 2009:

	Office and household equipment	Transportation	Improvement	Drilling and exploration equipment	Laboratory equipment	Core house and field camps	Total
Cost							
Balance, beginning	₽ 2,722,019	₽ 1,458,900	₽ 6,406,849	₽ 501,864	₽ 1,252,644	₽ 134,478	₽ 12,476,754
Additions							
Disposal	-	-	-	-	-	-	-
Balance, end	2,722,019	1,458,900	6,406,849	501,864	1,252,644	134,478	12,476,754
Accumulated depreciation							
Balance, beginning	840,744	163,760	53,095	114,788	188,042	22,413	1,382,842
Depreciation	219,687	72,945	79,642	26,822	62,632	6,722	468,450
Disposal	-	-	-	-	-	-	-
Balance, end	1,060,431	236,705	132,737	141,610	250,674	29,135	1,851,292
Net book value , end	₽ 1,661,588	₽ 1,222,195	₽ 6,274,112	₽ 360,254	₽ 1,001,970	₽ 105,343	₽ 10,625,462

Depreciation during the quarter amounted to ₽ **468,450**.

NOTE 7 – PROPERTY AND EQUIPMENT, continued

As at December 31, 2008, the forward analysis of property and equipment follows:

	Office and household equipment	Transportation	Improvement	Drilling and exploration equipment	Laboratory equipment	Core house and field camps	Total
Cost							
Balance, beginning	₱ -	₱ -	₱ -	₱ 450,000	₱ -	₱ -	₱ 450,000
Additions	2,722,019	1,458,900	6,406,849	51,864	1,252,644	134,478	12,026,754
Disposal	-	-	-	-	-	-	-
Balance, end	2,722,019	1,458,900	6,406,849	501,864	1,252,644	134,478	12,476,754
Accumulated depreciation							
Balance, beginning	-	-	-	7,500	-	-	7,500
Depreciation	840,744	163,760	53,095	107,288	188,042	22,413	1,375,342
Disposal	-	-	-	-	-	-	-
Balance, end	840,744	163,760	53,095	114,788	188,042	22,413	1,382,842
Net book value , end	₱ 1,881,275	₱ 1,295,140	₱ 6,353,754	₱ 387,076	₱ 1,064,602	₱ 112,065	₱ 11,093,912

NOTE 8 – MINING RIGHTS

On October 16, 2007, the Board of Directors approved the acquisition of the entire issued and outstanding capital stocks of Mina Tierra Gracia, Inc. from its existing stockholders.

Mina Tierra Gracia, Inc. owns the Botolan Mining Claim which was the basis of the acquisition cost of P61,469,586 based on the Mine Valuation Report of Minercon International, Inc. dated September 18, 2007.

NOTE 9 – OTHER NON-CURRENT ASSETS

	March 2009	December 2008
Advances royalties	₱ **6,878,450**	₱ 6,878,450
Rental deposit	**334,550**	334,550
Other non-current receivables	**31,194,760**	30,973,763
	₱ **38,407,730**	₱ 38,186,763

The advance royalty represents cash advances made by Companhia Nube Minerale Inc., a wholly owned subsidiary of the Parent Company to a mining Corporation, Concorde International Mineral Mining Corporation (“Concorde”), claimowner of 2,564 hectares of mining claim located in Botolan, Iba, Zambales pursuant to an Operating Agreement which provides for the physical possession and beneficial use over the mining claim to the Company. The cash advance to Concorde was authorized and approved in a joint meeting of the Stockholders and the Board of Directors of Companhia Nube Minerale, Inc. on February 22, 2008.The agreement was validated on September 16, 2008 and was subsequently disclosed to the Philippine Stock Exchange.

NOTE 9 – OTHER NON-CURRENT ASSETS, continued

Other non-current receivables represent the Group's unsecured and non-interest bearing advances to other parties.

NOTE 10 – ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

This account includes the following:

		March 2009		December 2008
Accounts payable	₱	**4,537,210**	₱	4,585,100
Accrued expense		**2,219,526**		2,154,118
Others		**431,688**		431,688
	₱	**7,188,424**	₱	7,170,906

NOTE 11 – ACCOUNTS PAYABLE - OTHERS

		March 2009		December 2008
Accrued exploration cost	₱	**23,500,000**	₱	23,500,000
Other non-current liabilities		**204,671,224**		201,802,763
	₱	**228,171,224**	₱	225,302,763

Accrued exploration cost relate to the costs of projects that are currently on-going. The recovery of these costs depends upon the success of exploration activities and future development of the corresponding mining properties or the discovery of ores, metal and minerals.

Other non-current liabilities are non-interest bearing and non-secured obligations obtained by the Group from stockholders amounting to P184.29 Million on March 2009 and P 181.49 Million on Dec. 2008 and other parties.

NOTE 12 – CAPITAL STOCK

This account consists of:

	Shares		**Amount**	
	March 2009 ***(in millions)***	Dec 2008 *(in millions)*	**March 2009** ***(in millions)***	Dec 2008 *(in millions)*
Authorized – 100,000,000 shares @ P1 par value				
Issued and outstanding:				
Balance, beginning	**100.00**	100.00	₱ **100.00**	₱ 100.00
Issuance during the year	**-**	-	**-**	-
Balance, end	**100.00**	100.00	₱ **100.00**	₱ 100.00

On March 12, 2008, the Company issued 14,960,000 Common Shares to convert the advances from Mr. Chia Kim Teck and OYEZ!!! Corporation in the aggregate amount of P15,041,465, which resulted to an additional paid-in-capital of ₱81,465.

NOTE 13 – BASIC AND DILUTED LOSS PER SHARE

This account consists of:

		March 2009		Dec. 2008
Net loss	₱	**3,135,361**	₱	61,078,817
Divided by: weighted average number of shares		**100,000,000**		100,000,000
	₱	**0.031**	₱	0.611

Loss per share is computed based on the weighted average number of common shares outstanding during each year adjusted for any stock dividend declared, if any. No stock options, warrants, and debenture bonds were offered, exercised nor converted for the year and the Parent Company has no potential common shares.

NOTE 14 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The management takes charge of the Group's overall risk management strategies which is focused on actively monitoring and securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk particularly on (i) credit risk, (ii) liquidity risk, and (iii) foreign exchange risk.

These financial risk factors arise from its financial instruments which comprise of financial assets such as regular bank deposits and receivables. The financial debt instruments are accounts payable, accrued expenses and loans payable. These debts and obligations were used to fund operating, investing and financing activities.

The Board of Directors set policies on the operating, investing and financing activities together with their reporting and monitoring as well as overall financial risk management.

The Group is not engaged in trading of financial assets for speculative purposes nor does it write options. The Group's risk management policies are summarized below:

Market risk

(i) Credit risk

By the nature of the Company's service to its customers and holding of certain investments (e.g., Deposits in banks, receivables, etc.), the Company is exposed to credit risk of counterparty, and the Company's exposure to credit risk from these financial assets, in case of default of the counterparty, is the carrying amount of these financial assets. The Group has established controls and procedures in its credit policy to determine and monitor the credit worthiness of its customers.

NOTE 14 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, cont'd

(ii) Liquidity risk

The Group seeks to manage its liquidity profile to be able to service its maturing debts, and to finance operating and capital requirements. The Group maintains a level of cash on hand and in banks to cover liquidity needs. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.

(iii) Foreign exchange risk

Foreign exchange risk arises on the 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 Group were mainly denominated in Philippines Peso. As such, the Group'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 Group'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 Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group'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 Group. 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.

As of March 31, 2009, the Group has not yet started its commercial operation.

NOTE 15 – CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and to maintain an optimal capital structure to reduce the cost of capital by pricing its products commensurately with the level of risk assumed.

NOTE 15 – CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES, continued

The Group monitors capital on the basis of the carrying amount of equity as presented in the face of the balance sheet. Capital for reporting periods under review is summarized below:

- The Group's goal in capital management is to eventually wipe out its capital deficiency so as to improve its debt-to-equity position.

- The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares or reduce debt.

	March 2008		December 2008	
Total liabilities	**₱**	**235,359,648**	₱	232,473,669
Total capital deficiency	**₱**	**107,214,361**	₱	104,078,999

The Group is not subject to any externally imposed capital requirement.