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.

Contact Person

(632)8137111

Company Telephone Number

12 31

Month *Day*

Fiscal Year

SEC 17-Q1 2012

FORM TYPE

Month *Day*

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, 2012**

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

   6F NiHAO Sunplaza Bldg., 1501 Shaw Blvd., Mandaluyong City

8. Issuer's telephone number, including area code **(632)-570-97-54**

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

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

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	**913,000,000 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- 600,000,000 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, 2012 vs. December 31, 2011

In March 2012, NiHAO was assigned as the general contractor by Geogen Corporation, the claim owner of the Dinapigue Nickel Project located in Dinapigue, Isabela covering 2,314.2018 hectares. Said project has an approved Mineral Purchase and Sharing Agreement (MPSA) and it is already in the development and operating stage. Since NiHAO became the general contractor of the Dinapigue Nickel Project, it has rehabilitated roads and other mine infrastructure and complied with all the necessary government requirements in preparation for nickel mining operations. In addition to the preparation for mining operations, exploration activities are also being conducted.

For the Group's mining claims, the Botolan Nickel Project and the Manticao Nickel Project, NiHAO has focused on community development and community relations prior to resuming exploration activities. For the first quarter of 2012, total operating expenses incurred by the Group amounted to ₱6.42 million.

Oriental Vision Mining Philippines Corporation (ORVI), an affiliate of the Group concentrated on nickel ore extraction & stockpiling in preparation for nickel ore shipment for the first quarter of 2011. As a result, ORVI reported an operating loss of P6.42 million, with NiHAO's 30% share equivalent to P1.92 million.

The Group reports a net loss of ₱ 7.32 million for the quarter ending March 31, 2012.

Total liabilities as of March 31, 2012 amounted to ₱6.72 million which were 15.49% or ₱ 1.23 million lower than the ₱ 7.95 million recorded liabilities as of December 31, 2011. The decrease in total liabilities which could be attributed to partial settlements made by the Group of its obligations.

Total consolidated assets stood at ₱1,516.33 million, a 64.83% or ₱ 596.41 million increase from recorded consolidated assets of ₱919.92 million as of December 31, 2011. The significant increase in total assets were due to the following:

a) Sale and issuance of thirty three million (33,000,000) shares of the Company at ₱9.46 per share by way of a private placement transaction on March 2, 2012. Total private placement proceeds amounts to ₱312.18 M.

   On February 11, 2012, the Board of Directors approved the execution, delivery and performance of an Investment Agreement (the "Agreement") by and among Macquarie, NiHAO and one of its major shareholders, embodying a Multi-tranche Average Price Issuance Program ("Issuance Program") resulting in Macquarie Bank's subscription to newly-issued common shares of stock in NiHAO on a private placement basis ("Transaction").

Pursuant to the Agreement, Macquarie Bank agreed to subscribe to NiHAO shares of up to an aggregate amount of One Hundred Fifty Million (150,000,000) (the "Subscriber Shares"), which shall be purchased in tranches, from NiHAO's authorized but unissued capital stock, provided that, prior to NiHAO's obtaining the approval of its shareholders to the Transaction (including the issuances of NiHAO shares to Macquarie Bank), Macquarie Bank shall not make any subscription that will result in Macquarie Bank's total shareholdings in NiHAO exceeding Ninety-Five Million (95,000,000) Shares, which number is just below ten percent (10%) of the resulting issued capital stock of the Company.

The first tranche culminated on 02 March 2012 where Macquarie Bank Limited executed a Subscription Agreement covering the subscription of 33 Million common shares with a par value of ₽1.00 per share. The subscribed shares are payable in cash at a subscription price of ₽ 9.46 per share or an aggregate value of Three Hundred Twelve Million One Hundred Eighty Thousand Pesos (₽ 312,180,000.00). The difference between the aggregate par value of the subscribed shares and the total cash payment made by Macquarie Bank for the same was shown as additional paid-in capital.

b) Increase in market value of investment in ordinary common shares of stocks of publicly listed company from ₽3.99 per share as of December 31, 2011 to ₽ 8.05 per share as of March 31, 2012. For the quarter, the Group has acquired additional 7 million shares at the open market of the PSE.

Total deficits for the quarter amounted to ₽ 230.30 million from ₽ 223.26 million as of December 31, 2011.

March 31, 2012 vs. March 31, 2011

a. Net operating loss for the first quarter of 2012; net comprehensive income:

As of March 31, 2012, the Company recognized a consolidated net operating loss of ₽7.32 million, 159.05% or ₽ 19.72 million higher as compared to the recorded income covering the same period last year of ₽12.40 million. We note however, that total net comprehensive income is recorded at ₽285 million, representing substantial increase in market value of its shareholdings in Oriental Peninsula Resources Group, Inc. ("ORE") from Dec. 31, 2011 closing price of ₽3.99 per share to ₽8.05 per share as of the end of March 2012.

b. Increase in Total Assets:

Total consolidated assets as of the end of March 31, 2012 were recorded at ₽1,516.33 million, while total assets as of the same period last year amounted to only ₽524.15 million. The 189.29% or ₽992.16 million increase were due to the following:

a) acquisition of 75 million ORE shares thru the PSE, recorded at its market value of ₽603.75 million resulting to a cumulative unrealized gain of ₽ 265.54 million;
b) sale and issuance of one hundred million (100,000,000) shares of the Company at ₽2.00 per share by way of a private placement transaction on August 16, 2011;
c) sale and issuance of one hundred million (100,000,000) shares of the Company at ₽2.25 per share by way of a private placement transaction on September 21, 2011;
d) sale and issuance of thirty three million (33,000,000) shares of the Company at ₽9.46 per share by way of a private placement transaction on March 2, 2012;

c. Decrease in Total Liabilities:

Total liabilities decreased by 18.84% or ₽1.56 million from ₽ 8.28 million in March 31, 2011 to ₽6.72 million in March 31, 2012 mainly due to partial settlement made by the Group of its obligations.

d. Increase in Total Stockholders' Equity:

Total stockholders' equity amounting to ₱ 1,509.61 million as at March 31, 2012 increased by 192.63% or ₱993.73 million from ₱515.88 million in the same period last year. The increase was mainly due to the following:

a) unrealized gains on available-for-sale financial assets of ₱ 265.54 million;
b) ₱200 million private placement made by a stockholder on August 16, 2011;
d) ₱225 million private placement made by a stockholder on September 21, 2011, and
e) sale and issuance of thirty three million (33,000,000) shares of the Company at ₱9.46 per share by way of a private placement transaction on March 2, 2012.

Key Performance Factors:

	March 31, 2011	March 31, 2011
Net Income (loss)	₱ 7,322,948	₱ 12,401,521
Total Current Assets	634,989,915	254,847,982
Current Liabilities	6,716,707	8,275,756
Total Liabilities	6,716,707	8,275,756
Stockholders' Equity	1,509,611,482	515,878,890
Debt to Equity Ratio		
(₱ 6,716,707 /1,509,611,482)	0.004	
(₱ 8,275,756 / 515,878,890)		0.016
Current Ratio		
(₱ 634,989,915 / 6,716,707)	94.539	
(₱ 254,847,982 / 8,275,756)		30.794
Income (loss) per share attributed to parent company		
₱ (7,044,855)/ 896,500,000	(₱ 0.008)	
₱ 12,447,510/ 680,000,000		₱ 0.018

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 Per Share attributed to parent company:
Income per share is computed by dividing the net income attributed to the parent company by weighted average number of common shares subscribed.

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 8,357.3509 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. Out of the total ₱ 150.50 million advances extended to ORVI for working capital requirements, ₱95.00 million was collected, leaving a balance of ₱55.50 million which is presented as advances to related parties.

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").

On June 16, 2011, Mina Tierra has sold its ownership in Minera Tierra and Minedomain for a total consideration of ₱5 million. On November 3, 2011, NiHAO sold its subsidiary Visayas Ore and Mina Tierra sold Nube Minerale for ₱2.5 million each.

Investment in a Joint Venture

International AG (Glencore) executed a Heads of Agreement (HOA) in Hong Kong. Under the HOA, the parties agreed to utilize their respective expertise in the mining industry for purposes of investigating, identifying, acquiring, developing and operating mining claims of economically feasible nickel deposits in the Philippines for purposes of direct shipping or selling of ore and other related nickel mining business. Glencore shall contribute its expertise in marketing of nickel ores in the world market as well as its network of various institutions internationally. On the other hand, the Parent Company and AGPI shall utilize their expertise in mining, contracting and developing mines in the Philippines and their knowledge of relevant Philippine laws, rules and regulations and issues.

In order to accomplish the said purpose, the parties agreed to form within a period of two months from the signing of the HOA, a joint venture company (JVC) under the laws of Hong Kong. Pursuant to the Addendum to HOA dated October 28, 2011, the JVC will have an initial authorized capital of HK$100,000 with a par value of HK$1/share. The JVC should have an initial issued and paid-in capital of HK$10,000 to be contributed by the parties as follows: (1) 50% from Glencore; and (2) 25% each for the Parent Company and AGPI.

Moreover, the parties agree to execute the following implementing agreements of the HOA:

- Marketing agreement whereby Glencore will act as the exclusive marketing agent for the JVC and market and sell all material produced by the JVC;

- Management agreement;
- Contractor(s) agreement; and,
- Any other agreements agreed by the parties as being necessary or useful to facilitate the implementation and operation of the JVC.

The JVC under the name of GNA Resources International Limited (GNA) was incorporated in Hong Kong on November 23, 2011. The Company's contribution of ₱13,946 to the JVC was advanced by a related party. As of March 31, 2012, JVC has not started its main business operation.

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 their corresponding permits or permit applications as of March 31, 2012.

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
Masbate					
Milagros and Mandaon	Masbate 13 Mining Claim	EP-V2008-5		Masbate 13	8,375.3509
					15,400.9917

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.

VARIOUS AGREEMENTS:

1. Marketing Agency Agreement with Glencore

On March 12, 2012, the Parent Company and Glencore executed a Marketing Agency Agreement in which the Parent Company appointed Glencore as its marketing agent for the purpose of providing marketing and sales agency services relating to the sale of nickel produced by the Group. The Parent Company and Glencore agreed that the sale of nickel under the agreement shall be under the brand name of GNA.

Under the agreement, Glencore is given the authority to market and sell nickel, or entered into a sales contract, in behalf of the Parent Company. For the consideration of the services of Glencore, the Parent Company shall pay a commission at the rate of US$0.25 per wet metric tonne of the sales value of any nickel sold.

The term is valid for 1 year, unless terminated earlier, in accordance with the terms and conditions of the agreement.

2. ***General Contractor Agreement with Geogen Corporation ("Geogen")***

On March 5, 2012, the BOD of the Parent Company approved the execution, delivery and performance of a General Contractor Agreement with Geogen. Under the agreement, the Parent Company is appointed as Geogen's general contractor over Geogen's mineral property consisting of a total area of 2,391.4081 hectares located at Dinapigue, Isabela, which is covered by MPSA No. 258-2007-II dated July 30, 2007 (the "Mineral Property").

Pursuant to the agreement, Geogen shall pay the Parent Company an amount equivalent to 90% of the invoice value of the nickel ore sold by Geogen to third parties in consideration of the following contractor services to be performed by the Parent Company:

(a) Mining services relating to or arising from mining activities within the Mineral Property;
(b) Hauling services for the nickel ore extracted from the Mineral Property to designated areas;
(c) Barging and stevedoring services for the shipside loading of the nickel ore extracted from the Mineral Property;
(d) Road and causeway maintenance services; and
(e) Environmental maintenance services of the Mineral Property.

3. ***Memorandum of Understanding ("MOA") by and among the Parent Company, Capital Gold Pty Ltd. ("Capital Gold") and Capital Resources Corporation ("Capital Resources")***

On January 12, 2012, the BOD of the Parent Company approved the execution, delivery and performance of a MOA by and among the Parent Company, Capital Gold and Capital Resources for the acquisition of Capital Gold and Capital Resources of the shares of stocks of either of the following:
(a) OI, a wholly owned subsidiary;
(b) MPI, a subsidiary through OI; or
(c) A new company incorporated under the laws of the Philippines (a, b and c, collectively referred to as the "Parent Company target")

Subject to the satisfaction of certain conditions, which include, among others, the completion by the parties of the legal and technical due diligence, the parties have agreed to the following:

(a) The identity of the Parent Company target will be confirmed by Capital Gold after carrying out the legal and technical due diligence;
(b) Capital Resources shall be listed and its entire issued share capital admitted to trading on the Frankfurt Stock Exchange (FSE) and the Parent Company target together with the other assets of Capital Gold located in Australia shall be infused into Capital Resources;
(c) Capital Resources shall acquire 40% of the entire issued and outstanding shares of stock of the Parent Company target (the "Parent Company target shares"), or an equivalent proportionate interest (in case the shares of OI was acquired) for the consideration of 50,000,000 shares in Capital Resources (the "Subscription") at current listing value of EURO (EUR) 0.10 per share and US$250,000.
(d) Upon the acquisition of the Parent Company target:
    a. Capital Resources shall be granted, through a shareholders' agreement, 1 seat to the BOD of the Parent Company;
    b. The Parent Company shall grant Capital Resources the option to acquire additional 35% interest on the Parent Company target or an equivalent proportionate share, through a separate block of shares, for the consideration of US$500,000 and earned-in exploration expenditure of US$3,000,000 on the Parent Company target. The option is exercisable within 3 years after the acquisition; and
(e) The Parent Company shall enter into a lock-in arrangement with Capital Resources with regards to the Subscription for a period of 12 months from the date the shares of Capital Resources are admitted for trading on the FSE.

4. Heads of Agrement with Glencore International AG and AGP Industrial Corporation

On 27 September 2011, the Company, Glencore International AG and AGP Industrial Corporation executed a Heads of Agreement (HOA) in Hong Kong. Under the HOA, Glencore shall contribute its expertise in marketing of nickel ores in the world market as well as its network of various institutions internationally. On the other hand, NIHAO and AGP shall utilize their expertise in mining, contracting and developing of mines in the Philippines and their knowledge of relevant Philippine laws, rules and regulations and issues.

In order to accomplish the said purpose, the parties agreed to form, within a period of 2 months from the signing of agreement, a Joint Venture Corporation ("JVC") under the laws of Hong Kong. The JVC shall have an initial capitalization of USD2 million with the Glencore contributing USD1 million and NiHAO and AGP each contributing USD500 thousand. The JVC shall be governed by the laws of Hong Kong while the proprietary rights of the JVC over its prospective mining interests and operations in the Philippines shall be governed by Philippines or Hong Kong laws and regulations, whichever is applicable. After the formation of the JVC, the parties shall identify prospective mining assets in the Philippines. The JVC may also venture into mining projects in Indonesia and other Asian countries. In such case, the parties may create a new joint venture entity with the same terms and conditions as the HOA.

The parties agree to execute any and all contracts/agreements that will give effect to their undertaking in the HOA or which may be necessary to facilitate the implementation and operation of the JVC. Among such agreements is the Marketing Agreement whereby Glencore shall act as the exclusive marketing agent for the JVC for the sale of all materials produced by the JVC.

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 subscribe a portion of the Company's authorized but unissued capital stock by way of a private placement transaction. 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 share issuance resulted to an increase in additional paid-in capital (APIC) amounting to ₽28 million. The proceeds from the said private placement transaction were used to acquire 100% equity holdings in OREGALORE. On the same date, the Company's Board of Directors approved the issuance of additional shares of stocks through a 2:5 Stock Rights Offering. This is to provide other stockholders with the same opportunity to subscribe to new shares of the Company.

On August 16, 2011, the Company has entered into a second subscription agreement with the same stockholder covering 100 million shares at a subscription price of ₽2.00 per share or for a total consideration of ₽200 million. The proceeds from this private placement transaction were to acquire equity in Oriental Peninsula Resources Group, Inc. ("ORE") thru the PSE.

On September 21, 2011, the Company has entered into its third agreement with the same stockholder for another private placement transaction which involves 100 million shares at a subscription price of ₽2.25 per share for a total subscription price of ₽225 million. The proceeds were earmarked for additional acquisition of ORE shares and purchase of mining equipment.

Agreement by and among Macquarie Bank Limited ("Macquarie Bank"), Parent Company and one of its Major Shareholders

The BOD of the Parent Company approved the execution, delivery and performance of an Investment Agreement (the "Agreement") by and among Macquarie Bank, the Parent Company and one of its major shareholder, embodying a Multi-tranche Average Price Issuance Program ("Issuance Program") resulting in Macquarie Bank's subscription to newly-issued common shares of stock in the Parent Company (the "NiHAO Shares") on a private placement basis ("Transaction").

Pursuant to the Agreement, Macquaire Bank agreed to subscribe to the Parent Company's shares of up to an aggregate amount of 150,000,000, which shall be purchased in tranches, from the Parent Company's authorized but unissued capital stock, provided that, prior to the Parent Company's obtaining the approvable of its shareholders to the Transaction, Macquarie Bank shall not make any subscription that will result in Macquarie Bank's total shareholdings in the Parent Company exceeding 95,000,000 shares, which number is just below ten percent (10%) of the resulting issued capital stock of the Company. The Parent Company will raise approximately United States Dollar (US$) 25,000,000 to US$30,000,000 from the issuance of the shares.

Macquarie Bank's right to subscribe to the Subscriber Shares shall expire (1) year from the execution of the Agreement, or upon Macquarie Bank having subscribed to and been issued 150,000,000 Subscriber Shares, whichever event occurs earlier.

In relation to the Agreement, on March 2, 2012, the Parent Company and Macquarie Bank executed a Subscription Agreement covering the Macquarie Bank's subscription of the 33,000,000 common shares with a par value of ₱1.00 per share for a subscription price of ₱9.46 per share for a total consideration of ₱312.2 million. The subscription will result to an increase in the additional paid-in capital of ₱279.2 million.

MANAGEMENT PLAN OF OPERATIONS

Plan of Operations

The Company shall use the balance of the net proceeds from the Offer to maintain its Botolan and Manticao Mining Claims, the former which has already been awarded a MPSA, and the Manticao Mining Claim, which will have to be perfected into an Exploration permit before any work can be done on the property. Management is also keen on the acquisition of other prospective mining claims that it can develop for production in partnership with ORVI as well as with other select foreign and local partners.

Balance of the proceeds of private placements in 2011 were initially used to purchase additional publicly listed shares from the PSE open market and for acquisition of mining equipment. This is only an interim transaction of the Company while waiting for a better investment opportunity.

Proceeds from private placements made by Macquarie in March 2012 will be used to fund expenses to be incurred for the Contracting Services to be rendered by the Company to Geogen Corporation and will be used by way of capital and working expenses relative to internal operating expenses of the group and for expansion of investments and business interest and expenses incidental thereto. It will also fund business mergers and acquisitions, either through the Company or its subsidiaries, or its joint venture partner, Glencore International LC, of other business interests and expenses incidental thereto.

Botolan Mining Claim

The Company is continuously implementing its Community Development Program (CDP) for its MPSA located in Botolan and Iba, Zambales to create a symbiotic relationship between the Company and the community. As nickel prices continue to improve, the Company may implement additional exploration on the property to determine the additional commercial viability

of developing the Botolan Mining Claim as a Direct Shipping Ore (DSO) nickel mine. The Company believes that its investment in the implementation of a CDP will be easier for the transition of the Botolan Mining Claim from exploration into development and full scale operation. Plans for development of a loading facility as well as the options to its possible location are being studied to minimize hauling and transport costs of ore from the mine.

Manticao Mining Claim

NiHAO's subsidiary, Bountiful Geomines, Inc. has a Exploration Permit Application ("EPAs") in Manticao. NiHAO will evaluate their respective mineral potentials through its technical team and/or third party geological services companies as soon as the approval of its Exploration Permit has been issued.

After awarding of the Exploration Permit ("EP"), NiHAO shall implement exploration works according to the approved Exploration Work Program and Environmental Work Program attached to the EP.

Mining Claims of ORVI

With the Company's new found capabilities through its acquisition of a 30% stake in ORVI in development and mining of mineral claims, the Company plans to seek out prospective targets for acquisition for the expansion of its operations through ORVI. In 2011, ORVI's Palhi mine exported over 700T tons of nickel ore to China. The current expansion plans target at least a 50% increase in production.

The Company and ORVI are in advanced talks with regards to the mineral properties it can develop in conjunction with ORVI, which after development and extraction can contribute to the increase in the overall cash flow of the Company. The company intends to aggressively pursue its acquisition targets in the coming years.

The Company is also likewise engaged in discussion regarding the installation of a nickel processing plant to add value to the DSO mining activity that ORVI currently undertaking.

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 equity private placements and offerings.

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 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 18 of the notes to the financial statements.

PART II--OTHER INFORMATION

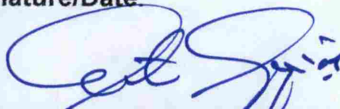
The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such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



ANTONIO VICTORIANO F. GREGORIO III
President

DELFIN S. CASTRO, JR.
Treasurer/Chief Financial Officer

Date signed: 5/15/12

Date signed: 5/15/12

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

FORM 17-Q, Item 1

Consolidated Financial Statements

Consolidated Statement of Financial Position as of March 31, 2012 and December 31, 2011

Consolidated Statements of Comprehensive Income for the Three Month Period Ending March 31, 2012 and 2011

Consolidated Statements of Changes in Equity

Consolidated Statement of Cash Flows for the Three Month Period Ending March 31, 2012 and 2011

Notes to Consolidated Financial Statements

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

		Unaudited Consolidated March 31, 2012		Audited Consolidated Dec 31, 2011
ASSETS				
Current Assets				
Cash and cash equivalents	₱	569,899,884	₱	304,155,480
Accounts receivable - net (Note 6)		196,252		459,219
Advances to related parties		55,580,160		55,580,160
Other current assets		6,270,952		5,996,022
		631,947,248		366,190,881
Asset held for sale (Note 7)		3,042,667		3,042,667
Total Current Assets		634,989,915		369,233,548
Noncurret Assets				
Available For Sale Financial Assets (Note 8)		603,750,000		271,320,000
Investment in Associates (Note 9)		73,018,212		74,942,989
Investment in Joint Venture (Note 10)		13,946		13,946
Mining Rights (Note 12)		201,633,419		201,633,419
Property and Equipment - net (Notes 13)		2,426,709		2,497,415
Other non-current assets		495,989		280,114
Total Noncurrent Assets		881,338,274		550,687,883
	₱	1,516,328,189	₱	919,921,431
LIABILITIES & STOCKHOLDERS' EQUITY				
Liabilities				
Accounts payable and other current liabilities (Note 14)	₱	3,864,923	₱	5,096,253
Due to related parties		2,851,784		2,851,784
Total Liabilities		6,716,707		7,948,037
Stocholder's Equity				
Capital Stock - P1 par value (Note 15)				
Authorized - 2,000,000,000 shares				
Issued		913,000,000		880,000,000
Additional Paid-In Capital		532,451,465		253,271,465
Cumulative unrealized gains (Losses) on available-for-sale financial assets		265,536,182		(27,244,854)
Deficit		(230,302,597)		(223,257,742)
		1,480,685,050		882,768,869
Equity attributable to non-controlling interest		28,926,432		29,204,525
Total Stockholders' Equity		1,509,611,482		911,973,394
	₱	1,516,328,189	₱	919,921,431

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

	Jan 1 to March 31, 2012 (Three Months)	Jan 1 to March 31, 2011 (Three Months)
REVENUES	₽	₽
GENERAL AND ADMINISTRATIVE EXPENSES	6,417,242	2,442,845
SHARE IN NET LOSS OF AN ASSOCIATE	1,924,777	3,279,603
OTHER (INCOME) EXPENSES		
Interest Income	(1,019,071)	(1,306,836)
Gain on transfer of receivable		(20,478,305)
Loss on acquisition of a subsidiary		3,251,606
INCOME (LOSS) BEFORE INCOME TAX DUE	(7,322,948)	12,811,087
Income Tax Due	-	(409,566)
INCOME (LOSS) AFTER TAX	(7,322,948)	12,401,521
OTHER COMPREHENSIVE INCOME		
Income on change in fair value of available-for-sale financial assets	292,781,036	
TOTAL COMPREHENSIVE INCOME	285,458,088	12,401,521
NET INCOME (LOSS) ATTRIBUTABLE TO		
Equity holders of the Parent Company	(7,044,855)	12,447,510
Non-controlling Interest	(278,093)	(45,988)
	(7,322,948)	12,401,521
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO		
Equity holders of the Parent Company	285,736,181	12,447,510
Non-controlling Interest	(278,093)	(45,988)
	285,458,088	12,401,521
WEIGHTED AVE. NUMBER OF COMMON SHARES	896,500,000	680,000,000
Based on net income (loss)	(0.008)	0.018
Based on total comprehensive income	0.318	0.018

Note: No dividends declared during the period

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

		Unaudited		Audited		Unaudited		Audited
		March 31, 2012		December 31, 2011		March. 31, 2011		December 31, 2010
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		**913,000,000**		680,000,000		680,000,000		600,000,000
Issued	₽	**913,000,000**	₽	880,000,000	₽	680,000,000	₽	680,000,000
Additional Paid - in Capital		**532,451,465**		253,271,465		28,271,465		28,271,465
		1,445,451,465	₽	1,133,271,465	₽	708,271,465	₽	708,271,465
DEFICIT								
Balance at beginning of period		(223,257,742)		(234,713,817)		(234,713,817)		(244,240,289)
Net Income (loss)		(7,044,855)		11,456,075		12,447,509		9,526,472
Balance at end of period		(230,302,597)		(223,257,742)		(222,266,308)		(234,713,817)
NON-CONTROLLING INTEREST		28,926,432		29,204,525		29,873,733		
CUMULATIVE UNREALIZED GAIN (LOSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS		265,536,182		(27,244,854)				
STOCKHOLDERS' EQUITY, END	₽	1,509,611,482	₽	911,973,394	₽	515,878,890	₽	473,557,648

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

		Jan 1 to March 31, 2012 (Three Months)		Jan 1 to March 31, 2011 (Three Months)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	₽	(7,322,948)	₽	12,857,076
Adjustment to reconcile net loss to net cash provided by operating activities				
Interest Income		(1,019,071)		(1,306,836)
Depreciation		185,463		98,327
Share in net loss of a subsidiary		1,924,777		3,279,603
Operating income before changes in working capital		(6,231,779)		14,928,169
Changes in operating assets and liabilities				
Decrease (increase) in :				
Accounts receivable		(63,774)		15,858,913
Due from related parties		-		(52)
Other current assets		(274,930)		(3,439,053)
Other assets		(215,875)		
Increase (decrease) in :				
Accounts payable and accrued expenses		(1,231,330)		2,477,493
Other Liabilties				
Cash generated from operations		(8,017,686)		29,825,470
Income Tax		-		(409,566)
Interest Income		1,345,812		1,306,836
Net cash provided by operating activities		(6,671,875)		30,722,740
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposals (acquisitions) of property and equipment		(114,757)		(13,214)
Acquisition of Available-for-sale financial asset		(39,648,964)		
Acquisition of mining right		-		(152,136,833)
Minority interest in newly acquired subsidiary		-		29,873,733
Net cash used in investing activities		(39,763,721)		(122,276,314)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of capital stock		312,180,000		-
Long-term borrowings				
Net cash provided by (used in) financing activities		312,180,000		-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		265,744,404		(91,553,574)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		304,155,480		200,563,504
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₽	569,899,884	₽	109,009,930

NiHAO MINERAL RESOURCES INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information and Status of Operations.**

Corporate Information
NiHAO Mineral Resources International, Inc., (NiHAO or the Parent Company) and its subsidiaries (collectively referred to as the Group) were incorporated in the Philippines.

The Parent Company was incorporated and registered with the Philippine 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 Parent 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. 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 following are the subsidiaries and associate of the Parent Company:

Company	Ownership	Percentage of Ownership	
		March 31, 2012	Dec. 31, 2011
Subsidiaries:			
Mina Tierra Gracia, Inc. (MTGI)	Direct	**100**	100
Bountiful Geomines, Inc. (BGI)	Direct	**100**	100
Oregalore, Inc. (OI)	Direct	**100**	100
Masbate13 Philippines, Inc. (Masbate13)	Indirect	**80**	80
Associate:			
Oriental Vision Mining Philippines Corporation (ORVI)		**30**	30

The subsidiaries and associate are all incorporated in the Philippines and are involved in mining activities.

Status of Operations
The Group incurred losses in the past resulting in deficit of ₱230.30 million and ₱223.26 million as of March 31, 2012 and December 31, 2011, respectively. The recoverability from the deficit position is dependent upon the ability of the Group to successfully execute and implement their projects, and, ultimately, to attain profitable operations.

The Group is still in its pre-operating stage and has not yet started its normal commercial and principal operation. As an entity under pre-operating 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.
- Pursue strategic leveraging on management's experience and expertise.

As of March 31, 2012, the Group has three (3) mining claims located in the provinces of Zambales, Misamis Oriental, and Masbate.

The following are the Group's mining claims:

a. Botolan Mining Claim

Botolan Mining Claim is registered under the name of MTGI. This 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. With the MPSA, MTGI projects that it will produce and ship up to 450,000 dry metric tons (DMT) of nickel ore at a grade of 1.6% nickel grade.

In 2011, MTGI started focusing on the implementation of Community Development Program (CDP). 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 MTGI thereby enabling MTGI to implement its exploration and mining activities in coordination with the corresponding stakeholders. The implementation of the CRP and the subsequent exploration and development works, as stipulated in the MTGI's work program will cover a period of at least two years. The Group is looking for partners to help develop its mining claim and to increase the production.

b. Manticao Mining Claim

BGI 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, 2012, the EP application is undergoing initial evaluation by the MGB. Planned budget for the additional study and exploration amounted to ₱30.0 million. The EP application is expected to be approved in early 2012.

c. Masbate Mining Claim

Masbate13 has an EP covering Masbate Mining Claim with an area of approximately 8,357 hectares located in Milagros and Magdaon Masbate. As of March 31, 2012, management is still evaluating the mineral potential of the area through its technical team and third party geological service companies. The Group plans to perform more extensive studies on the claim to attract possible joint venture partners for the development of the area.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for the available-for-sale (AFS) financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine peso (Peso). 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 Philippine Financial Reporting Standards (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, 2012 and December 31, 2011.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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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, PAS and Philippine Interpretations effective as of January 1, 2011.

- PAS 24 *(Amended)*, *Related Party Disclosures* effective January 1, 2011
- PAS 32, *Financial Instruments: Presentation (Amendment) - Classification of Rights Issues* effective February 1, 2010
- Philippine Interpretation based on IFRIC 14 *(Amendment)*, *Prepayments of a Minimum Funding Requirement* effective January 1, 2011
- Philippine Interpretation IFRC 19, *Extinguishing Financial Liabilities with Equity Instruments* effective July 1, 2010
- Improvements to PFRS (issued in 2010):

  - Revised PFRS 3, *Business Combinations* effective for annual periods beginning on or after July 1, 2010
  - PFRS 7, *Financial Instruments: Disclosures* effective for annual periods beginning on or after January 1, 2011
  - PAS 1, *Presentation of Financial Statements* effective for annual periods beginning on or after January 1, 2011
  - PAS 27, *Consolidated and Separate Financial Statements*
  - PAS 34, *Interim Financial Reporting* effective for annual periods beginning on or after January 1, 2011
  - Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* effective for annual periods beginning on or after January 1, 2011

The adoption of these standards or interpretations is described below:

PAS 24*, Related Party Transactions (Amendment)*
PAS 24 clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment

introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

PAS 32*, Financial Instruments: Presentation (Amendment)*
The amendment alters the definition of a financial liability in PAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has no effect on the financial position or performance of the Group because it does not have these types of instruments.

Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement (Amendment)*
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. The Group is not subject to minimum funding requirements in the Philippines; therefore, the amendment of the interpretation has no effect on the financial position or performance of the Group.

Improvements to PFRSs (issued 2010)
Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments did not have any impact on the accounting policies, financial position or performance of the Group:

- PFRS 7, *Financial Instruments - Disclosures*
- PFRS 3, *Business Combinations* (Measurement options available for non-controlling interest)
- PFRS 3, *Business Combinations* (Contingent consideration arising from business combination prior to adoption of PFRS 3 (as revised in 2008))
- PFRS 3, *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)
- PAS 1, *Presentation of Financial Statements* (Presentation of analysis of each component of other comprehensive income)
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 34, *Interim Financial Statements*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programs* (Determining the fair value of award credits)
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

<u>Standards Issued but not yet Effective</u>
The Group will adopt the new, revised and amended PFRS, PAS and Philippine Interpretations enumerated below, as applicable, when these become effective. The Group does not expect the adoption of these PFRS and Philippine Interpretations to have significant impact on its financial statements in the period of initial application unless stated otherwise.

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income.* The amendments to PAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a

future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and therefore, has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

- PAS 12, *Income Taxes (Amendment) - Deferred tax: Recovery of Underlying Assets.* The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset. The amendment will have no impact on the financial statements of the Group since it has no investment property. The amendment becomes effective for annual periods beginning on or after January 1, 2012.

- PAS 19, *Employee Benefits - Defined Benefit Plans.* Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment will have no impact on the financial statements of the Group. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 27, *Separate Financial Statements* (as revised in 2011). As a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011). As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements.* The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011.

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities.* These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information.

  This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c) The net amounts presented in the statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements.* PFRS 10 replaces the portion of PAS 27, Consolidated and Separate Financial Statements, that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee (SIC)-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements.* PFRS 11 replaces PAS 31, Interests in Joint Ventures and SIC-13, Jointly-controlled Entities - Non-monetary Contributions by Venturers. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 12, *Disclosure of Interests in Other Entities.* PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 13, *Fair Value Measurement.* PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 9, *Financial Instruments - Classification and Measurement.* PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The Group is currently assessing the impact that this standard will have on the financial position and performance. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities.* These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group is currently assessing the impact of the amendments to PAS 32.

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate.* This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation 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 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. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*. This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. The Group is still in its development stage and has not yet started its normal commercial and principal operation the interpretation will have no impact on its financial statement. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

4. Summary of Significant Accounting and Financial Reporting Policies

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.

Non-controlling Interests (NCI)
NCI represent the portion of profit or loss and the net assets in subsidiaries, not held by the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to the equity holders of the Parent Company.

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

Initial recognition and measurement. Financial instruments within the scope of PAS 39 are classified as financial assets or financial liabilities at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity investments, AFS financial assets and other financial liabilities. The Group determines the classification of its financial instruments at initial recognition.

All financial instruments are recognized initially at fair value plus transaction costs, except in the case of financial assets and financial liabilities at FVPL.

Purchases or sales of financial instruments that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent Measurement. The subsequent measurement of the Group's financial instruments depends on their classification as described below. As of March 31, 2012 and December 31, 2012, the Group had no financial assets and financial liabilities at FVPL and HTM investments.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortization, if any, is included in the "Interest income" account in the consolidated statement of comprehensive income. The losses arising from impairment of receivables, if any, are recognized in the "General and Administrative expenses" account in the consolidated statement of comprehensive income.

This category includes the Group's cash and cash equivalents, receivables and due from a related party.

- AFS Financial Assets

  AFS financial assets include equity investments. These investments are those that are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income until the investment is derecognized, at which time the cumulative gain or loss is recognized in other income or expenses. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

- Other Financial Liabilities

  This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon inception of the liability. These include liabilities arising from operations and non-interest bearing loans and borrowings.

  After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate amortization process. Amortized cost is calculated by taking into account any premium or discount on acquisition and fees and costs that are an integral part of the effective interest rate. The effective interest rate amortization, if any, is included in "Interest income" account in the consolidated statement of comprehensive income.

  This classification includes the Group's accounts payable and other current liabilities and due to related parties.

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 19.

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.

Derecognition of Financial Instruments

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

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; 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 or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of 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. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

When 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. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Impairment of Financial Assets

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

Assets Carried at Amortized Cost. For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually or assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that are not yet incurred). The present value of the estimated future cash flows is discounted at the financial assets' original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded under interest income account in the consolidated statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the other income account in the consolidated statement of comprehensive income.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (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 through the use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

AFS Financial Assets. In case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Significant is evaluated against the original cost of the investment and prolonged against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of comprehensive income, is removed from other comprehensive income and recognized in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated statement of comprehensive income. Increases in fair value after impairment are recognized directly in the consolidated statement of changes in equity.

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 expenditures are 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.

Asset Held for Sale
Asset held for sale is a property being constructed or acquired for sale in the ordinary course of business, and is carried at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to complete and make the sale.

Investment in an Associate
The Group's investment in an associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried on the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group.

After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss on its investment in the associate. The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the difference in the consolidated statement of comprehensive income.

Investment in a Joint Venture
The Parent Company has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual agreement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers.

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.

Impairment of Nonfinancial Assets

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.

Revenue

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.

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 Group 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 Group 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.

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5. Significant Accounting Judgment, Estimates and Assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the consolidated financial statements and related notes at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

- 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 19.

- Operating Lease

  The Group has entered into commercial property leases related to their office spaces. 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 2012 and 2011, all exploration costs were charged to operations.

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the 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:

- Fair Value of Financial Instruments

  PFRS requires that financial assets and financial liabilities (including derivative financial instruments) be carried or disclosed at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, and volatility rates), the timing and amount of changes in fair value would differ using a different valuation methodology. When *Level 2* of the fair value hierarchy is used to determine the fair value of financial instruments, inputs and assumptions are based on market observable data and conditions, and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing for each of the periods indicated. Any change in the fair values of financial assets and financial liabilities (including derivative instruments) directly affects the consolidated statement of comprehensive income and equity and related disclosure.

  The fair values of financial assets and liabilities by category and the fair value hierarchy are set out in Note 19 of the consolidated financial statements.

- Estimation of Allowance for Impairment Loss on Receivables and Due from a Related Party

  A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

  The Group recognized impairment loss on receivables amounting to ₱ nil in March 31, 2012 and, ₱1.8 million in 2011(see Note 6).

  The carrying values of receivables as of March 31, 2012 and December 31, 2011amounted to ₱0.2 million and ₱0.5 million, respectively (see Note 6). The carrying values of due from a

related party as of March 31, 2012 and December 31, 2011 amounted to ₱55.6 million (see Note 16).

- 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, 2012 and December 31, 2011 amounted to ₱2.4 million and ₱2.5 million, respectively (see Note 13).

- Impairment of Nonfinancial Assets

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

  Determining the value in use 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 values of the investment in an associate amounted to ₱73.0 million and ₱74.9 million as of March 31, 2012 and December 31, 2011, respectively (see Note 9). The carrying values of the Group's property and equipment as of March 31, 2012 and December 31, 2011 and 2010 amounted to ₱2.4 million and ₱2.5 million, respectively (see Note 13). The carrying values of the Group's mining rights amounted to ₱201.6 million as of March 31, 2012 and December 31, 2011 (see Note 12). The carrying value of investment in a joint venture as of March 31, 2012 and December 31, 2011 amounted to ₱13,946 (see Note 10). The carrying values of other noncurrent assets amounted to ₱0.5 million and ₱0.3 million as of March 31, 2012 and December 31, 2011, respectively. There were no impairment loss recognized on the Group's nonfinancial assets in 2012 and 2011.

6. Receivables

	March 31, 2012	Dec. 31, 2011
Advances to:		
Suppliers	**₱1,762,343**	₱1,762,343
Officers and employees	**75,240**	94,091
Others	**3,000,492**	2,917,867
Interest receivable	**26,406**	353,147
	4,864,481	5,127,448
Less allowance for impairment loss	**4,668,229**	4,668,229
	₱196,252	₱ 459,219

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 31, 2012	Dec. 31, 2011
Advances to:		
Suppliers	**₱1,762,343**	₱1,762,343
Others	**2,905,886**	2,905,886
	₱4,668,229	₱4,668,229

Aging of Accounts Receivable as at March 31, 2012

Current	₱ 196,252
Over 60 days past due	4,668,229
Total	₱ 4,864,481

7. Asset Held for Sale

In 2011, MTGI reclassified its pre-fabricated collapsible building from "Other noncurrent assets" account to "Asset held for sale" account. The sale of the pre-fabricated collapsible building is expected to be consummated in 2012. Upon reclassification, the pre-fabricated collapsible building was carried at its carrying value amounting to ₱3.0 million, which is lower than its fair value less costs to sell.

8. Available-for-sale Financial Assets

This account consists of equity investments in ordinary common shares of stock of a publicly listed company amounting to ₱603.75 million as of March 31, 2012, as follows:

Acquisition cost as of December 31, 2011	₱298,564,854
Net change in fair value	(27,244,854)
Balance as at December 31, 2011	₱271,320,000
Acquisitions	39,648,964
Net change in fair value	292,781,036
Balance as at March 31, 2012	₱603,750,000

The net change in fair value of the available-for-sale financial assets was recorded under "Unrealized cumulative losses on available-for-sale financial assets" in the consolidated statement of financial position.

The related commission paid on the acquisition amounted to ₱0.2 million.

9. **Investment in an Associate**

	March 31, 2012	Dec. 31,2011
Acquisition cost	**₱63,000,000**	₱63,000,000
Accumulated equity in net earnings:		
Balance at beginning of year	**11,942,989**	2,635,162
Share in net loss for the year	**(1,924,777)**	9,307,827
Balance at end of year	**10,018,212**	11,942,989
Investment in an associate	**₱73,018,212**	₱74,942,989

On March 24, 2010, the Parent Company acquired 3,000 shares of ORVI for ₱3.0 million, representing a 30% equity interest. ORVI is a privately-held mining operator. 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 Parent Company purchased, for ₱60 million, additional 60,000 shares, equal to 30% of the subscription to the increase in authorized capital stock.

The Company also extended non-interest bearing advances to ORVI to be used as funding for its existing mining projects. Advances to ORVI amounted to ₱55.5 million as of March 31, 2012 and December 31, 2011.

The following table presents information on the financial position and performance of ORVI as of March 31, 2012 and for the year ended December 31, 2011:

	March 31, 2012	Dec. 31, 201
Total Assets	**₱662,582,066**	₱634,328,530
Total Liabilities	**429,643,312**	394,973,855
Total Equity	**232,938,754**	239,354,675
Total Net Income (Loss)	**(6,415,922)**	31,026,090

10. **Investment in a Joint Venture**

On September 27, 2011, the Parent Company, AGP Industrial Corporation (AGPI) and Glencore International AG (Glencore) executed a Heads of Agreement (HOA) in Hong Kong. Under the HOA, the parties agreed to utilize their respective expertise in the mining industry for purposes of investigating, identifying, acquiring, developing and operating mining claims of economically feasible nickel deposits in the Philippines for purposes of direct shipping or selling of ore and other related nickel mining business. Glencore shall contribute its expertise in marketing of nickel ores in the world market as well as its network of various institutions internationally. On the other hand, the Parent Company and AGPI shall utilize their expertise in mining, contracting and developing mines in the Philippines and their knowledge of relevant Philippine laws, rules and regulations and issues.

In order to accomplish the said purpose, the parties agreed to form within a period of two months from the signing of the HOA, a joint venture company (JVC) under the laws of Hong Kong. Pursuant to the Addendum to HOA dated October 28, 2011, the JVC will have an initial authorized capital of HK$100,000 with a par value of HK$1/share. The JVC should have an initial issued and paid-in capital of HK$10,000 to be contributed by the parties as follows: (1) 50% from Glencore; and (2) 25% each for the Parent Company and AGPI.

Moreover, the parties agree to execute the following implementing agreements of the HOA:

- Marketing agreement whereby Glencore will act as the exclusive marketing agent for the JVC and market and sell all material produced by the JVC;
- Management agreement;
- Contractor(s) agreement; and,
- Any other agreements agreed by the parties as being necessary or useful to facilitate the implementation and operation of the JVC.

The JVC under the name of GNA Resources International Limited (GNA) was incorporated in Hong Kong on November 23, 2011. The Company's contribution of ₱13,946 to the JVC was advanced by a related party. As of March 31, 2012, the JVC has not started its main business operation.

11. Business Combinations

Acquisition of OI

On March 10, 2011, the Parent Company acquired all of the outstanding shares of OI pursuant to a Memorandum of Agreement between the Parent Company and the previous stockholders of OI. Under the agreement, the total consideration of ₱108.0 covered the assignment of all outstanding shares of OI, assignment of advances made by the previous stockholders to OI aggregating ₱125.5 million and the 80% ownership of outstanding shares of Masbate13 held by OI. Masbate13 is the owner of a gold mining claim covering 8,357.3509 hectares in the Municipalities of Milagros and Mandaon in Masbate.

The non-controlling interest in the acquiree was measured at the proportionate share of the acquiree's identifiable net assets.

Assets acquired and liabilities assumed
The fair value of the identifiable assets and liabilities of OI as at the date of acquisition were:

	Fair value recognized on acquisition
Assets:	
Cash in banks	₱3,820,625
Mining rights	152,136,833
Other current assets	1,702,200
	157,659,658
Liabilities:	
Accrued expenses	89,600
Due to related parties	2,469,626
	2,559,226
Total identifiable net assets at fair value	₱155,100,432
Non-controlling interest	(29,919,721)
Negative goodwill arising on acquisition	(17,180,711)
Purchase consideration	₱108,000,000

OI obtained an independent valuation for the gold mining claim of Masbate13. The valuation showed that the fair value at the date of acquisition was ₱152.1 million. This was presented under "Mining rights" account in the consolidated statement of financial position. The excess of the fair value of the net assets acquired over the purchase price amounting to ₱17.2 million is presented as "Income from the acquisition of a subsidiary" in the consolidated statement of comprehensive income as of December 31, 2011.

Sale of Subsidiaries
Details of the sale of the subsidiaries in 2011 are presented below:

a. The Parent Company sold its ownership in VOPI to an individual for a total consideration of ₱2.5 million. This transaction was approved by the BOD of the Parent Company on November 3, 2011.

b. Pursuant to various Deeds of Absolute Sale, MTGI sold its ownership in CNMI, CMTI and MDI to the same individual for a total consideration of ₱7.5 million. The transactions were approved by the BOD of MTGI on June 16, 2011 and November 3, 2011.

12. Mining Rights

Mining rights represent the Group's intangible asset for its right to mine certain areas. The details of which are presented below:

	March 31, 2012	Dec. 31, 2011
Botolan, Zambales	**₱49,496,586**	₱49,496,586
Milagros and Magdaon Masbate	**152,136,833**	152,136,833
	₱201,633,419	₱201,633,419

13. Property and Equipment

	March 31, 2012			
	Transportation Equipment	**Office Equipment, Furniture and Fixtures**	**Laboratory Equipment**	**Total**
Cost:				
Balance at beginning of year	**₱2,350,000**	**₱145,810**	**₱1,103,285**	**₱3,599,095**
Additions		**114,757**	**–**	**114,757**
Disposals				
Balance at end of year	**2,350,000**	**260,567**	**1,103,285**	**3,713,852**
Less accumulated Depreciation:				
Balance at beginning of year	**305,834**	**112,097**	**683,749**	**1,101,680**
Depreciation	**117,499**	**12,799**	**55,165**	**185,463**
Disposals	**–**	**-**	**-**	**-**
Balance at end of year	**423,333**	**124,896**	**738,914**	**1,287,143**
Net Book Value	**₱1,926,667**	**₱135,671**	**₱364,371**	**₱2,426,709**

	December 31, 2011			
	Transportation Equipment	**Office Equipment, Furniture and Fixtures**	**Laboratory Equipment**	**Total**
Cost:				
Balance at beginning of year	**₱350,000**	**₱1,600,088**	**₱1,438,807**	**₱3,388,895**
Additions	**2,000,000**	**13,215**	**–**	**2,013,215**
Disposals		**(1,467,493)**	**(335,522)**	**(1,803,015)**
Balance at end of year	**2,350,000**	**145,810**	**1,103,285**	**3,599,095**
Less accumulated				

Depreciation:				
Balance at beginning of year	**169,167**	**1,531,380**	**798,614**	**2,499,161**
Depreciation	**136,667**	**48,210**	**220,657**	**405,534**
Disposals	**–**	**(1,467,493)**	**(335,522)**	**(1,803,015)**
Balance at end of year	**305,834**	**112,097**	**683,749**	**1,101,680**
Net Book Value	**₱2,044,166**	**₱33,713**	**₱419,536**	**₱2,497,415**

14. **Accounts Payable and Other Current Liabilities**

	March 31, 2012	Dec. 2011
Accounts payable	**₱63,741**	₱63,741
Accrued expenses	**3,690,417**	4,663,662
Taxes payable	**105,715**	365,591
Others	**5,050**	3,258
	₱3,864,923	₱5,096,252

15. **Capital Stock**

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

	March 31, 2012	Dec. 2011
Common shares - ₱1 par value		
Authorized		
Balance at beginning of year	2,000,000,000	2,000,000,000
Increase during the year		
Balance at end of year	2,000,000,000	2,000,000,000
Issued		
Balance at beginning of year	880,000,000	680,000,000
Issuance during the year	33,000,000	200,000,000
Balance at end of year	913,000,000	880,000,000

On December 29, 2010, the Parent 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 in an increase in additional paid-in capital of ₱28.0 million. Proceeds from the issuance of shares were intended to fund business expansion activities that the Company plans to undertake in the succeeding years, including the acquisition of mining tenements and mining rights. On the same date, the Company's BOD approved the issuance of additional shares of stocks through a stock rights offering (SRO), implemented on a 2:5 proportion. This was to provide other stockholders with equal opportunity to subscribe to new share issuances of the Company.

In 2011, the Company entered into various subscription agreements with a stockholder for additional subscriptions to the portion of the Company's authorized but unissued capital stock, as follows:

Date	Number of shares	Subscription price per share	Total consideration	Increase in additional paid-in capital
September 21, 2011	100,000,000	₱2.00	₱200,000,000	₱100,000,000
August 16, 2011	100,000,000	2.25	225,000,000	125,000,000
	200,000,000		₱425,000,000	₱225,000,000

After which, 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.

Proceeds from the subscriptions are intended to acquire equity in mining companies for strategic business purposes and mining equipment to further enhance the mining assets portfolio of the Company.

On December 9, 2011, the Group's stockholders approved the waiver of the requirement for a rights offer of private placement shares pursuant to Section 9 of Article V of the Revised Listing Rules. The approval resulted in a waiver of SRO to other stockholders.

On February 11, 2012, the Board of Directors approved the execution, delivery and performance of an Investment Agreement (the "Agreement") by and among Macquarie, NiHAO and one of its major shareholders, embodying a Multi-tranche Average Price Issuance Program ("Issuance Program") resulting in Macquarie Bank's subscription to newly-issued common shares of stock in NiHAO on a private placement basis ("Transaction").

Pursuant to the Agreement, Macquarie Bank agreed to subscribe to NiHAO shares of up to an aggregate amount of One Hundred Fifty Million (150,000,000) (the "Subscriber Shares"), which shall be purchased in tranches, from NiHAO's authorized but unissued capital stock, provided that, prior to NiHAO's obtaining the approval of its shareholders to the Transaction (including the issuances of NiHAO shares to Macquarie Bank), Macquarie Bank shall not make any subscription that will result in Macquarie Bank's total shareholdings in NiHAO exceeding Ninety-Five Million (95,000,000) Shares, which number is just below ten percent (10%) of the resulting issued capital stock of the Company.

The first tranche culminated on 02 March 2012 where Macquarie Bank Limited executed a Subscription Agreement covering the subscription of 33 Million common shares with a par value of ₱1.00 per share. The subscribed shares are payable in cash at a subscription price of ₱ 9.46 per share or an aggregate value of Three Hundred Twelve Million One Hundred Eighty Thousand Pesos (₱ 312,180,000.00). The difference between the aggregate par value of the subscribed shares and the total cash payment made by Macquarie Bank for the same shall be treated as additional paid-in capital in NiHAO.

On April 12, 2012, the stockholders approved the private placements of Macquarie Bank Limited of up to One Hundred Fifty Million (150,000,000) shares. The Majority of the minority shareholders waived the conduct of a rights or public offering with respect to the Private Placement Shares of Macquarie Bank. The stockholders likewise approved the Use of Proceeds of the private placement of Macquarie Bank which was presented by the Corporation's Management during the Special Stockholders' Meeting.

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16. **Related Party Transactions**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (i) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (ii) associates; and (iii) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

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

Terms and Conditions of Transactions with Related Parties
Outstanding balances of transactions with related parties are unsecured, noninterest bearing, payable on demand and settlements are made in cash. There have been no guarantees provided or received for any related party receivables or payables.

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

Associate

a. 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 Parent 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. The balance as of March 31, 2012 and December 31, 2011 amounted to ₱55,500,000.

b. The Parent Company extended non-interest bearing advances to ORVI for working capital requirements. As of March 31, 2012 and December 31, 2011, total outstanding advances to ORVI amounted to ₱80,160.

Companies with Common Shareholders or Interlocking Directors

c. AU Philippines, Inc. (AU), the previous majority shareholder of Masbate13, extended non-interest bearing advances to Masbate13. The outstanding balance as of March 31, 2012 and December 31, 2011 amounted to ₱2.0 million.

d. The Parent Company entered into HOA with Geograce where the latter 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 Rare Earth and Rare Metals Tungsten Group Co. (Jiangxi).

e. Geograce extended non-interest bearing cash advances to Masbate13 for working capital requirements. Outstanding balance as of March 31, 2012 and December 31, 2011 amounted to ₱0.9 million.

f. On October 19, 2011, the Parent Company entered into a Contract of Lease with Angping & Associates Securities Inc. (AASI) for the lease of its office space and parking slots. The lease is for a period of three (3) years beginning October 19, 2011 with the option to renew for another two (2) years. The monthly lease rental is ₱103,180 inclusive of taxes and association dues. The security deposit for the lease amounting to ₱280,114 will be returned to the Parent Company not earlier than sixty (60) days after the termination of the lease contract. The security deposit is recorded in "Other noncurrent assets" account in the consolidated statement of financial position.

g. In 2011, the Parent Company opened an account with AASI in order for the Parent Company to buy and sell shares of companies listed in the stock exchange under such terms and conditions as may be beneficial to the Parent Company.

Outstanding balances arising from these transactions as of December 31, 2011 and 2010 are as follows:

	March 31, 2012	Dec. 31, 2011
Due from a related party	**₱55,580,160**	₱55,580,160
Due to:		
AU	**₱1,953,741**	**₱1,953,741**
Geograce	**898,043**	898,043
	₱2,851,784	₱2,851,784

17. Agreements and Commitments

As of March 31, 2012 and December 31, 2011, the Group is a party to the following agreements:

HOA with 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 Parent Company or controlled by it through its subsidiaries MTGI, BGI and OI (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 Parent Company and the Mining Tenements;
(b) satisfactory legal and technical due diligence on MTGI, BGI and OI and their respective mining tenements; and
(c) 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 EPs are secured for the various Mining Tenements covered by the HOA with Geograce. Subject to such other terms and conditions as may be agreed upon by the parties in the Operating Agreements, the Parent Company shall be entitled to receive at least fifty percent (50%) of the net profits arising from or relating to the operation of the Mining Tenements.

The HOA with Geograce Agreement 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, the fair valuation of the target Mining Tenements and the approval of said transactions by the appropriate regulatory agencies.

Cooperation Agreement with Jiangxi
The agreement is to form a strategic partnership to jointly explore and develop the six mining tenements directly and indirectly held by the Parent Company and Geograce and are located in the province of Zambales.

HOA with AGPI and Glencore
For the details of this agreement, please refer to Note 10 of the consolidated financial statements.

Memorandum of Understanding ("MOA") by and among the Parent Company, Capital Gold Pty Ltd. ("Capital Gold") and Capital Resources Corporation ("Capital Resources")

On January 12, 2012, the BOD of the Parent Company approved the execution, delivery and performance of a MOA by and among the Parent Company, Capital Gold and Capital Resources for the acquisition of Capital Gold and Capital Resources of the shares of stocks of either of the following:

(a) OI, a wholly owned subsidiary;
(b) MPI, a subsidiary through OI; or
(c) A new company incorporated under the laws of the Philippines (a, b and c, collectively referred to as the "Parent Company target")

Subject to the satisfaction of certain conditions, which include, among others, the completion by the parties of the legal and technical due diligence, the parties have agreed to the following:

(a) The identity of the Parent Company target will be confirmed by Capital Gold after carrying out the legal and technical due diligence;
(b) Capital Resources shall be listed and its entire issued share capital admitted to trading on the Frankfurt Stock Exchange (FSE) and the Parent Company target together with the other assets of Capital Gold located in Australia shall be infused into Capital Resources;
(c) Capital Resources shall acquire 40% of the entire issued and outstanding shares of stock of the Parent Company target (the "Parent Company target shares"), or an equivalent proportionate interest (in case the shares of OI was acquired) for the consideration of 50,000,000 shares in Capital Resources (the "Subscription") at current listing value of EURO (EUR) 0.10 per share and US$250,000.
(d) Upon the acquisition of the Parent Company target:
    a. Capital Resources shall be granted, through a shareholders' agreement, 1 seat to the BOD of the Parent Company;
    b. The Parent Company shall grant Capital Resources the option to acquire additional 35% interest on the Parent Company target or an equivalent proportionate share, through a separate block of shares, for the consideration of US$500,000 and earned-in exploration expenditure of US$3,000,000 on the Parent Company target. The option is exercisable within 3 years after the acquisition; and
(e) The Parent Company shall enter into a lock-in arrangement with Capital Resources with regards to the Subscription for a period of 12 months from the date the shares of Capital Resources are admitted for trading on the FSE.

Agreement by and among Macquarie Bank Limited ("Macquarie Bank"), Parent Company and one of its Major Shareholders

The BOD of the Parent Company approved the execution, delivery and performance of an Investment Agreement (the "Agreement") by and among Macquarie Bank, the Parent Company and one of its major shareholder, embodying a Multi-tranche Average Price Issuance Program ("Issuance Program") resulting in Macquarie Bank's subscription to newly-issued common shares of stock in the Parent Company (the "NiHAO Shares") on a private placement basis ("Transaction").

Pursuant to the Agreement, Macquaire Bank agreed to subscribe to the Parent Company's shares of up to an aggregate amount of 150,000,000, which shall be purchased in tranches, from the Parent Company's authorized but unissued capital stock, provided that, prior to the Parent Company's obtaining the approvable of its shareholders to the Transaction, Macquarie Bank shall not make any subscription that will result in Macquarie Bank's total shareholdings in the Parent Company exceeding 95,000,000 shares, which number is just below ten percent (10%) of the resulting issued capital stock of the Company. The Parent Company will raise approximately United States Dollar (US$) 25,000,000 to US$30,000,000 from the issuance of the shares.

Macquarie Bank's right to subscribe to the Subscriber Shares shall expire (1) year from the execution of the Agreement, or upon Macquarie Bank having subscribed to and been issued 150,000,000 Subscriber Shares, whichever event occurs earlier.

In relation to the Agreement, on March 2, 2012, the Parent Company and Macquarie Bank executed a Subscription Agreement covering the Macquarie Bank's subscription of the 33,000,000 common shares with a par value of ₱1.00 per share for a subscription price of ₱9.46 per share for a total consideration of ₱312.2 million. The subscription will result to an increase in the additional paid-in capital of ₱279.2 million.

General Contractor Agreement with Geogen Corporation ("Geogen")
On March 5, 2012, the BOD of the Parent Company approved the execution, delivery and performance of a General Contractor Agreement with Geogen. Under the agreement, the Parent Company is appointed as Geogen's general contractor over Geogen's mineral property consisting of a total area of 2,391.4081 hectares located at Dinapigue, Isabela, which is covered by MPSA No. 258-2007-II dated July 30, 2007 (the "Mineral Property").

Pursuant to the agreement, Geogen shall pay the Parent Company an amount equivalent to 90% of the invoice value of the nickel ore sold by Geogen to third parties in consideration of the following contractor services to be performed by the Parent Company:

(a) Mining services relating to or arising from mining activities within the Mineral Property;
(b) Hauling services for the nickel ore extracted from the Mineral Property to designated areas;
(c) Barging and stevedoring services for the shipside loading of the nickel ore extracted from the Mineral Property;
(d) Road and causeway maintenance services; and
(e) Environmental maintenance services of the Mineral Property.

Marketing Agency Agreement with Glencore
On March 12, 2012, the Parent Company and Glencore executed a Marketing Agency Agreement in which the Parent Company appointed Glencore as its marketing agent for the purpose of providing marketing and sales agency services relating to the sale of nickel produced by the Group. The Parent Company and Glencore agreed that the sale of nickel under the agreement shall be under the brand name of GNA.
Under the agreement, Glencore is given the authority to market and sell nickel, or entered into a sales contract, in behalf of the Parent Company. For the consideration of the services of Glencore, the Parent Company shall pay a commission at the rate of US$0.25 per wet metric tonne of the sales value of any nickel sold.

The term is valid for 1 year, unless terminated earlier, in accordance with the terms and conditions of the agreement.

18. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprises of cash and cash equivalents, due from a related party and due to related parties. The purpose of these financial instruments is to fund the Group's operations. The Group has other financial assets and liabilities such as receivables and account payable and other current liabilities 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

The Group's credit risk is the risk that a counterparty will not meet its obligations under a financial instrument leading to a financial loss. The Group is exposed to credit risk from its deposits with banks. The Group's maximum exposure to credit risk is equal to the carrying amount of these instruments as summarized below:

	March 31, 2012	Dec. 31, 2011
Cash and cash equivalents	**₱569,899,884**	₱304,155,480
Receivables:		
Advances to others	**169,846**	106,072
Interest receivable	**26,406**	353,148
Due from a related party	**55,580,160**	55,580,160
AFS financial assets	**603,750,000**	271,320,000
	₱1,229,426,296	₱631,514,860

Cash and cash equivalents 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.

AFS financial assets are considered as high grade because it pertains to investment in a publicly listed entity with good financial operations.

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, 2012 and December 31, 2011, the Group's other financial liabilities are summarized below:

	March 31, 2012	Dec. 2011
Accounts payable and other current liabilities*	**₱3,759,208**	₱5,096,253
Due to related parties	**2,851,784**	2,851,784
	₱6,610,992	₱7,948,037

**Excluding taxes payables*

Accounts payable and other current liabilities are normally settled within 30 days. Due to related parties are payable on demand. As of March 31, 2012 and December 31, 2011, the Company's financial assets amounting to ₱1,229,426,294 and ₱631,514,861, respectively, were determined by management to be realizable within one year.

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, 2012 and December 31, 2011 are as follows:

	March 31, 2012	Dec. 2011
Total debt	**₱6,716,707**	₱7,948,037
Total equity	**1,509,611,482**	911,973,394
Debt-to-equity ratio	**0.004**	0.009

19. **Financial Instruments**

Fair Values
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, 2012 and December 31, 2011:

	March 31, 2012		December 31, 2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱569,899,884**	**₱569,899,884**	₱304,155,480	₱304,155,480
Receivables:				
Interest receivable	**26,406**	**26,406**	353,148	353,148
Advances to others	**169,846**	**169,846**	106,073	106,073
Due from a related party	**₱55,580,160**	**₱55,580,160**	₱55,580,160	₱55,580,160
AFS financial assets	**603,750,000**	**603,750,000**	271,320,000	271,320,000
	₱1,229,426,296	**₱1,229,426,296**	₱631,514,861	₱631,514,861

Financial Liabilities
Other financial liabilities:

	March 31, 2012		December 31, 2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Accounts payable and other current liabilities*	**₱3,759,208**	**₱3,759,208**	₱5,016,114	₱5,016,114
Due to related parties	**2,851,784**	**2,851,784**	2,851,784	2,851,784
	₱6,610,992	**₱6,610,992**	₱7,867,898	₱7,867,898

**Excludes taxes payable*

Cash and cash equivalents, Receivables, Due from a Related Party, Accounts Payable and Other Current Liabilities and Due to 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.

AFS Financial Assets. The fair value of these financial assets are determined by reference to quoted market bid prices at the close of business on the reporting date since these are actively traded in organized financial market.

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, 2012 and December 31, 2011, the Group's AFS financial assets are measured using Level 1.

20. Segment Information

The Group has a single reporting segment, which is the mining activity. Financial information with regards to the Group's reporting segment is as follows:

	March 31, 2012	Dec. 2011
Net income (loss)	**(₱7,322,948)**	₱10,821,020
Other information:		
Segment assets	**1,516,328,189**	919,921,433
Segment liabilities	**6,716,707**	7,948,037