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

12	31	SEC 17Q1-2011		
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

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, 2011**

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	**680,000,000 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- 680,000,000 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

March 31, 2011 vs. December 31, 2010

Since the first quarter of 2009, NiHAO Mineral Resources International, Inc. (the "Company" or "NiHAO") and subsidiaries (the "Group") has downscaled their exploration and small-scale mining operations until there will be improvements in nickel prices and economic conditions. The Group's mining claims are still in the exploration stage where no income can be generated. For the first quarter of 2011, total operating expenses incurred by the Group to keep it as a going concern amounted to ₱2.40 million.

In March 2010, the Company has acquired 30% of the issued and outstanding capital stock of Oriental Vision Mining Philippines Corporation (ORVI). During the first quarter of 2011, ORVI was not able to conduct ore shipment activities due to weather constraints. At its location in Mt. Palhi, Municipality of Loreto & Tubajon, Dinagat Province, shipments were usually conducted between the months of April to October. As a result, ORVI reported an operating loss of ₱ 10.93 million, with NiHAO's 30% share equivalent to ₱3.28 million.

On March 10, 2011, the Company executed the following transactions:

(a) The acquisition from the existing stockholders of OREGALORE, Inc. (OREGALORE) of Thirty Thousand (30,000) shares, with a par value of One Hundred Pesos (₱100.00) per share, in OREGALORE, equivalent to one hundred percent (100%) of the outstanding capital stock thereof, for the purchase price of Three Million Pesos (₱ 3,000,000.00);

(b) The acquisition by NiHAO of all shareholder advances in OREGALORE amounting to One Hundred Twenty Five Million Four Hundred Seventy Eight Thousand Three Hundred Four and 62/100 Pesos (₱ 125,478,304.62), for the discounted price of One Hundred Five Million Pesos (₱ 105,000,000.00); and

OREGALORE is a corporation duly organized and existing under Philippine laws. OREGALORE owns eighty percent (80%) of the outstanding capital stock of Masbate 13 Philippines, Inc. (Masbate 13). Masbate 13 is the owner of a gold mining claim described as follows:

- License : Exploration Permit No. V-2008-005 issued on February 7, 2008
- Location : Municipalities of Milagros and Magdaon, Province of Masbate
- Coverage / Area : 16,129.1308 hectares

The acquisition at par of OREGALORE and the assignment of receivables resulted to a loss of ₱ 3.25 million and a net gain of ₱ 20.48 million, respectively.

As a result of the above, the Group reported a net income after taxes of ₱ 12.45 million.

Total liabilities as of March 31, 2011 amounting to ₱8.28 million was 45% or ₱ 2.48 million higher than the ₱ 5.52 million as of December 31, 2010. The increase in total liabilities is attributable to the advances from former stockholders of Masbate13 to cover exploration expenses incurred to secure Exploration Permit of its tenement located at at Municipalities of Milagros and Magdaon, Masbate.

Total consolidated assets stood at ₱524.15 million, a 9% or ₱ 44.8 million increase from ₱ 479.36 million as of December 31, 2010.

Total deficits amounted to ₱ 222.27 million from ₱ 234.71 million as of December 31, 2010.

March 31, 2011 vs. March 31, 2010

a. Net income for the first quarter of 2011:

As of March 31, 2011, the Company recognized a consolidated comprehensive net income of ₱12.45 million, a complete turn around from recorded losses as of March 31, 2010 of ₱ 1.81 million.

b. Increase in Total Assets:

Total consolidated assets as of the end of March 31, 2011 were recorded at ₱524.15 million, while total assets as of the same period last year amounted to only ₱358.10 million. The 46% or ₱166.05 million increase was mainly due to the acquisition of another wholly-owned subsidiary, OREGALORE which owns Masbate 13 by 80%. Masbate 13 is a holder of a mining claim in Masbate valued at approximately ₱152 million.

c. Increase in Total Liabilities:

Total liabilities increased by almost ₱4.40 million from ₱ 3.87 million in March 31, 2010 to ₱ 8.28 million in March 31, 2010 due to accrual of audit fees for the year 2010 and the recognition of liabilities arising from the acquisition OREGALORE's subsidiary, Masbate 13.

d. Increase in Total Stockholders' Equity:

Total stockholders' equity amounting to ₱ 515.88 million increased by 46% or ₱161.65 million from ₱354.22 million in the same period last year. The increase was mainly due to (a) the ₱ 108 million private placement made by a stockholder in December 2010, (b) income posted for 2010 and for the first quarter of 2011, and (c) acquisition of another wholly-owned subsidiary, OREGALORE with an 80% owned subsidiary Masbate 13, posting an equity attributable to non-controlling interest of ₱ 29.87 million.

Key Performance Factors:

	March 2011	March 2010
Net Income (Loss)	₱ 12,447,509	(₱ 1,806,708)
Total Current Assets	254,847,982	268,504,845
Current Liabilities	8,275,756	3,873,562
Total Liabilities	8,275,756	3,873,562
Stockholders' Equity	515,878,890	354,224,468
Debt to Equity Ratio	0.016	0.011
Current Ratio		
(₱ 254,847,982 / 8,275,756)	30.79	
(₱ 268,504,845 / 3,873,562)		69.32
Income (Loss) per share		
₱ 12,447,509/ 680,000,000	₱ 0.018	
(₱ 1,806,708)/ 600,000,000		(₱ 0.003)

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.

Income (Loss) Per Share:
Income (Loss) per share is computed by dividing the net income (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.

INVESTMENT IN SHARES OF STOCKS

100% Equity in OREGALORE, Inc. ("OREGALORE")

On March 10, 2011, the Company acquired all the outstanding shares of OREGALORE pursuant to Deeds of Absolute Sale between the Company and the previous shareholders of OREGALORE. The Company acquired the shares of OREGALORE at par value for a total consideration of ₱3,000,000. The company also acquired the stockholder advances of OREGALORE amounting to ₱125,478,304.62 for the discounted price of ₱105,000,000. These advances will be converted to NiHAO equity subject to approval of OREGALORE's increase in authorized capital stock.

OREGALORE is the owner of eighty percent (80%) of the outstanding capital stock of Masbate 13 Philippines, Inc. ("Masbate 13"), a corporation duly organized and existing under Philippine laws. Masbate 13 is the owner of a gold mining claim denominated as Exploration permit No. V-2008-005 located at the Municipalities of Milagros and Mandaoan, Masbate with a total coverage area of 16,129.13 hectares. The claim which is presented as part of the "Mining Asset" account amounting to ₱152,136,833 was based on the valuation report as prepared by Engineer Graciano Calanog.

30% Equity in Oriental Vision Mining Philippines, Inc.

On March 24, 2010, the Company acquired from various stockholders thirty percent (30%) equity interest in the privately-held mining operator Oriental Vision Mining Philippines Corporation ("ORVI"). NiHAO paid Three Million Pesos (₱ 3,000,000.00) as full payment of purchase of 3,000 shares of ORVI valued at its par of ₱ 1,000 per share and a downpayment of Thirty Million Pesos (₱30,000,000.00) for the subscription of additional 60,000 shares from the current ORVI shareholders for a purchase price of Sixty Million Pesos (₱60,000,000.00). The balance of Thirty Million Pesos (₱ 30,000,000.00) were paid in December 2010.

In addition, NiHAO has agreed to extend shareholder advances in favor of ORVI for the purpose of funding the existing mining projects of ORVI, which shareholder advances are payable either in cash or in shares of stock. To date a total of ₱ 137 million was extended to ORVI for working capital requirements.

Nickel Projects of ORVI:

The Palhi Nickel Project
2,314.2018 hectares
MPSA No. 242-2007-XIII

ORVI is currently operating the Palhi Nickel Project located in Dinagat Island, from which it has successfully shipped over 200,000 MT of nickel ore, and is still expecting to ship out additional tonnage in the next few months. By the end of the year, ORVI expects to secure a reserve report compliant with the Philippine Mineral Reporting Code (PMRC). ORVI Management is now in talks with several interested parties on the possibility of setting up a value added processing facility for nickel ore.

The Dinapigue Nickel Project
2,391.8041 hectares
MPSA No. 258-2007-II

ORVI has developed the Isabela Nickel Project in Dinapigue, Isabela and has started production in preparation for commercial operations in 2011. ORVI looks forward to producing substantial tonnage of ore from this Isabela mine.

The Sangay Nickel Project
1,225.19 hectares
MPSA No. 240-200-XIII

The Sangay Nickel Project is blanketed with nickel laterite and chromite deposits within the Dinagat Island. Exploration on chromite ore in laterite is ongoing and is expected to be completed by the end of the year.

Besides nickel, ORVI also has several other claims which have known prospects for coal, gold, copper, sulphur and phosphate. These claims are still to be further explored and developed to establish their mineability.

Long-term plans of ORVI include the development of over 30,000 hectares of gold and copper mineral claims within the vicinity of the world-class Tampakan Copper-Gold Project being developed in Mindanao.

100% ownership in various companies

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 March 31, 2011.

Location	Name of Claim	Permit Description	Validity	Permittee/ Applicant	Area Covered (in hectares)
Zambales					
Botolan and Iba	Botolan Mining Claim	MPSA No. 315-2010-III		Mina Tierra Gracia, inc.	5,081.6408
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 2012	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
Masbate					
Milagros and Magdaon	Masbate 13 Mining Claim	EP-V2008-5		Masbate 13	16,129.130
					36,970.33

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.

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.

MINERAL PRODUCTION AND SHARING AGREEMENT

On February 10, 2010, the MGB has approved the MPSA application of Mina Tierra Gracia, Inc. and issued MPSA no. 315-2010-III in the name of Mina Tierra Gracia, Inc, covering the Botolan Mining Claim.

STOCK RIGHTS OFFERING AND PRIVATE PLACEMENTS

On January 14, 2009, the Philippine Stock Exchange, Inc. approved the application of the Company to list up to 500,000,000 common shares to cover its 5:1 Stock Rights Offering ("the Offer") at an offer price of ₱1.00 per share to existing qualified shareholders of record as of October 9, 2009.

The offer was conducted between November 23-27, 2009, and the Company raised a total of ₱500,000,000.00 in gross proceeds. The Offer Shares were listed in the PSE on December 15, 2009.

On December 29, 2010, the Company entered into an agreement with one of its stockholders to open for subscription a portion of the Company's authorized but unissued capital stock. The stockholder has agreed to subscribe to 80 million shares at a subscription price of ₱1.35 per share for a total consideration of ₱108 million. The issuance resulted to an increase in APIC amounting to ₱28 million. The proceeds of the issuance of shares were used to acquire 100% equity holdings in OREGALORE. On the same date, the Company's BOD approved the issuance of additional shares of stocks through a 2:5 Stock Rights Offering. This is to provide other stockholders with equal opportunity to subscribe to new share issuance of the Company.

MANAGEMENT PLAN OF OPERATIONS

Plan of Operations

The Company shall use the balance of the net proceeds from the Offer to finance the acquisition of mining claims and/or mining companies, provision for advances to Oriental Vision Mining Philippines Corp. ("ORVI"), further exploration and permitting expenses for the Botolan and Manticao Mining Claims, project due diligence, payment of shareholder/s advances and other general working capital requirements.

Botolan Mining Claim

The Company will focus on implementing a Community Relations Program ("CRP") for the awarded Mineral Production Sharing Agreement (MPSA) for the Botolan Mining Claim. This CRP intends to establish a symbiotic relationship between the Company and the community. Establishing this foundation will allow the community to be informed of the plans and programs of the Company thereby enabling the Company to implement its exploration and mining activities in coordination with the corresponding stakeholders, in compliance with the practice of Good Corporate Social Responsibility. The implementation of the CRP and the subsequent exploration and development works as stipulated in the Company's approved work programs for the Botolan Mining Claim covers a period of at least two (2) years.

Manticao Mining Claim and Other Potential Areas

NiHAO and its subsidiaries likewise have several Exploration Permit Applications ("EPAs") in various stages of completion, such as the EPAs in Antique and North Cotabato, as well as an awarded Small Scale Mining Permit ("SSMP"). NiHAO will evaluate their respective mineral potentials through its technical team and/or third party geological services companies in order to determine the priority in which these EPAs shall be perfected and developed.

After the necessary evaluation and subsequent awarding of the corresponding Exploration Permits ("EPs"), NiHAO shall implement exploration works according to the approved Exploration Work Program and Environmental Work Program attached to the EP and SSMP.

Plans and Prospects

The acquisition of a 30% stake in Oriental Vision Mining Philippines Corp. (ORVI) has prompted the study of outsourcing Mine Development and Operations to ORVI. NiHAO has started discussions with ORVI management on the possibility of assigning the operating rights of its properties to ORVI and entering into a profit-sharing agreement, a royalty agreement or a combination of the two. Such arrangements with ORVI shall be subject to the required approvals by the Company's Board of Directors, stockholders and the regulatory agencies.

The Company is also planning to build a processing plant for nickel ore through prospective joint-venture arrangements. This will mean that the Company will be able to add value to its raw nickel ore product meaning additional profit margins, reducing the risks associated with the commodity price swings. The joint-venture arrangements for the formation of a processing plant for nickel ore shall be subject to the required approvals by the Company's Board of Directors, stockholders and the regulatory agencies.

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 13 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

Date signed: 5/11/11

ALEX GONZALES
Treasurer/Chief Financial Officer

Date signed: 5/11/11

NIHAO MINERAL RESOURCES INTERNATIONAL, INC. & SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS

FORM 17-Q, Item 1

Consolidated Financial Statements

NIHAO MINERAL RESOURCES INTERNATIONAL , INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited Consolidated March 31, 2011		Audited Consolidated Dec 31, 2010
ASSETS				
Current Assets				
Cash and cash equivalents	₱	109,009,930	₱	200,563,504
Accounts receivable - net (Note 6)		1,926,367		17,785,281
Advances to related parties (note 12)		137,073,379		137,073,327
Other current assets		6,838,305		3,399,252
Total Current Assets		254,847,982		358,821,364
Noncurret Assets				
Investment in Associates (Note 7)		62,355,559		65,635,162
Property and Equipment - net (Notes 8)		804,621		889,734
Mining Rights (Note 9)		201,633,419		49,496,586
Other non-current assets		4,513,065		4,513,065
Total Noncurrent Assets		269,306,664		120,534,547
	₱	524,154,646	₱	479,355,911
LIABILITIES & STOCKHOLDERS' EQUITY				
Liabilities				
Accounts payable and other current liabilities (Note 10)	₱	7,992,931	₱	5,515,438
Income Tax Payable		282,825		282,825
Other Current Liabilities (Note 12)				
Total Liabilities		8,275,756		5,798,263
Stocholder's Equity				
Capital Stock - P1 par value (Note 13)				
Authorized - 2,000,000,000 shares				
Issued - 680,000,000 shares		680,000,000		680,000,000
Additional Paid-In Capital		28,271,465		28,271,465
Deficit		(222,266,308)		(234,713,817)
		486,005,157		473,557,648
Equity attributable to non-controlling interest		29,873,733		
Total Stockholders' Equity		515,878,890		473,557,648
	₱	524,154,646	₱	479,355,911

NIHAO MINERAL RESOURCES INTERNATIONAL, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

	Jan 1 to March 31, 2011 (Three Months)	Jan 1 to March 31, 2010 (Three Months)
REVENUES	₱	₱
GENERAL AND ADMINISTRATIVE EXPENSES	2,396,857	3,960,112
SHARE IN NET LOSS OF AN ASSOCIATE	3,279,603	
OTHER INCOME (LOSS) EXPENSES		
Interest Income	(1,306,836)	(2,153,404)
Gain on transfer of receivable	(20,478,305)	
Loss on acquisition of a subsidiary	3,251,606	
INCOME (LOSS) BEFORE INCOME TAX DUE	12,857,076	(1,806,708)
Income Tax Due	409,566	
INCOME (LOSS) AFTER TAX	12,447,509	(1,806,708)
WEIGHTED AVE. NUMBER OF COMMON SHARES	680,000,000	600,000,000
Net Income (Loss) Per Share	0.018	(0.003)

Note: No dividends declared during the period

NIHAO MINERAL RESOURCES INTERNATIONAL, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited March 31, 2011		Audited December 31, 2010		Unaudited March 31, 2010		Audited December 31, 2009
CAPITAL STOCK - P 1 par value								
Authorized no. of shares		2,000,000,000		2,000,000,000		2,000,000,000		2,000,000,000
Issued in shares		680,000,000		680,000,000		600,000,000		600,000,000
Issued	₱	680,000,000	₱	680,000,000	₱	600,000,000	₱	600,000,000
Additional Paid - in Capital		28,271,465		28,271,465		271,465		271,465
		708,271,465	₱	708,271,465	₱	600,271,465	₱	600,271,465
DEFICIT								
Balance at beginning of period		234,713,817		244,240,289		244,240,289		180,850,464
Net Income (loss)		12,447,509		9,526,472		(1,806,708)		(63,389,825)
Balance at end of period		222,266,308		234,713,817		246,046,997		244,240,289
NON-CONTROLLING INTEREST		29,873,733						
STOCKHOLDERS' EQUITY, END	₱	515,878,890	₱	473,557,648	₱	354,224,468	₱	356,031,176

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

		Jan 1 to March 31, 2011 (Three Months)		Jan 1 to March 31, 2010 (Three Months)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	₱	12,857,076	₱	(1,806,708)
Adjustment to reconcile net loss to net cash provided by operating activities				
Interest Income		(1,306,836)		
Depreciation		98,327		299,571
Share in net loss of a subsidiary		3,279,603		
Operating income before changes in working capital		14,928,169		(1,507,137)
Changes in operating assets and liabilities				
Decrease (increase) in :				
Accounts receivable		15,858,913		120,708
Due from related parties		(52)		(35,100,000)
Other current assets		(3,439,053)		(272,801)
Other assets				(65,349)
Increase (decrease) in :				
Accounts payable and accrued expenses		2,477,493		(3,680,323)
Other Liabilties				(42,053,835)
Cash generated from operations		29,825,470		(82,558,737)
Income Tax		(409,566)		
Interest Income		1,306,836		
Net cash provided by operating activities		30,722,740		(82,558,737)
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposals (acquisitions) of property and equipment		(13,214)		(1,241,302)
Acquisition of an affilite				(33,000,000)
Acquisition of mining right		(152,136,833)		
Minority interest in newly acquired subsidiary		29,873,733		
Net cash used in investing activities		(122,276,314)		(34,241,302)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payable - Others		-		(5,042,635)
Long-term borrowings				
Net cash provided by (used in) financing activities		-		(5,042,635)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(91,553,574)		(121,842,674)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		200,563,504		344,541,110
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱	109,009,930	₱	222,698,436

NiHAO MINERAL RESOURCES INTERNATIONAL, INC. AND SUBSIDIARIES
(Formerly Magnum Holdings, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2011
(with comparative figures for December 31, 2010)

NOTE 1 – CORPORATE INFORMATION

1.1 Corporate Information

NiHAO Mineral Resources International, Inc., (the Parent Company; the 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 Philippine Stock Exchange (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.". However, on June 28, 2007, the Company has decided to change its corporate name again to NiHAO Mineral Resources International, Inc. and its primary purpose to that of a mining company. The parent company's shares are listed and traded on the PSE.

As a mining company, its 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.

The Parent Company has investments in the following subsidiaries, which are all incorporated in the Philippines:

Subsidiaries	Date of Incorporation	Percentage of Ownership 2011	2010
Mina Tierra Gracia, Inc. (MTGI)	June 6, 2007	100%	100%
Companhia Minera Tierra, Inc. (CMTI)*	June 18, 2007	100%	100%
Companhia Nube Minerale, Inc. (CNMI)*	June 18, 2007	100%	100%
Minedomain, Inc. (MI)*	October 26, 2006	100%	100%
Bountiful Geomines, Inc. (BGI)	September 14, 2007	100%	100%
Visayas Ore Philippines, Inc. (VOPI)	October 31, 2006	100%	100%
Oregalore, Inc. (OREGALORE)	June 29, 2007	100%	
Masbate 13 Philippines, Inc. (Masbate 13) **	September 12, 2006	80%	

* Indirect ownership through MTGI
** Indirect ownership through Oregalore, Inc.

On October 16, 2007, the Parent Company acquired all the outstanding shares of MTGI for a total consideration of ₱61.5 million.

On January 9, 2008, the Parent Company acquired all the outstanding shares of BGI and VOPI pursuant to Deeds of Absolute Sale between the Parent Company and the former shareholders of BGI and VOPI. Also on January 9, 2008, MTGI acquired all the outstanding shares of CMTI, CNMI and MI pursuant to a Deeds of Absolute Sale executed between MTGI and its subsidiaries' former stockholders.

On March 10, 2011, the Parent Company acquired all the outstanding shares of OREGALORE, Inc. and the shareholder advances in OREGALORE, Inc.

The primary purpose of the Parent Company and its subsidiaries (the Group) 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.

The registered office address and principal place of business of the Group is located at 107 L.P. Leviste Street, Salcedo Village, Makati City.

1.2 Status of Operations

As of March 31, 2011, the Group had five mining claims located in the provinces of Zambales, Misamis Oriental, North Cotabato, Antique and Masbate.

The following are the Group's mining claims:

1. Botolan Mining Claim

   Botolan Mining Claim is registered under the name of Mina Tierra Gracia, Inc. (MTGI). The Botolan Mining Claim covers approximately 5,081 hectares located in the town of Botolan, Zambales. On February 10, 2010, MTGI's application for Mineral Production Sharing Agreement (MPSA) with Mines and Geosciences Bureau (MGB) on the Botolan Mining Claim was approved.

   For the year 2011, MTGI will focus on the implementation of Community Relations Program (CRP). This CRP intends to establish a symbiotic relationship between MTGI and the community. Establishing this foundation will allow the community to be informed of the plans and programs of the Company thereby enabling the Company to implement its exploration and mining activities in coordination with the corresponding stakeholders. Management plans to start the operation in June 2011.

   The Group 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.

   MTGI's subsidiaries, namely, Companhia Nube Minerale, Inc. (CNMI), Companhia Minera Tierra, Inc. (CMTI) and Minedomain, Inc. (MDI) are engaged in small-scale mining activities in Botolan, Zambales. Each subsidiary operates a 5-hectare small-scale mining claim. The Botolan Small-Scale Mining Claims of CNMI and CMTI partially cover areas within the Botolan Mining Claim. The small-scale mining claims of CNMI and CMTI are covered by Small-Scale Mining Permits (SSMPs) issued by the Governor of Zambales. CMTI and CNMI's approved SSMP expired last June 3, 2010. CMTI and CNMI have decided not to renew its permit and instead, seek other opportunities for small scale mining operations in other minerals related to nickel such as chromite. Both are in discussion with several groups with regards to securing operating licenses for the mining of higher grade nickel and chromite ore within the Philippines.

2. Manticao Mining Claim

   Bountiful Geomines, Inc. (BGI), one of the Company's subsidiaries, has an Exploration Permit (EP) application with the MGB covering the Manticao Mining Claim with an area of 1,944 hectares located in Manticao, Misamis Oriental. In connection with the aforementioned EP application, BGI submitted all mandatory requirements provided under the Philippine Mining Act and its Implementing Rules and Regulations, including, an exploration work program as well as proof of technical and financial competence. As of March 31, 2011, the EP application is undergoing initial evaluation by the MGB. Management will conduct additional study and exploration to further support the application. Planned budget for the additional study and exploration amounted to ₱30.0 million. EP application is expected to be approved in 2011.

   The Manticao Small-Scale Mining Claim is covered by SSMP No. 2008-06 in the name of MDI. The Manticao Small-Scale Mining Claim covers 20 hectares in Manticao, Misamis Oriental. SSMP No. 2008-06 is valid for two (2) years or until February 26, 2010. Pursuant to this SSMP, MDI has been given two years to mine, extract and remove up to 50,000 metric tons of nickel per year. On March 1, 2010, upon expiration of the permit, BGI has renewed its SSMP over the same hectare of land to mine, extract and remove nickel as well as chromite and copper. BGI's SSMP will expire on February 28, 2012, renewal of which will no longer be applicable as mandated by existing laws and regulations.

3. Cotabato Mining Claim and Antique Mining Claim

   Visayas Ore Philippines, Inc. (VOPI), one of the Company's subsidiaries, has an EP application covering Cotabato Mining Claim with an area of approximately 11,441 hectares located in Antipas, North Cotabato and another EP application covering the Antique Mining Claim with an area of approximately 2,374 hectares located in San Remigio, Antique. As of March 31, 2011, the EP applications are still undergoing initial evaluation by the MGB. The Company is currently in the process of evaluation of mineral potentials for the covered area.

4. Masbate Mining Claim

   OREGALORE, Inc. owns 80 % of the outstanding capital stock of Masbate 13 Philippines, Inc. ("Masbate 13") Masbate 13 is the owner of a gold mining claim denominated as EP No. V-2008-005 issued on February 7, 2008 with an area of 16,129.1308 hectares.

The Group is still in its development stage and has not yet started its normal commercial and principal operation. As part of the management's overall business plan, in 2009, the Parent Company has issued additional 500 million shares to raise capital through stock rights offering (see Note 13). The Parent Company has sought in December 2010 an approval from its Board of Directors to raise additional capital by way of a 2:5 Stock Rights Offering within the year 2011.

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

- Continue to expedite completion of its exploration work programs to further define and enhance resource/reserve estimates of its mining claims.
- Build up the Group's operating capability 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.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation
The accompanying consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Philippine peso (Peso), which is the parent company's functional currency under Philippine Financial Reporting Standards (PFRS). Amounts are rounded off to the nearest Peso unit, except when otherwise indicated.

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in PFRS. PFRS includes statements named PFRS, Philippine Accounting Standards (PAS), and Standard Interpretation Committee/International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council and adopted by SEC, including SEC pronouncements.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as of March 31, 2011.

Subsidiaries are all incorporated in the Philippines and involved in mining activities.

The accounts of MTGI include the accounts of their wholly owned subsidiaries CMTI, MDI and CNMI. CMTI, MDI and CNMI are also incorporated in the Philippines and involved in mining activities.

The accounts of OREGALORE, Inc. include the accounts of its 80% owned subsidiary, Masbate 13 Philippines, Inc.

The latest available audited financial statements of the subsidiaries are obtained and used for consolidation of balances for the same reporting year as the parent company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets and liabilities, are eliminated in full. Unrealized losses are eliminated unless costs cannot be recovered.

Subsidiaries are fully consolidated from the date when control is transferred to the parent company. Control is achieved when the parent company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Consolidation of subsidiaries ceases when control is transferred out of the parent company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the parent company. 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 costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the parent company's share of the net identifiable assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the parent company's share of the net assets of the subsidiary acquired, the difference is recognized directly in profit or loss.

Business Combinations

Business combinations are accounted for using the purchase method. This involves recognizing identifiable assets and liabilities of the acquired business initially at fair value. If the acquirer's interest in the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the acquirer shall: (a) reassess the identification and measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost of the combination; and (b) recognize immediately in profit or loss any excess remaining after that reassessment.

For business combinations achieved in stages, each exchange transaction is treated separately by the parent company. The cost of the transaction and fair value information at the date of each exchange transaction is used to determine the amount of any goodwill associated with that transaction. This results in a step-by-step comparison of the cost of the individual investments with the parent company's interest in the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities at each step.

The fair values of the acquiree's identifiable assets, liabilities and contingent liabilities may be different at the date of each exchange transaction for the following reasons:

(a) the acquiree's identifiable assets, liabilities and contingent liabilities are notionally restated to their fair values at the date of each exchange transaction to determine the amount of any goodwill associated with each transaction; and

(b) the acquiree's identifiable assets, liabilities and contingent liabilities must then be recognized by the parent company at their fair values at the acquisition date.

Any resulting fair value adjustment to acquiree's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the parent company is accounted for as a revaluation.

3. Summary of Significant Changes in Accounting Policies and Disclosures

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following new, revised and amended PFRS and Philippine Interpretations based on IFRIC which were adopted as of January 1, 2010.

New, Revised and Amended Standards and Interpretations

- Amendments to PAS 39, "Financial Instruments: Recognition and Measurement - Eligible Hedged Items";
- PFRS 2, "Group Cash-settled Share-based Payment Transactions";
- Revised PFRS 3, "Business Combinations" and Amendment to PAS 27, "Consolidated and Separate Financial Statements";
- Philippine Interpretation IFRIC 17, "Distributions of Non-cash Assets to Owners"; and
- Improvements to PFRSs effective 2010
  - PFRS 2, "Share-based Payment"
  - PFRS 5, "Noncurrent Assets Held for Sale and Discontinued Operations"
  - PFRS 8, "Operating Segments"
  - PAS 1, "Presentation of Financial Statements"
  - PAS 17, "Leases"
  - PAS 36, "Impairment of Assets"
  - PAS 38, "Intangible Assets"
  - PAS 39, "Financial Instruments: Recognition and Measurement"
  - Philippine Interpretation IFRIC 9, "Reassessment of Embedded Derivatives"
  - Philippine Interpretation IFRIC 16, "Hedge of a Net Investment in a Foreign Operation"

The standard that has been adopted and that are deemed to have an impact on the financial statements or performance of the Group is described below:

- Improvement to PAS 7, "Statement of Cash Flows." The improvement in the standard explicitly states that only expenditure that results in a recognized asset can be classified as cash flow from investing activities. The cash flow statements of the Group will present as part of its investing activities those cash flow transactions involving recognized assets only.

Standard Issued but not yet Effective

The Group will adopt the following standards and interpretations, when these become effective. The Group does not expect the adoption of these new and amended PFRSs and Philippine Interpretation to have a significant impact on its consolidated financial statements.

Effective in 2011

- Amendment to PAS 24, "Related Party Disclosures." The amendments to PAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party to simplify the identification of related party relationships, particularly in relation to significant influence and joint control.

- Amendment to PAS 32, "Financial Instruments: Presentation - Classification of Rights Issues." The definition of a financial liability has been amended to classify rights issues (and certain options or warrants) as equity instruments if the rights are given pro rata to all of the existing owners of the same class of an entity's nonderivative equity instruments and they are used to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- Amendment to Philippine Interpretation IFRIC 14, "Prepayments of a Minimum Funding Requirement." The amendment provides guidance on assessing the recoverable amount of a net pension asset. It permits an entity to treat the prepayment of a minimum funding requirement as an asset.

- Philippine Interpretation IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments." The interpretation provides guidance on accounting for debt for equity swaps. It clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with PAS 39. The equity instruments issued are measured at their fair value, unless these cannot be reliably measured, in which case, they are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in the consolidated statement of comprehensive income.

Effective in 2012

- Amendment to PAS 12, "Income Taxes - Deferred Tax: Recovery of Underlying Assets." The amendment provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will, normally, be through sale.

- Amendments to PFRS 7, "Financial Instruments: Disclosures - Transfers of Financial Assets". This amendment allows users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting date.

- Philippine Interpretation IFRIC 15, "Agreement for Construction of Real Estate." The interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. It requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, "Construction Contracts," or involves rendering of services, in which case, revenue is recognized based on the stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

Effective in 2013

- PFRS 9, "Financial Instruments: Classification and Measurement." As issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in early 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

<u>Improvements to PFRS (issued in May 2010)</u>
The FRSC issued improvements to PFRS, an omnibus of amendments to its PFRS. The amendments have not been adopted as they become effective for annual periods on or after either July 1, 2010 or January 1, 2011. The amendments listed below, are considered to have no reasonable possible impact on the Group financial statements:

- PFRS 3, "Business Combinations";
- PFRS 7, "Financial Instruments: Disclosures";
- PAS 1, "Presentation of Financial Statements";
- PAS 27, "Consolidated and Separate Financial Statements"; and
- Philippine Interpretation IFRIC 13, "Customer Loyalty Programmes."

4. Summary of Significant Accounting and Financial Reporting Policies

Cash and Cash Equivalents
Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of up to three months or less from dates of acquisition and are subject to an insignificant risk of change in value.

Financial Instruments

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Classification of Financial Instruments. Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments at fair value through profit or loss (FVPL). Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily 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.

Financial assets are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets, as appropriate. Financial liabilities, on the other hand, are classified into the following categories: financial liabilities at FVPL and other financial liabilities, as appropriate. The Group determines the classification at initial recognition and, where allowed and appropriate, reevaluates this designation at each reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains or losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Determination of Fair Value. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs at the close of business on the reporting date. When current bid prices and asking prices are not available, the prices of the most recent transaction provide 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 financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm’s length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 14.

Day 1 difference. When the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in the consolidated profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 difference.

As of March 31, 2011 and December 31, 2010, the Group has no financial assets and financial liabilities at FVPL, HTM investments and AFS financial assets.

The following are the Group's financial assets and financial liabilities as of March 31, 2011 and December 31, 2010:

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments 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 classified as at FVPL, designated as AFS financial assets or HTM investments. After initial measurement, loans and receivables are carried at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

This category includes cash and cash equivalents, receivables and advances to related parties.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals).

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This category includes accounts payable and other current liabilities and advances from related parties.

Impairment of Financial Assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Loans and receivables. The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, and individually and collectively, for financial assets that are not individually significant.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of comprehensive income.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced either directly or through the use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full 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 asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When 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 the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an 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 amounts is recognized in the consolidated statement of comprehensive income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on 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 statement of financial position.

Exploration and Evaluation Costs

Pre-license costs are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to the consolidated statement of comprehensive income as incurred, unless there is a future economic benefit that is more likely to be realized than not. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating if expenditures meet the criteria to be capitalized, several different sources of information are utilized. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Inventories

Ore stockpiles are physically measured or estimated and valued at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product. Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs.

Value Added Tax (VAT)

Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Investment in an Associate

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% to 50% of the voting rights. Investment in an associate is accounted for by the equity method of accounting and is initially recognized at cost.

After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee company. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value and the carrying value of the investee company and recognizes the difference in the consolidated statement of comprehensive income.

The Group's share in its associates' post-acquisition profits or losses is recognized in the consolidated statements of comprehensive income, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred, if the recognition criteria are met.

Depreciation and amortization is calculated on a straight-line basis over the useful lives of the property and equipment. The useful life of each of the Group's property and 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 and experience with similar assets.

The useful lives of the Group's property and equipment are estimated as follows:

Transportation equipment	5 years
Office equipment, furniture and fixtures	3 years
Drilling and exploration equipment	3 years

The property and equipment's useful lives and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year the item is derecognized.

Mining Rights

Mining rights are carried at cost less amortization and impairment in value, if any. Amortization shall commence at the start of commercial production based on units of production. Amortization shall cease at the earlier of the date that the intangible assets is classified as held for sale in accordance with PFRS 5 and the date that asset is derecognized.

An impairment review is performed when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the financial period in which this is determined. Mining rights are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area continuing, or planned for the future.

Mining rights represent the Group's intangible asset for its right to mine certain areas. Mining rights arise from the excess of the cost of Group's acquisition of the investment over the fair value of the net assets of MTGI at the date of acquisition

<u>Impairment of Nonfinancial Assets</u>
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. 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. When 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 assessments of the time value of money and the risks specific to the asset. Any impairment loss is recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

<u>Capital Stock</u>
Ordinary or common shares are classified as equity. The proceeds from the increase of ordinary or common shares are presented in equity as capital stock to the extent of the par value issued shares and any excess of the proceeds over the par value of shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

<u>Deficit</u>
Deficit represents the cumulative balance of net income or loss, net of any dividend declaration.

<u>Revenue</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Service income. Revenue is recognized upon rendering of service.

Interest income. Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

General and Administrative Expenses
General and administrative expenses constitute cost of administering the business and are recognized as incurred.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or

(d) there is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

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

Income Tax

Current Income Tax. Current income 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 at the reporting date.

Deferred Income Tax. Deferred income tax is provided using the liability method on all temporary differences at the reporting 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 taxable temporary differences. Deferred income tax assets are recognized for the net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT), to the extent that it is probable that sufficient future taxable profits will be available against which the NOLCO and MCIT can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income tax relates to the same taxable entity and the same taxation authority.

Earnings (Loss) Per Share
Earnings (loss) per share is computed by dividing the net income (loss) attributable to equity holders of the Company by the weighted average number of shares outstanding during the year adjusted to give retroactive effect to any stock dividends declared during the year.

Basic earnings (loss) per share is calculated by dividing the net income attributable to equity holders of the Company for the year by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is computed in the same manner, adjusted for the effect of the any potential dilutive shares.

When the effect of the potential shares is anti-dilutive, basic and diluted earnings per share are stated at the same amount.

Segment Reporting

An operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and

c) for which discrete financial information is available.

Provisions

Provisions, if any, are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when inflows of economic benefits are probable.

Events after the Reporting Date

Post year-end events that provide additional information on the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements.
Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

5. Significant Accounting Judgment, Estimates and Assumptions

The consolidated financial statements prepared under PFRS require management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes. Future events may occur which will cause the judgment and assumptions used in arriving at the estimates to change. The effects of any change in judgment, estimates and assumptions are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments. 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 amounts recognized in the consolidated financial statements. The judgments are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements:

- Functional Currency

  Based on the economic substance of the underlying circumstances relevant to the parent company and its subsidiaries, the functional currency has been determined to be the Peso. It is the currency that mainly influences the revenue and costs of the Group.

- Classification of Financial Instruments

  The Group classifies a financial instrument or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position. Classification of financial instruments is disclosed in Note 14.

- Operating Lease

  The Group has entered into commercial property leases related to the building where its office is located. As a lessee, the Group determined that it does not acquire the significant risks and rewards of ownership of this property which are being leased by the Group under operating lease arrangements.

- Capitalization of Exploration Costs

  Exploration costs are capitalized until the viability of the mineral interest is determined. Exploration, evaluation and pre-feasibility costs 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 costs and the costs incurred to develop a property are capitalized. In 2011, 2010 and 2009, all exploration costs are charged to operations.

Estimates and Assumptions. The key assumptions concerning the future and other key sources of estimation uncertainty as of reporting 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:

- Estimation of Allowance for Impairment Loss on Receivables and Advances from Related Parties

  The level of allowance is evaluated by management based on experience and other factors that may affect the recoverability of these assets. The allowance for impairment loss is estimated using two methods namely, the specific and collective assessment. The total of the amounts calculated using the two methods determine the total allowance to be maintained as of the reporting date.

  Under the specific assessment, if there is an objective evidence that an impairment loss on receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR. In collective assessment, the Group groups the receivables according to the credit risk profile of counterparties and provide allowance based on historical loss experience.

  The carrying amount of the asset shall be reduced directly or through the use of allowance account. The allowance is established by charges to income in the form of provision for impairment loss. The amount and timing of recorded expenses for any period would therefore differ based on the judgments or estimates made. An increase in provision for impairment loss would increase the Group's recorded expenses and decrease current assets.

There was no provision for impairment loss on receivables as of March 31, 2010. The Group recognized impairment loss on receivables amounting to ₱2,425,000 in December 31, 2010. No impairment loss on advances from related parties was recognized in March 2011 and December 31, 2010. The carrying values of receivables as of March 31, 2011 and December 31, 2010 amounted to ₱1,926,367 and ₱17,785,281, respectively (see Note 6). The carrying values of advances from related parties as of March 31, 2011 and December 31, 2010 amounted to ₱137,073,379 and ₱137,073,327 respectively (see Note 14).

- Estimation of Useful Lives of Property and Equipment

The useful life of each of the Group's property and 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 due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

The carrying values of the Group's property and equipment as of March 31, 2011 and December 31, 2010 amounted to ₱804,621 and ₱889,734, respectively (see Note 8).

- Impairment of Nonfinancial Assets

An impairment review is performed when certain impairment indicators are present.

Determining the value of nonfinancial assets, require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such asset, require the Group to make estimates and assumptions that can materially affect its financial statements. Future events could cause the Group to conclude that the nonfinancial assets are impaired. Any resulting additional impairment loss could have a material adverse impact on the Group's financial condition and results of operations. The preparation of the estimated future cash flows involves significant judgment and estimations.

The carrying value of investment in an associate as of March 31, 2011 and December 31, 2010 amounted to ₱62,355,559 and ₱65,635,162, respectively (see Note 7). The carrying values of the Group's property and equipment as of March 31, 2011 and December 31, 2010 amounted to ₱804,621 and ₱889,734, respectively (see Note 8). The carrying values of the Group's mining rights as of March 31, 2011 and December 31, 2010 amounted to ₱201,633,419 and ₱49,496,586 respectively (see Note 9). The carrying values of other noncurrent assets as of March 31, 2011 and December 31, 2010 amounted to ₱4,513,065. There were no impairment losses recognized on the Group's nonfinancial assets in March 31, 2011 and December 31, 2010.

6. Receivables

	March 2011	December 2010
Nontrade	**₱0**	₱–15,680,000
Advances to:		
Suppliers	**7,595,210**	7,723,230
Officers and employees	**91,217**	21,719
Others	**2,720,000**	2,616,922
Interest receivable		223,470
	10,406,427	26,265,341
Less allowance for impairment loss	**8,480,060**	8,480,060
	₱ 1,926,367	₱ 17,785,281

In 2010, the parent company entered into a management agreement with Oregalore, Inc. (OI) in which the parent company will handle the due diligence engagement for OI's acquisition of Masbate13 Philippines, Inc. (MPI). Service income earned from the agreement amounted to ₱14,000,000. Related receivables as of December 31, 2010 amounted to ₱15,680,000 which is presented as "Nontrade receivables" under receivables account in the consolidated statement of financial position. The full amount was collected in February 2011.

Advances to suppliers, officers and employees, others and interest receivable generally have 30 to 60 days' terms.

Advances to suppliers pertain to advance payment for services to be rendered for the development of the project, for exploration studies required under the MPSA and to surface right owner and other contractors.

Interest receivable pertains to the amount of interest accrued on the Group's deposits on a local bank.

Other receivables pertain to cash advances to third parties which are due upon demand.

Allowance for impairment loss pertains to the following:

	March 2011	December 2010
Advances to:		
Suppliers	**₱5,960,886**	₱5,960,886
Officers and employees	**17,219**	17,219
Others	**2,501,955**	2,501,955
	₱8,480,060	₱8,480,060

In 2009, as a result of the termination of the Group's pre-operating activities, the Group decided to write off the outstanding balance of the advance royalty payment made to a mining corporation amounting to ₱6,878,450. The write-off is presented as part of "Provision for impairment loss on receivables" account in the consolidated statement of comprehensive income. On the same year, advances to officers and employees amounting to ₱128,000 were written off.

Aging of Accounts Receivable as at March 31, 2011:

Current	₱ 49,557
Over 60 days past due	10,356,870
Total	₱ 10,406,427

7. Investment in an Associate

	March 2011	December 2010
Acquisition cost	₱63,000,000	₱63,000,000
Accumulated equity in net earnings		
Balance at beginning of year	2,635,162	
Share in net loss for the first quarter	(3,279,603)	2,635,162
Balance at end of year	(644,441)	2,635,162
Investment in an associate	₱62,355,559	₱65,635,162

On March 24, 2010, the Group acquired from various shareholders 3,000 shares with par value of ₱1,000 per share, equal to 30% equity interest in Oriental Vision Mining Philippines Corporation (ORVI), a privately-held mining operator. As of this date, the subscribed capital stock of ORVI On March 31, 2010, ORVI amended its articles of incorporation, increasing its authorized capital stock from 40,000 shares to 400,000 shares with par value of ₱1,000 per share. To maintain its equity interest in ORVI, the Group purchased an additional 60,000 shares, equal to 30% of the subscription to the increase in authorized capital stock. Amount paid by the Group for the additional shares amounted to ₱60,000,000.

The following table presents information on financial position and performance of ORVI

	March 2011	December 2010
Total Assets	₱562,653,301	₱555,491,720
Total Liabilities	362,854,388	344,760,798
Total Equity	199,798,913	210,730,922
Total Net Income (Loss)	(10,932,009)	11,711,832

8. Property and Equipment

	March 2011			
	Transportation Equipment	**Office Equipment, Furniture and Fixtures**	**Drilling and Exploration Equipment**	**Total**
Cost:				
Balance at beginning of year	**₱350,000**	**₱1,364,780**	**₱1,155,149**	**₱2,869,929**
Additions	**-**	**13,214**	**-**	**13,214**
Balance at end of year	**350,000**	**1,377,994**	**1,155,149**	**2,883,143**
Less accumulated depreciation:				
Balance at beginning of year	**169,167**	**1,296,072**	**514,956**	**1,980,195**
Depreciation	**17,500**	**25,663**	**55,164**	**98,327**
Balance at end of year	**186,667**	**1,321,735**	**570,120**	**2,078,522**
Net book value	**₱163,333**	**₱56,259**	**₱585,029**	**₱804,621**

		December	2010	
	Transportation Equipment	Office Equipment, Furniture and Fixtures	Drilling and Exploration Equipment	Total
Cost:				
Balance at end of year	₱1,458,900	₱1,715,965	₱1,711,649	₱4,886,514
Additions	–	28,815	-	28,815
Disposals	(1,108,900)	(380,000)	(556,500)	(2,045,400)
Balance at end of year	350,000	1,364,780	1,155,149	2,869,929
Less accumulated depreciation:				
Balance at beginning of year	455,540	1,051,921	472,503	1,979,964
Depreciation	217,853	402,485	312,143	932,481
Disposals	(504,226)	(158,334)	(269,690)	(932,250)
Balance at end of year	169,167	1,296,072	514,956	1,980,195
Net book value	₱180,833	₱68,708	₱640,193	₱889,734

9. Business Combinations

On October 16, 2007, the parent company acquired all of the outstanding shares of MTGI pursuant to Deeds of Absolute Sale between the parent company and the shareholders of MTGI.

Details of the purchase price and fair value of net assets acquired are presented below:

Total purchase price	₱61,469,586
Fair value of net assets acquired	11,973,000
	₱49,496,586

The excess of the purchase price over the fair value of the net assets acquired is presented as "Mining Rights" account in the consolidated statements of financial position.

Purchase price is based on the Mine Valuation Report of Minercon International, Inc. dated September 18, 2007 on the mining rights of MTGI in Botolan, Zambales.

On January 9, 2008, the parent company acquired all the outstanding shares of BGI and VOPI pursuant to the Deeds of Absolute Sale between the parent company and the previous shareholders of BGI and VOPI. The parent company acquired the shares of BGI and VOPI at par value for a total consideration of ₱12,500,000 and ₱2,500,000, respectively. On the same date, MTGI acquired all the outstanding shares of CMTI, MDI and CNMI pursuant to the Deeds of Absolute Sale between MTGI and the previous shareholders of CMTI, MDI and CNMI. MTGI acquired the shares of CMTI, MDI and CNMI at par value for a total consideration of ₱2,500,000 each of the companies. Details for the purchase price and fair value of net liabilities assumed are presented below:

Total purchase price	₱22,500,000
Fair value of net liabilities assumed	335,555
	₱22,835,555

The sum of the purchase price and the fair value of the net liabilities assumed is presented as "Goodwill" account in the consolidated statements of financial position. In 2008, the Group recognized full impairment loss on goodwill and is presented as "Impairment loss on goodwill" account in the consolidated statements of comprehensive income.

Acquisition of Oregalore, Inc.

On March 10, 2011, the Company acquired all the outstanding shares of OI pursuant to Deeds of Absolute Sale between the Company and the previous shareholders of OI. The Company acquired the shares of OI at par value for a total consideration of ₱3,000,000. The company also acquired the stockholder advances of OI amounting to ₱ 125,478,304.62 for the discounted price of ₱105,000,000. These advances will be converted to NiHAO equity subject to approval of OI's increase in authorized capital stock.

OI is the owner of eighty percent (80%) of the outstanding capital stock of Masbate 13 Philippines, Inc. ("Masbate 13"), a corporation duly organized and existing under Philippine laws. Masbate 13 is the owner of a gold mining claim denominated as Exploration permit No. V-2008-005 located at the Municipalities of Milagros and Mandaoan, Masbate with a total coverage area of 16,129.13 hectares. The claim which is presented as part of the "Mining Asset" account amounting to ₱ 152,136,833 is based on the valuation report as prepared by Engineer Graciano Calanog.

10. Accounts Payable and Other Current Liabilities

	March 2011	December 2010
Accounts payable	**₱3,276,474**	₱3,276,474
Accrued expenses	**1,963,582**	2,192,881
Taxes payable	**53,306**	46,083
Other liabilities	**2,699,569**	
	₱7,992,931	₱5,515,438

Accounts payable and other current liabilities are noninterest-bearing and have an average term of 30 days, but may go beyond depending on the agreement of the involved parties.

Accounts payable represents unpaid shipping cost, trucking cost and other expenses incurred by the Group relative to its test shipment activities.

Accrued expenses include pre-operating and exploration costs incurred.

Other current liabilities pertain to non-interest bearing cash advances made by Masbate 13 from third parties to finance its working capital requirements.

11. Related Party Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, 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 entity and its key management personnel, directors or stockholders.

Terms and Conditions of Transactions with Related Parties
Outstanding balances of transactions with related parties at year-end are unsecured, payable on demand and settlements are made in cash. Advances to/from and loans to related parties are non-interest bearing. For the year ended December 31, 2010 and 2009, the Company has not impaired advances relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operate.

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

In the normal course of business, transactions with related parties include the following:

a. The parent company entered into HOA with Geograce where Geograce shall be granted exclusive right to various mining tenements controlled by the parent company. Geograce, together with the parent company, also signed a Cooperation Agreement with Jiangxi. The parent company and Geograce have common stockholders.

b. On March 24, 2010, the parent company entered into a loan facility agreement with ORVI amounting to ₱137,000,000. The non-interest bearing loan is to be used by ORVI exclusively for funding of its existing mining projects. Payment of the loan can be made in cash or in shares of stock in ORVI or in a company listed with PSE as may be mutually agreed upon by the Company and ORVI. The loan is payable in one year and in the event of failure of ORVI to pay the outstanding loan on the maturity date, the parent company will charge interest on the outstanding balance based on the Philippine Dealing System Treasury Fixing rate.

c. The parent company granted non-interest bearing advances to ORVI for working capital requirements. As of March 31, 2011 and December 31, 2010, total outstanding advances to ORVI amounted to ₱ 73,379 and ₱73,327, respectively.

d. There were no guarantees provided for or received by the Company from its related parties.

Outstanding balances as of March 31, 2011 and December 31, 2010 are as follows:

	March 2011	December 2010
Advances to:		
ORVI	**₱137,073,379**	₱137,073,327

12. Capital Stock

Movements in the authorized and issued number of shares are as follows:

	2011	2010	2009
Common shares - ₱1 par value			
Authorized			
Balance at beginning of year	**2,000,000,000**	2,000,000,000	100,000,000
Increase during the year	**–**	-	1,900,000,000
Balance at end of year	**2,000,000,000**	2,000,000,000	2,000,000,000
Issued			
Balance at beginning of year	**680,000,000**	600,000,000	100,000,000
Issuance during the year	**-**	80,000,000	500,000,000
Balance at end of year	**680,000,000**	680,000,000	600,000,000

On May 31, 2007, the Company's BOD and stockholders approved a 5:1 SRO to raise ₱500,000,000 in new capital. On the same date, the Company's BOD also approved the increase in the Company's authorized capital stock from 100,000,000 common shares with par value of ₱1 per share to 2,000,000,000 common shares with par value of ₱1 per share. On January 14, 2009, the PSE approved the application of the Company to list up to 500,000,000 common shares to cover its SRO as well as the Company's application for the increase in authorized capital stock.

The SRO was completed in October 2009 with the 500,000,000 common shares fully subscribed and taken up by the existing shareholders of the Company at the ₱1 par value.

On December 29, 2010, the Company entered into an agreement with one of its stockholders to open for subscription a portion of the Company's authorized but unissued capital stock. The stockholder has agreed to subscribe to 80,000,000 common shares at a subscription price of ₱1.35 per share for a total consideration of ₱108,000,000. The issuance resulted to an increase in APIC amounting to ₱28.0 million. Proceeds of the issuance of shares was used to acquire 100% stake in Oregalore, Inc. On the same date, the Company's BOD approved the issuance of additional shares of stocks through SRO, implemented on a 2:5 proportion. This is to provide other stockholders with equal opportunity to subscribe to new share issuances of the Company.

13. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprises of cash and cash equivalents, receivables and accounts payable and other current liabilities. The Group has other financial assets and liabilities such as advances to related parties and advances from related parties which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Group is not subject to any market risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group's exposure to credit risk with respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, receivables and advances to related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Details are as follows:

	March 2011	December 2010
Cash and cash equivalents	**₱109,009,930**	₱200,563,504
Receivables:		
Nontrade	**-**	15,680,000
Interest receivable	**-**	223,470
Advances to others	**-**	114,967
Advances to related parties	**137,073,379**	137,073,327
	₱246,083,309	₱353,655,268

Cash in banks and short-term deposits are classified as high grade since these are deposited and invested with a reputable bank and can be withdrawn anytime.

The credit quality of receivables is determined as follows:

- Grade A (High grade)

  This includes receivables from debtors that always pay on time or even before the maturity date and is classified as low risk debtors.

- Grade B (Standard grade)

  This includes receivables from clients that are collected on their due dates provided that they were reminded or followed up by the Group and are classified as medium risk.

- Grade C (Substandard grade)

  This includes receivables from debtors which are collected within their due dates but require persistent effort from the Group and are classified as high risk.

Liquidity Risk
Liquidity risk is defined as the risk that the Group could not be able to settle or meet its obligations on time or at a reasonable price.

The Group's exposure to liquidity risk relate to raising funds. The Group manages its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Group intends to use internally generated funds and available short-term credit facilities.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise.

As of March 31, 2011 and December 31, 2010, the Group's other financial liabilities are summarized below:

	March 2011	December 2010
Accounts payable and other current liabilities*	**₱7,939,625**	₱5,469,355
Advances from related parties	**-**	-
	₱7,939,625	₱5,469,355

**Excluding taxes payables*

Accounts payable and other current liabilities are normally settled within 30 days. Advances from related parties are payable on demand. As of March 31, 2011 and December 31, 2010, the Company's financial assets amounting to ₱246,083,309 and ₱353,655,268, respectively, were determined by management to be realizable within one year.

Market Risk

Market risk is composed of interest rate risk and foreign exchange risk. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates.

The Group does not have exposure in foreign currency risk because there are no financial instruments denominated in foreign currency. The Group does not have exposure also in interest rate risk because all of the Group's financial liabilities are non-interest bearing and not subject to floating interest rates.

Capital Management

The primary objective of the Company's management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Company monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as total debt divided by equity. Total debt is the sum of accounts payable and other current liabilities, income tax payable and advances from related parties.

Equity comprises all components of equity.

The Company's debt-to-equity ratio as of March 31, 2011 and December 31, 2010 are as follows:

	March 2011	December 2010
Total debt	**₱8,275,756**	₱5,798,263
Total equity	**515,878,890**	473,557,648
Debt-to-equity ratio	**0.02**	0.01

14. Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of all the Company's financial instruments that are carried in the consolidated financial statements as of March 31, 2011 and December 31, 2010:

	March 2011		December 2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱109,009,930**	**₱109,009,930**	₱200,563,504	₱200,563,504
Receivables:				
Nontrade	**-**	**-**	15,680,000	15,680,000
Interest receivable	**-**	**-**	223,470	223,470
Advances to others	**-**	**-**	114,967	114,967
Advances to related parties	**137,073,379**	**137,073,379**	137,073,327	137,073,327
	₱246,083,309	**₱246,083,309**	₱353,655,268	₱353,655,268

	March 2011		December 2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities:				
Accounts payable and other current liabilities*	**₱7,939,625**	**₱7,939,625**	₱5,469,355	₱5,469,355
Advances from related parties	**–**	**–**	-	-
	₱7,939,625	**₱7,939,625**	₱5,469,355	₱5,469,355

**Excludes taxes payable*

Cash and cash equivalents, Receivables, Advances to Related Parties, Accounts Payable and Other Current Liabilities and Advances from Related Parties. Due to the short-term nature of the transactions the carrying values of these financial assets and liabilities approximate their fair values as of reporting date.

Fair Value Hierarchy. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of March 31, 2011 and December 31, 2010, the Group has no financial instruments carried at fair value