NiHAO
MINERAL RESOURCES INTERNATIONAL, INC.
www.nihaometals.com

NiHAO MINERAL RESOURCES
INTERNATIONAL, INC
6th Floor Sunplaza Bldg
Princeton St. Shaw Blvd.
Madaluyong City
1552 Philippines

24 June 2013

Ms. JANET ENCARNACION
Head, Disclosure Department
PHILIPPINE STOCK EXCHANGE
3th Floor Tower One and Exchange Plaza,
Ayala Triangle, Ayala Avenue. Makati City

Gentlemen:

In compliance with the disclosure requirements under SRC Rule 147.1 (1) (A) (i) and 68, as amended, we are furnishing the Exchange an Amended Quarterly Report SEC Form 17Q covering the first quarter of 2013 for Nihao Mineral Resources International, Inc. We have incorporated required information on financial soundness indicators on pages 4 and 5 of the report.

Thank you very much.

Very truly yours,

GINA PASION
Principal Accounting Officer

Noted By:

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

COVER SHEET

6 2 3 2 3

NIHAO MINERAL RESOURCES INTERN
ATIONAL, INC. AND SUBSIDIARIES

(Company's Full Name)

6F NIHAO SUNPLAZA BLDG. 1505 S
HAW BLVD. CORNER PRINCETON STR
EET MANDALUYONG CITY

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

ARSENIO C. CABRERA, JR.	(6 32) 8 1 3 7 1 1 1
Contact Person	Company Telephone Number

1 2	3 1	SEC 17 Q1"A" 2013		
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stocholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2013**

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., 1505 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

   ____

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, 2013 vs. December 31, 2012

In June 2012, the Company inked an Operating Agreement with Geogen Corporation covering the Dinapigue Nickel Project located in Dinapigue, Isabela with 2,391.8041 hectares. The project with an approved Mineral Purchase and Sharing Agreement ("MPSA") is already in the development and operating stage. NiHAO upon its assumption as operator of the project, rehabilitated existing roads and built new arterial road networks to increase efficiency in moving ore, and developed other mine infrastructure to comply with regulatory requirements for the development of an efficient mining operations. In addition, existing extensive activities such as further development of infrastructures, acquisition of a new laboratory , hiring of additional manpower among others, are being conducted.

For the Group's nickel mining claims: the Botolan Nickel Project and the Manticao Nickel Project, NiHAO has focused on community development and community relations while exploration activities are still suspended. On the Masbate Gold project, the Group is currently concentrating on compliance with conditions setforth in EP-V-2008-005 and will soon start implementation of the National Greening Program. On December 31, 2012, the Parent Company, OI and Welcome Stranger entered into a Sale and Purchase agreement involving 1,000,000 shares of stock of Masbate 13. NiHAO expects to (1) generate income from this transaction and (2) raise funds to develop Masbate 13 and thereby increasing earnings potential of Masbate 13.

For the period covering the first quarter of 2013, the Dinapigue Nickel Project has not started its loading operations because shipping season in Isabela covers the second quarter up to the first months of the third quarter. Hence, during the first quarter of 2013, no income is reported during the period. General and administrative expenses incurred during the period amounted to ₱16.78 million while interest income earned amounted to ₱1.07 million. Resulting losses amounted to ₱15.71 million. A change in fair value of available-for-sale financial assets amounting to ₱4.35 million decreases the net comprehensive loss to ₱11.36 million.

Cash as of March 31, 2013 amounting to ₱ 590.96 million was 4.68% or ₱ 28.99 million lower than the ₱619.95 million cash as at December 31, 2012. The decrease is brought about by (a) partial settlement of payables, (b) operating expenses incurred during the period, and (c) direct costs related to its Isabela operations.

Receivables of ₱ 184.34 million, was 0.32% or ₱0.59 million lower from ₱ 184.94 million as of December 31, 2013 due to net effect of collection of trade receivables and deposits made to various suppliers relative to its Isabela operations.

Investment in ORE shares went up from a market cost per share of ₱3.10 as of December 31, 2012 to ₱3.39 per share as of March 31, 2013.

A decrease of ₱ 1.68 million in property and equipment from ₱ 63.14 million as of December 31, 2012 to ₱ 61.46 million as of March 31, 2013 was due to depreciation recorded during the period.

Total consolidated assets stood at ₱1,247.10 million, a 1.19% or ₱ 15.05 million decrease from recorded consolidated assets of ₱1,262.15 million as of December 31, 2012. The decrease in total assets was due to (a) expenses incurred during the period and (b) partial settlements of payables.

Total liabilities as of March 31, 2013 amounted to ₱12.51 million which were 22.77% or ₱ 3.69 million lower than the ₱ 16.20 million recorded liabilities as of December 31, 2012. The decrease in total liabilities was mainly due to partial settlements made by the Group.

Total deficits went up by ₱ 15.12 million from ₱ 48.42 million as of December 31, 2012 to ₱ 63.54 million as of March 31, 2013 mainly due to operating expenses incurred during the period.

March 31, 2013 vs. March 31, 2012

a. Net operating income for the first three months of 2013; net comprehensive income:

As of March 31, 2013, the Company recognized a consolidated net losses of ₱15.71 million, 115% or ₱ 8.38 million higher as compared to the recorded losses covering the same period last year of ₱7.32 million. The increase was brought about by expenses incurred from its Isabela operations. Other comprehensive income representing income on change in market value of available-for-sale financial assets was recorded at ₱4.35 million and ₱292.78 million as of March 31, 2013 and March 31, 2012 respectively. Closing price amounts to ₱ 3.35 per share as of March 31, 2013 and ₱8.05 per share as of March 31, 2013.

b. Increase in Assets:

Cash of ₱ 590.96 million was ₱ 21.06 million or 3.69% higher than balances of ₱ 569.90 million on March 31, 2013. The increase is due to liquidation of ORE shares beginning May 2012.

₱ 184.15 million increase in receivables from ₱ 0.20 million in March 31, 2012 to ₱ 184.35 million in March 2013 is mainly due to deposits made to various suppliers relative to the Company's operations in Isabela.

Investment in ORE shares went down by ₱ 520.79 million from ₱ 603.75 million in March 31, 2012 to ₱ 82.96 million as of March 31, 2013 attributed to the liquidation process undertaken by the Company beginning May 2012.

A significant increase of ₱ 59.03 million in property and equipment from ₱ 2.43 million as of March 31, 2012 to ₱ 61.46 million as of March 31, 2013 was due to acquisition of heavy equipment during the period relative to its Isabela operations net of depreciation.

As a result, given the above-mentioned transactions, total consolidated assets as of March 31, 2013 were recorded at ₱1,247.10 million, while total assets as of the same period last year amounted to ₱1,516.33 million or a 17.76% equivalent to ₱269.23 million decrease.

c. Increase in Total Liabilities:

Total liabilities increased by 86.26% or by ₱5.79 million as of March 31, 2013, mainly due to unpaid management fees and other expenses relative to its Isabela operations.

d. Increase in Total Stockholders' Equity:

Total stockholders' equity amounted to ₱ 1,234.59 million as of March 31, 2013, a decrease by 18.22% or by ₱275.02 million from ₱1,509.61 million in the same period last year. The decrease was due to the following:

a) Decrease in unrealized gains on available-for-sale financial assets of ₱ 290.78 million;

b) Application of additional paid in capital of ₱150 million to eliminate the Parent Company's deficit; and
c) net losses incurred during the period.

Key Performance Factors:

	March 31, 2013	March 31, 2012
Net Income (loss)	(₱ 15,707,925)	(₱ 7,322,948)
Total Current Assets	890,117,586	635,205,790
Total Assets	1,247,101,821	1,516,328,189
Current Liabilities	12,510,503	6,716,707
Total Liabilities	12,510,503	6,716,707
Stockholders' Equity	1,234,591,317	1,509,611,482

Current Ratio		
₱ 890,117,586 / 12,510,503	71.15:1	
₱ 635,205,790 / 6,716,707		94.57:1
Debt to Equity Ratio		
₱ 12,510,503 /1,234,591,317	0.01:1	
₱ 6,716,707 /1,509,611,482		0.004:1
Debt Ratio		
₱ 12,510,503 /1,247,101,821	0.01:1	
₱ 6,716,707 / 1,516,328,189		0.004:1
Asset to Equity Ratio		
₱ 1,247,101,821/1,234,591,317	1.01:1	
₱ 1,516,328,189/1,509,611,482		1.004:1
Book value per share		
₱ 1,234,591,317/ 913,000,000	1.35	
₱ 1,509,611,482/ 913,000,000		1.65
Income (loss) per share		
(₱ 15,707,925) / 913,000,000	(₱ 0.017)	
(₱ 7,322,948) / 913,000,000		(₱ 0.008)
Interest Coverage Ratio	NA	NA
No interest expense incurred		
Return on Asset	NA	
Gross Profit Margin	NA	
Net Profit Margin	NA	

Current Ratio/Liquidity 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.

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

Debt Ratio:
This ratio is determined by dividing the total liabilities into the total assets.
The ratio indicates the percentage of a company's assets that are provided via debt.

Asset to Equity Ratio:
This ratio is determined by dividing the total assets into the total stockholders' equity.
The ratio measures the financial leverage and long term solvency of the Company.

Book value per share:
This ratio is determined by dividing the stockholders' equity by the total number of shares.
This is used to calculate the per share value of the company based on its equity available to shareholders.

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.

Interest Coverage Ratio:
The interest coverage ratio is used to determine how easily a company can pay interest expenses on outstanding debt. The ratio is calculated by dividing a company's earnings before interest and taxes (EBIT) by the company's interest expenses for the same period

Return on Asset
This ratio is determined by dividing the net income by the total assets.
This ratio indicates how profitable a company's assets are in generating revenue.

Gross Profit Margin:
The gross profit tells the percentage of revenue/sales left after subtracting the cost of goods sold. The gross profit margin is computed by dividing Gross Profit over Net Service Income.

Net Profit Margin:
The net profit margin shows how much of each sales shows up as net income after all expenses are paid. The Company calculated this by dividing the net income before other income (expenses) by total service income.

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.

<u>INVESTMENT IN SHARES OF STOCKS</u>

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. In August 2012, these advances were converted into equity equivalent to 1,250,000 common shares of OREGALORE.

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 Mandaon, Masbate with a total coverage area of

8,357.3509 hectares. The claim which was 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.

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 Asiabest Group International, Inc. ("ABG") formerly AGP Industrial Corp. ("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 ABG.

Moreover, the parties agreed 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, 2013, JVC has not started its main business operation due to recent changes in mining regulations.

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 September 30, 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.

Agreements entered into by the Group during the last three (3) years:

1. ***Marketing Agency Agreement with Glencore International AG***

On March 13, 2012, the Company executed a "Marketing Agency Agreement" with Glencore International AG ("Glencore") at Hong Kong.

Under the agreement, NIHAO appointed Glencore as its marketing agent for the purpose of providing marketing and sales agency service relating to the sale of Nickel produced, or which may be produced from any of the mines owned or operated by NiHAO, together with its subsidiaries, affiliates, suppliers, and any person or entity selling Nickel through NiHAO (the "NiHAO Group"). Both parties agreed that the sale of Nickel under the Agreement shall be under the brand name of GNA Resources International Limited, the HongKong joint venture company involving the parties.

As marketing agent, Glencore has authority to market and sell Nickel, both as a principal for its own account and as agent for third parties other than NiHAO, in all markets where Nickel is imported, exported, bought and/or sold throughout the world (the "Territory") on a non-exclusive basis. In respect of each potential sale, Glencore shall advise the best prices achievable at which it intends to offer or sell Nickel.

In addition, Glencore has authority to conclude Sales Contracts on behalf of NiHAO on terms and conditions deemed commercially reasonable to Glencore, it being understood and acknowledged that such terms and conditions may be in variance or verbal approval from NiHAO in concluding such diverging Sales Contracts.

For and in consideration of the services of Glencore, NiHAO shall pay a commission at the rate of Twenty Five Cents ($0.25) per wet metric tonne of the Sales Value of any Nickel sold on an Agency Basis and Twenty Five Cents ($0.25) per wet metric tonne, in case sold on a Principal basis.
The Agreement shall take effect upon its execution by the parties and continue for a term of one (1) year, unless terminated in accordance with the terms and conditions of the Agreement.

The agreement shall take effect upon its execution by the parties and continue for a term of one (1) year, unless terminated in accordance with the terms and conditions of the Agreement.

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

On March 5, 2012, the Board of Directors 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 NiHAO 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.

On June 13, 2012, the agreement discussed above was superseded by an operating agreement. Pursuant to the operating agreement, NiHAO shall have the exclusive right to explore, operate, mine, develop, utilize and process any minerals found within the Contract Area of the Mineral Property, subject to the following limitations:

(a) NiHAO shall abide by all the terms and conditions of relevant licenses and permits covering the contract Area or relating to the conduct of mining operations therein;
(b) NiHAO shall abide by and comply with all of its obligations and undertakings under the Operating Agreement, and;
(c) NiHAO may build improvements and install machineries and equipment and other facilities, and do such other things in the Contract Area as may be necessary and proper to carry out exploration, mining development works and operations, utilization, processing, environmental protection and rehabilitation of the Contract Area.

Pursuant to the operating agreement, Geogen shall pay the Parent Company an amount equivalent to 90% of the invoice value of the nickel ore, nickel by-products, chromite and other minerals sold by Geogen to third parties. NiHAO will pay for its own account, Asiabest Group International, Inc. ("ABG") management fees pursuant to Management Agreement with Option to Buy executed between GEOGEN and ABG on 14 October 2011.

3. ***Memorandum of Agreement with Capital Gold Pty Ltd. and Welcome Stranger Mining Ltd. / Memorandum of Understanding with Capital Gold Pty Ltd.("Capital Gold") and Capital Resources Corporation Plc ("Capital Resources")***

On January 10, 2012, the Board approved the execution, delivery and performance of a Memorandum of Understanding ("MOU") by and among NiHAO, Capital Gold and Capital Resources, for the acquisition by Capital Gold and Capital Resources of shares of stock in (a) Oregalore, Inc. ("Oregalore"), a wholly-owned subsidiary of NiHAO; or (b) Masbate 13 Philippines, Inc. ("Masbate 13'), a subsidiary of Oregalore; or (c) a new company incorporated under the laws of the Philippines, (in each case hereinafter referred to as the "NiHAO target") for the purpose of obtaining equity interest in the registered holder of the exploration license of the Mandaon tenement situated in the Municipality of Milagros and Mandaon, Masbate, Philippines (the "Masbate License").

Capital Gold is a corporation organized and existing under the laws of the State of New South Wales, Australia, while Capital Resources is a corporation organized and existing under the laws of the Isle of Man.

On September 17, 2012, the Board approved the execution, delivery and performance of Memorandum of Agreement ("MOA") by and among NiHAO, Capital Gold Pty Ltd. ("Capital Gold"), and Welcome Stranger Mining Ltd. ("Welcome Stranger"), for the acquisition by Capital Gold and Welcome Stranger from NiHAO of forty percent (40%) of the issued share capital of Masbate 13 Philippines, Inc. ("Masbate 13") a subsidiary of NiHAO's wholly-owned subsidiary, Oregalore, Inc. ("Oregalore").

The MOA supersedes the MOU executed. Supervening events have transpired which prevented Capital Resources from performing commercial undertakings, deliveries and covenants as outlined in the MOU. However, despite the expiration of the MOU, Capital Gold, on its own, continued to negotiate, with NiHAO with a view of concluding a mutually beneficial commercial transaction under terms and conditions acceptable to the parties.

Subject to the satisfaction of certain conditions, the Parties to the MOA have agreed that:
(a) Welcome Stranger shall acquire forty percent (40%) of the entire issued and outstanding share capital of Masbate 13 in consideration for which NiHAO/Oregalore shall receive Fifty million (50,000,000) shares in Welcome Stranger at an indicative listing market value of twenty Australian cents (AUD0.20 / share) per share ;
(b) Welcome Stranger will pay to NiHAO/Oregalore a cash consideration of two hundred fifty thousand USD dollars (US250,000.00);

(c) At the end of the transaction, the Parties shall have shareholdings in Welcome Stranger in accordance with the following ownership structure

Company /Entity	Number of shares	Percentage of ownership
Original shareholders	9,120,452.00	3.59%
Capital Gold	80,000,000.00	31.48%
Dizon Copper-Silver Mines, Inc.	90,000,000.00	35.42%
NiHAO	50,000,000.00	19.68%
New shareholder after capital raising	25,000,000.00	9.84%
TOTAL	254,120,452.00	100.00%

d) Welcome Stranger shall have the option to buy an additional forty percent (40%) of the entire issued and outstanding share capital of Masbate 13 upon terms and conditions acceptable to NiHAO.

The rights and obligations of the Parties to the MOA is subject to the following conditions being satisfied (or waived by the appropriate Party, in its absolute discretion).

(a) The Parties entering into a formal share sale agreement, subscription agreement and shareholders agreement (the "Formal Agreement") relating to the Transaction on terms and conditions acceptable to all Parties (acting reasonably). Among other things, Parties shall change the name of Welcome Stranger Mining Ltd. to NoA Mines Ltd. or such other names which the Parties may hereinafter agree to subject to approval by the appropriate Australian body ;
(b) NiHAO being satisfied that Capital Gold and Welcome Stranger have the financial, legal, operational and technical capabilities to undertake the Transaction;
(c) Capital Gold receiving a satisfactory legal opinion from its Philippines counsel as to the validity and enforceability of the formal Agreements under applicable Philippines laws;
(d) Welcome Stranger shareholders approving the transactions in a general/special meeting that will be called for the purpose;
(e) Welcome Stranger obtaining all other regulatory and shareholder approvals in accordance with the Corporations Act 2001 (Australia), the ASX Listing Rules and Welcome Stranger's constitutions;
(f) ASX providing Welcome Stranger with a list of conditions, following Welcome Stranger obtaining all required shareholder approvals which, when satisfied, will result in the ASX lifting the suspension on the Welcome Stranger's Shares trading on ASX; and
(g) The agreement between Capital Gold, Welcome Stranger, and Dizon Copper-Silver Mines, Inc. is likewise fulfilled with respect to the capital raising activities and the corresponding vending-in of the property at Dizon Copper-Silver Mines, Inc. into Welcome Stranger as stated under said Agreement.

Requesting Party, shall provide the other Party with all reasonable assistance and relevant information as may be required by the Other Party for the purposes of enabling completion of a Due Diligence in accordance with the terms of the MOA.

Capital Gold and Welcome Stranger acknowledged the completion of legal and technical due diligence on NiHAO, Oregalore and Masbate 13, including, without limitation, all activities carried on by Masbate 13 relating to the gold, copper gold prospect situated in the Municipality of Mandaon, Masbate Island, Philippines to the sole satisfaction of Capital Gold and Welcome Stranger.

On December 31, 2012, as and by way of partial implementation of the MOA dated 17 September 2012 between the parties, a Sale Share Agreement was executed by and among Nihao, Oregalore and Welcome Stranger involving 1 million shares of stock (40% ownership) of Masbate 13. Pursuant to the agreement, Oregalore shall sell its 40% ownership in Masbate 13 for a total consideration of 50,000,000 shares in Welcome Stranger at listing value of AUD0.20 per share plus US$250,000 cash. The sale shall become effective upon satisfaction of the following contract conditions:

(a) There shall be a written advice or confirmation from the Treasurer of the Commonwealth of Australia to Oregalore that there is no objection, under the *Foreign Acquisition and Takeovers Act 1975,* to the issuance of shares of Welcome Stranger to all Parties (acting reasonably);
(b) Where Welcome Stranger is subject to or affected by a foreign policy of the Philippine in connection with the proposed issue of the Sale Shares or this Agreement generally, the Philippine Government, or a duly authorized delegate of the Philippine Government, has provided written advice or confirmation to Welcome Stranger without conditions or on conditions acceptable to the Welcome Stranger acting reasonably that there is no objection under any law or foreign policy of the Philippines to the proposed issue of the Sale Shares or the entering into or completion of this Agreement.

Completion of this agreement is also subject to the following significant conditions precedent:
(a) Execution of the Royalty Agreement, Shareholders Agreement Restriction Agreement and Operating Agreements by all of the parties of this agreement;
(b) Completion of the Capital Gold Sale Agreement;
(c) Completion of the Dizon Agreement.

4. ***Heads of Agreement with Glencore International AG ("Glencore") and AGP Industrial Corporation ("AGP")***.

On September 27, 2011, the Company executed a Heads of Agreement ("HOA") in Hong Kong with Glencore and AGP. The three Companies 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/ Selling Ore (DSO) 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 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.

Glencore is a company registered under the laws of Switzerland and is one of the world's leading integral producers and marketers of commodities with worldwide activities in the production, sourcing, processing, refining, transporting, storage, financing and supply of metals and minerals, energy products and agricultural products. AGP, on the other hand, is a publicly listed holding company in the Philippines with interests in real estate and mining ventures.

On 28 October 2011, Glencore, NiHAO and AGP executed an "Addendum to Heads of Agreement". The Joint Venture Corporation (JVC) shall be formed with an initial authorized share capital of One Hundred Thousand Hong Kong Dollars (HK$ 100,000) with par value of One Hong Kong Dollar per share (HK$ 1/ share) and issued and paid-in capital of Ten Thousand Hong Kong Dollars (HK$ 10,000) equivalent to ten thousand (10,000) shares of the JVC. Said initial issued and paid-in capital shall be contributed equally by the PARTIES in proportion to their respective shares. Once the JVC is formed, the PARTIES (or their respective subsidiaries designated for such purpose) shall remit to a USD dollar account of the JVC, Two Million US Dollars (US$2,000,000.00) in such amounts of contribution as provided by the heads of Agreement, This shall constitute the initial capitalization of the JVC to be used in accordance with the Heads of Agreement but which amounts shall be treated as shareholders advances. Such shareholders advances shall be evidenced by an agreement entered into between each PARTY and the JVC, each of which shall contain identical terms and conditions (other than the identity of the PARTY to such agreement)

Pursuant to the Heads of Agreement dated September 27, 2011 entered into by NiHAO, AGP and Glencore, the Company together with AGP Industrial Corporation and Glencore International AG established on December 12, 2011, GNA Resources International Limited under the laws of Hong Kong, as the group's joint venture corporation. Under the HOA, Glencore, NiHAO and AGP 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 and Direct Shipping/ Selling Ore (DSO) 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, 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 said purpose, the parties have formed and established GNA Resources under the laws of Hong Kong.

<u>STOCK RIGHTS OFFERING AND PRIVATE PLACEMENTS</u>

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 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 initially used to acquire listed shares of ORE thru the PSE.

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

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

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 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. These were only interim transactions of the Company while waiting for a better investment opportunity. To date, significant portion of the purchased shares were liquidated thru the PSE with gains. In 2012, the Company has reported net gain from sale of ORE shares of ₱ 58.62 million contributing positively to the cash flows of the Company to be devoted to operation and expansion.

Proceeds from private placements made by Macquarie in March 2012 were used relative to the Operating Services of the Company to Geogen Corporation.

Isabela Operations

The Isabela Nickel Project commenced full commercial operations starting 2012 and was able to ship Nickel Ore to China. The company has organically grown its operating capability and reduced its reliance on contractors, and the company plans to increase the heavy equipment complement to further augment production and shipping capacity. The Isabela Nickel Project will be one of the main revenue drivers from operations and contribute recurring income and strong cash flow, eventually improving shareholder value. The company is currently studying plans for development of an improved loading facility and its location to further reduce hauling and transport costs of ore from the mine

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 an 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.

In this interim period:

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 and private placements conducted by the Parent Company.

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 19 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 GREGORIO III	**DELFIN CASTRO, JR.**
Chairman and President	Treasurer/Chief Financial Officer
Date signed: 6/24/13	Date signed: 6/24/13

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

FORM 17-Q, Item 1

Consolidated Financial Statements

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

		Unaudited Consolidated March 31, 2013		Audited Consolidated Dec 31, 2012
ASSETS				
Current Assets				
Cash and cash equivalents	₱	590,955,809	₱	619,947,767
Accounts receivable - net (Note 7)		184,343,807		184,935,595
Advances to related parties (note 17)		55,626,269		55,834,755
Inventory		1,508,005		
Other current assets (note 8)		54,641,029		44,019,029
		887,074,919		904,737,146
Asset held for sale (Note 9)		3,042,667		3,042,667
Total Current Assets		890,117,586		907,779,813
Noncurret Assets				
Available For Sale Financial Assets (Note 10)		82,960,974		78,610,915
Investment in Joint Venture (Note 11)		13,946		13,946
Mining Rights (Note 12)		201,633,419		201,633,419
Property and Equipment - net (Notes 13)		61,458,878		63,143,385
Other non-current assets (Note 14)		10,917,018		10,967,016
Total Noncurrent Assets		356,984,235		354,368,681
	₱	1,247,101,821	₱	1,262,148,494
LIABILITIES & STOCKHOLDERS' EQUITY				
Liabilities				
Accounts payable and other current liabilities (Note 16)	₱	9,658,719	₱	13,347,528
Due to related parties		2,851,784		2,851,784
Total Liabilities		12,510,503		16,199,312
Stocholder's Equity				
Capital Stock - P1 par value (Note 15)				
Authorized - 2,000,000,000 shares				
Issued		913,000,000		913,000,000
Additional Paid-In Capital		382,377,974		382,377,974
Unrealized gains (Losses) on available-for-sale financial assets		(25,249,515)		(29,599,573)
Deficit		(63,543,094)		(48,420,505)
		1,206,585,365		1,217,357,896
Equity attributable to non-controlling interest		28,005,953		28,591,286
Total Stockholders' Equity		1,234,591,317		1,245,949,182
	₱	1,247,101,821	₱	1,262,148,494

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

	Jan 01, 2013 March 31, 2013 (Three Months)	Jan 01, 2012 March 31, 2012 (Three Months)
SERVICE INCOME	₽	₽
COST OF SERVICE	-	
GROSS PROFIT (LOSS)	-	
GENERAL AND ADMINISTRATIVE EXPENSES	(16,775,509)	(6,417,242)
NET INCOME (LOSS) BEFORE OTHER INCOME (LOSS)	(16,775,509)	(6,417,242)
OTHER INCOME (EXPENSES)		
Interest Income	1,067,584	1,019,071
Share in net income (loss) of an associate		(1,924,777)
Gain on sale of AFS		
Sub-total	1,067,584	(905,706)
INCOME (LOSS) BEFORE INCOME TAX	(15,707,925)	(7,322,948)
TAX DUE	-	
INCOME (LOSS) AFTER TAX	(15,707,925)	(7,322,948)
OTHER COMPREHENSIVE INCOME		
Income (loss) on change in fair value of available-for-sale financial assets	4,350,058	292,781,036
TOTAL COMPREHENSIVE INCOME (LOSS)	(11,357,867)	285,458,088
NET INCOME (LOSS) ATTRIBUTABLE TO		
Equity holders of the Parent Company	(15,122,591)	(7,044,855)
Non-controlling Interest	(585,333)	(278,093)
	(15,707,925)	(7,322,948)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO		
Equity holders of the Parent Company	(10,772,534)	285,736,181
Non-controlling Interest	(585,333)	(278,093)
	(11,357,867)	285,458,088
WEIGHTED AVE. NUMBER OF COMMON SHARES	913,000,000	896,500,000
Based on net income (loss)	(0.02)	(0.008)
Based on total comprehensive income	(0.01)	0.318

Note: No dividends declared during the period

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

		Unaudited		Audited		Unaudited		Audited
		March 31, 2013		December 31, 2012		March 31, 2012		December 31, 2011
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		913,000,000		913,000,000		880,000,000
Issued	₱	913,000,000	₱	913,000,000	₱	913,000,000	₱	880,000,000
Additional Paid - in Capital		382,377,974		382,377,974		532,451,465		253,271,465
		1,295,377,974	₱	1,295,377,974	₱	1,445,451,465	₱	1,133,271,465
DEFICIT								
Balance at beginning of period		(48,420,505)		(223,257,742)		(223,257,742)		(234,713,817)
Equity Restructuring				150,073,491				
Net Income (loss)		(15,122,591)		24,763,746		(7,044,855)		11,456,075
Balance at end of period		(63,543,095)		(48,420,505)		(230,302,597)		(223,257,742)
NON-CONTROLLING INTEREST		28,005,953		28,591,286		28,926,432		29,204,525
CUMULATIVE UNREALIZED GAIN (LOSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS		(25,249,515)		(29,599,573)		265,536,182		(27,244,854)
STOCKHOLDERS' EQUITY, END	₱	1,234,591,317	₱	1,245,949,182	₱	1,509,611,482	₱	911,973,394

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

		Jan 01, 2013 March 31, 2013 (Three Months)		Jan 01, 2012 March 31, 2012 (Three Months)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	₱	(15,707,925)	₱	(7,322,948)
Adjustment to reconcile net loss to net cash provided by operating activities				
Interest Income		(1,067,584)		(1,019,071)
Amortization		50,000		
Gain on sale of subsidiary				
Depreciation		1,879,290		185,463
Share in net (income) loss of a subsidiary		-		1,924,777
Operating income before changes in working capital		(14,846,219)		(6,231,779)
Changes in operating assets and liabilities				
Decrease (increase) in :				
Accounts receivable		956,291		(63,774)
Inventory		(1,508,006)		
Due from related parties		208,486		
Other current assets		(10,622,000)		(274,930)
Other non-current assets		-		(215,875)
Increase (decrease) in :				
Accounts payable and accrued expenses		(3,688,809)		(1,231,330)
Other Liabilties				
Cash generated from operations		(29,500,258)		(8,017,688)
Income Tax		-		-
Interest Income		703,083		1,345,812
Net cash provided by operating activities		(28,797,175)		(6,671,876)
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposals (acquisitions) of property and equipment		(194,783)		(114,757)
Disposal (Acquisition) of an afiliate				
Disposal (Acquisition) of Available-for-sale financial asset		-		(39,648,964)
Minority interest in newly acquired subsidiary				
Net cash used in investing activities		(194,783)		(39,763,721)
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		(28,991,958)		265,744,403
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		619,947,767		304,155,480
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱	590,955,809	₱	569,899,883

1. **Corporate Information, Status of Operations and Authorization for the Issuance of the Consolidated Financial Statements**

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 Group's registered office address is NiHAO Sun Plaza, Shaw Boulevard corner Princeton Street, Barangay Wack-Wack, Greenhills East, Mandaluyong City.

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 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:

		Percentage of Ownership	
Company	Ownership	**2013**	2012
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

** The ownership in this subsidiary is held through OI*
*** The 15% ownership in this associate was sold in 2012, resulting in a loss of significant influence*

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

Status of Operations
In the second quarter of 2012, the Parent Company commenced large scale commercial mining operations on the Dinapigue Nickel Project (the "Project") of a related company, Geogen Corporation ("Geogen"), under an Operating Agreement with Geogen. The operations generated service income for the Group of ₱64.1 million for that year. The Project has an approved Mineral

Purchase and Sharing Agreement (MPSA) and is located in Dinapigue, Isabela covering an area of 2,391.8041 hectares. Since the Parent Company became the operator of the Project, it has rehabilitated roads and other mine infrastructure and complied with all the necessary government requirements relating to nickel mining operations.

In addition to the Project, the Group is also conducting exploration activities in other areas. As of March 31, 2013, 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 5,081.6408 hectares located in the town of Botolan, Zambales. On February 10, 2010, MTGI's application for MPSA with Mines and Geosciences Bureau (MGB) on the Botolan Mining Claim was approved.

On October 22, 2012, the Mines and Geosciences Bureau (MGB) granted the MTGI the first renewal of the two (2) year Exploration Period under MPSA No. 315-2010-III. On the first year of the renewed term of the MPSA, the bulk of the geologic program will concentrate on research on relevant literature concerning the deposit. Data compiled will be used as basis for further sampling programs.

In 2011, MTGI focused on the implementation of Community Development Program (CDP). This CDP was intended to establish a symbiotic relationship between MTGI and the community. As part of the CDP, MTGI conducts Information and Education Campaigns (IEC) wherein MTGI conducts project presentations to the community. The objectives of the project presentation are to inform the community about the exploration program in terms of its several component activities, accomplishments, on-going and future activities.

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, 2013, the EP application is undergoing initial evaluation by the MGB. The Group will conduct additional study and exploration to further support the application. The budget planned for the additional study and exploration amounted to ₱30.0 million. The EP application may only become an EP once the regulation specifying the revenue sharing scheme with the government is finalized.

c. Masbate Mining Claim

Masbate13 has an EP covering the Masbate Mining Claim with an area of approximately 8,357 hectares located in Milagros and Mandaon, Masbate. As of March 31, 2013, management is currently undergoing data gathering and reconnaissance mapping simultaneously and they are expecting that those will be completed at the beginning of the third quarter before they perform other exploration procedures.

The Group incurred losses resulting in deficit of ₱63.5 million, ₱48.4 million and ₱223.3 million as of March 31, 2013, December 31, 2012 and 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. On June 13, 2012, the Board of Directors (BOD) approved the Parent Company's equity restructuring to eliminate the Parent Company's deficit amounting to ₱150.0 million as of December 31, 2011 by application against additional paid-in capital. The equity restructuring was approved by SEC on October 24, 2012, subject to the condition that the remaining additional paid-in capital amounting to ₱103.2 million shall not be used to wipe out losses that may be incurred in the future without prior approval of the SEC.

Executive Order (EO) 79
On July 12, 2012, EO 79 was released to lay out the framework for the implementation of mining reforms in the Philippines. The policy highlights several issues that includes area of coverage of mining, small-scale mining, creation of a council, transparency and accountability and reconciling the roles of the national government and local government units. Management believes that EO 79 has no major impact on its current operations since the mine is covered by an existing MPSA and EP with the government. Section 1 of EO 79, provides that mining contracts approved before the effectivity of the EO shall continue to be valid, binding, and enforceable so long as they strictly comply with existing laws, rules and regulations and the terms and conditions of their grant. The EO could, however, delay the processing of the BGI's application for EP given the provision of the EO on the moratorium on the granting of new mineral agreements by the government until a legislation rationalizing existing revenue sharing schemes and mechanisms shall have taken effect.

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 of each year.

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.

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 adoption of the following amendments to previously issued PAS and PFRS which became effective on January 1, 2012:

- Amendment to PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets*
- Amendment to PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets*

The adoption of the new and amended standards and interpretations above had no impact on the accounting policies, financial position or performance of the Group.

Standards Issued but not yet Effective

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.

Effective in 2013

- Amendment to PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI)*, effective for annual periods beginning or after July 1, 2012, changes the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time would be presented separately from items that will never be reclassified.

- Revised PAS 19, *Employee Benefits*, effective for annual periods beginning on or after January 1, 2013, includes changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.

- Revised PAS 27, *Separate Financial Statements*, effective for annual periods beginning on or after January 1, 2013, establishes that as a consequence of the new PFRS 10, *Consolidated Financial Statement*s 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.

- PAS 28, *Investments in Associates and Joint Ventures*, effective for annual periods beginning on or after January 1, 2013, explains that as a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, *Disclosure of Interests in Other Entities*, 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.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, effective for annual periods beginning on or after January 1, 2013, requires 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.

- PFRS 10, *Consolidated Financial Statements*, effective for annual periods beginning on or after January 1, 2013, 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 Standards Interpretation Committee (SIC) -12, *Consolidation - Special Purpose Entities*. It 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.

- PFRS 11, *Joint Arrangements*, effective for annual periods beginning on or after January 1, 2013, replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. It 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.

- PFRS 12, *Disclosure of Interests with Other Entities*, effective for annual periods beginning on or after January 1, 2013, 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.

- PFRS 13, *Fair Value Measurement*, effective for annual periods beginning on or after January 1, 2013, 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.

- Annual improvements to PFRSs (2009-2011 cycle), effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted. These disclosures contain non-urgent but necessary amendments to PFRSs.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, effective for annual periods beginning on or after January 1, 2013. This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

Effective in 2014

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities,* effective for annual periods beginning on or after January 1, 2014, these amendments 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.

Effective in 2015

- PFRS 9, *Financial Instruments: Classification and Measurement*, effective for annual periods beginning on or after January 1, 2015, reflects the first phase on the replacement of PAS 39, *Financial Instruments: Recognition and Measurement* and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39.

To be Determined

- 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 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 Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

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.

<u>Non-controlling Interests (NCI)</u>
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.

<u>Cash and Cash Equivalents</u>
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.

<u>Financial Instruments</u>

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

Initial Recognition and Classification of Financial Instruments. Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments at fair value through profit or loss (FVPL). Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

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

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

Determination of Fair Value. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs at the close of business on the reporting date. When current bid prices and asking prices are not available, the prices of the most recent transaction provide evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 20.

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.

Subsequent Measurement. The subsequent measurement of the Group's financial instruments depends on their classification as described below. As of March 31, 2013 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 profit or loss.

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

- 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 profit or loss.

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

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 profit or loss.

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 profit or loss. 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 profit or loss.

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 profit or loss. Impairment losses on equity investments are not reversed through the consolidated profit or loss. 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 profit or loss 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 whether 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.

Deferred Costs

Deferred costs represent cost incurred in providing exploration services which will be charged to operations when shipments are made to customers.

Input Value Added Tax (VAT)

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

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 profit or loss 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
Site assets	5-10 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 profit or loss in those expense categories consistent with the function of the impaired asset.

Capital Stock

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

Retained earnings (deficit)

Retained earnings (deficit) represent the cumulative balance of the results of the Group's operations, less dividend declarations.

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.

Cost of Services
Cost of services is recognized as the services are rendered.

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

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

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

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

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

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

Operating Leases. Operating lease payments are recognized as expense in the parent company 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.

<u>Earnings (Loss) Per Share</u>
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.

<u>Segment Reporting</u>
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.

<u>Provisions</u>
Provisions, if any, are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by

discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingencies

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

Events after the Reporting Date

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

5. Significant Accounting Judgment, Estimates and Assumptions

The 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:

- Determination of Functional Currency

  Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency has been determined to be the Peso. The Peso is the currency of the primary economic environment in which the Parent Company operates. It is the currency that mainly influences the revenue and costs of the Parent Company.

- 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 20 to the consolidated financial statements.

- Impairment of AFS Financial Assets

  The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or whether other objective evidence of impairment exists. The determination of what is “significant” and “prolonged” requires judgment. The Group generally treats a decline of 20% or more of the original cost as “significant” and a period greater than six months as “prolonged”. In addition, the Group evaluates other factors including normal volatility in share prices for quoted securities, future cash flows and discount factors for unquoted securities.

  The carrying values of AFS financial assets amounted to ₱83 million and ₱78.6 million as of March 31, 2013 and December 31, 2012, respectively (see Note 10).

- 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 2013 and2012 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 20 of the consolidated financial statements.

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

  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 ₱1.8 million in 2011 and ₱2.4 million in 2010 (see Note 7).

  The carrying values of receivables as of March 31, 2013 and December 31, 2012 amounted to ₱184.3 million and ₱184.9 million, respectively (see Note 7). The carrying values of due from related parties as of March 31, 2013 and December 31, 2012 amounted to ₱55.6 million and ₱55.8 million, respectively (see Note 17).

- 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.

  There were no changes in the estimated useful lives of property and equipment in 2013, 2012 and 2011.

  The carrying values of the Group's property and equipment as of March 31, 2013 and December 31, 2012 amounted to ₱61.4 million and ₱63.1 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 Group's property and equipment as of March 31, 2013 and December 31, 2012 amounted to ₱61.4 million and ₱63.1 million respectively (see Note 13). The carrying values of the Group's mining rights amounted to ₱201.6 million as of March 31, 2013 and December 31, 2012 (see Note 12). The carrying value of an investment in a joint venture as of March 31, 2013 and December 31, 2012 amounted to ₱13,946 (see Note 11).

The carrying values of other noncurrent assets amounted to ₱11.0 million and ₱11.0 million as of March 31, 2013 and December 31, 2012, respectively (see Note 14).

There was no impairment loss recognized on the Group's nonfinancial assets in 2013 and 2012.

6. Cash and Cash Equivalents

	March 31, 2013	Dec. 31, 2012
Cash	**₱14,389,941**	₱20,243,348
Cash equivalents	**576,565,868**	599,704,419
	₱590,955,809	₱619,947,767

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months, depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term deposit rates.

Interest income earned amounted to ₱1.1 million for the first quarter of 2013 and ₱14.6 million in 2012.

7. Receivables

	March 31, 2013	Dec. 31, 2012
Trade (Note 23)	**₱ ---**	₱ 27,007,407
Advances to:		
Suppliers	**185,134,932**	158,609,431
Officers and employees	**927,720**	669,376
Others	**2,902,717**	2,906,442
Interest receivable	**46,667**	411,168
	189,012,036	189,603,824
Less allowance for impairment loss	**4,668,229**	4,668,229
	₱184,343,807	₱184,935,595

All of the receivables above generally have 30- to 60- day terms.

Advances to suppliers pertain to advance payments for (a) services to be rendered for the mining operation, (b) development of the project, and (c) exploration studies required under the MPSA. This account also includes advance payments made to surface right owners and other contractors.

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

Other receivables are cash advances to third parties that are due on demand.

Allowance for impairment loss as of December 31, 2012 and 2011 pertains to the following:

Advances to:	
Suppliers	₱1,762,343
Others	2,905,886
	₱4,668,229

There were no movements in the allowance for impairment loss during the first quarter of 2013 and in 2012.

Aging of Receivables:

Current	-	₱ 184,343,807
Non-current	-	4,668,229
		₱ 189,012,036

8. Other Current Assets

This account consists of the following:

	March 31, 2013	Dec. 31, 2012
Input VAT	**₱21,168,972**	₱21,751,074
Deposits (Note 24)	**17,250,000**	17,250,000
Prepayments	**3,358,627**	3,448,507
Deferred service cost	**12,863,430**	1,569,448
	₱54,641,029	₱44,019,029

In 2012, the Group made deposits for subcontracted services in relation to the Geogen Operation.

Deferred service costs represents amount incurred in providing exploration services which will be charged to operations when shipments are made to customers.

9. 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 will be consummated in 2013. Upon reclassification, the pre-fabricated collapsible building was carried at its carrying value amounting to ₱3.0 million, which was lower than its fair value less estimated costs to sell.

10. Available-for-sale Financial Assets

	March 31, 2013	Dec. 31, 2012
At fair value - quoted	**₱76,100,193**	₱ 76,100,193
At cost - unquoted	**32,110,295**	32,110,295
	108,210,488	108,210,488
Cumulative changes in fair value	**(25,249,514)**	(29,599,573)
	₱ 82,960,974	₱ 78,610,915

The quoted securities consist of investment in a publicly listed entity. These are carried at fair value with cumulative changes in fair value presented as part of “Unrealized loss on available-for-sale financial assets” in the consolidated statement of financial position. The fair value of these shares is based on the quoted market prices as of the reporting date.

Unquoted equity securities include unlisted shares of stock which the Group will continue to carry as part of its investments. The fair value of these securities cannot be reliably determined, thus, they are carried at cost less allowance for impairment, if any.

In 2012, the Parent Company acquired additional investments in quoted securities amounting to ₱56.8 million. Furthermore, the Company sold certain investments with a cost of ₱279.3 million. The proceeds from the sale of the investments amounted to ₱337.9 million, which resulted in a gain of ₱58.6 million. The related unrealized portion of the change in fair value transferred to profit or loss amounted to ₱27.9 million.

Movements in the "Unrealized loss on AFS financial assets" account shown under the equity section of the consolidated statement of financial position are summarized below:

	March 31, 2013	Dec. 31, 2012
Balance at beginning of year	**(₱29,599,573)**	(₱27,244,854)
Change in fair value of AFS financial assets	**4,350,059**	(2,354,719)
Balance at end of year	**(₱25,249,514)**	(₱29,599,573)

11. **Investment in a Joint Venture**

On September 27, 2011, the Parent Company, AsiaBest Group International, Inc. (ABG), formerly AGP Industrial Corporation, and Glencore International AG (Glencore) executed a Heads of Agreement (HOA) in Hong Kong under which 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 ABG 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 incorporated in November 23, 2011 under the laws of Hong Kong a joint venture company, GNA Resources International Limited (GNA), with an initial authorized capital of HK$100,000 with a par value of HK$1/share. GNA 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 ABG.

Moreover, the parties agreed to execute the following implementing agreements of the HOA:
- Marketing agreement whereby Glencore will act as the exclusive marketing agent for GNA and market and sell all material produced by GNA;
- 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 GNA.

As of March 31, 2013, the marketing agreement was already executed.

The Group's contribution of ₱13,946 into GNA was advanced by a related party. As of March 31, 2013, GNA has not started its commercial operations.

12. Mining Rights

Mining rights represent the Group's intangible assets for its right to mine certain areas. The details as of December 31, 2012 and 2011 are presented below:

Botolan, Zambales	₱49,496,586
Milagros and Magdaon Masbate	152,136,833
	₱201,633,419

13. Property and Equipment

	March 31, 2013				
	Transportation Equipment	**Office Equipment, Furniture and Fixtures**	**Laboratory Equipment**	**Site Assets**	**Total**
Cost:					
Balance at beginning of year	**₱2,350,000**	**₱502,520**	**₱1,103,285**	**₱63,879,460**	**₱67,835,265**
Additions	**–**	**78,212**	**–**	**116,571**	**194,783**
Balance at end of year	**2,350,000**	**580,732**	**1,103,285**	**63,996,031**	**68,030,048**
Less accumulated Depreciation:					
Balance at beginning of year	**775,834**	**205,969**	**904,406**	**2,805,671**	**4,691,880**
Depreciation	**117,500**	**42,314**	**55,165**	**1,664,311**	**1,879,290**
Balance at end of year	**893,334**	**248,283**	**959,571**	**4,469,982**	**6,571,170**
Net Book Value	**₱1,456,666**	**₱332,449**	**₱143,714**	**₱59,526,049**	**₱61,458,878**

	December 31, 2012				
	Transportation Equipment	**Office Equipment, Furniture and Fixtures**	**Laboratory Equipment**	**Site Assets**	**Total**
Cost:					
Balance at beginning of year	**₱2,350,000**	**₱145,810**	**₱1,103,285**	**₱–**	**₱3,599,095**
Additions	**–**	**356,710**	**–**	**63,879,460**	**64,236,170**
Balance at end of year	**2,350,000**	**502,520**	**1,103,285**	**63,879,460**	**67,835,265**
Less accumulated Depreciation:					
Balance at beginning of year	**305,834**	**112,097**	**683,749**	**–**	**1,101,680**
Depreciation	**470,000**	**93,872**	**220,657**	**2,805,671**	**3,590,200**
Balance at end of year	**775,834**	**205,969**	**904,406**	**2,805,671**	**4,691,880**
Net Book Value	**₱1,574,166**	**₱296,551**	**₱198,879**	**₱61,073,789**	**₱63,143,385**

14. Other Noncurrent Assets

This account consists of:

	March 31, 2013	Dec. 31, 2013
Deposits (Note 24)	**₱5,803,571**	₱5,803,569
Leasehold rights	**4,833,333**	4,883,333
Rental deposits	**280,114**	280,114
	₱10,917,018	₱10,967,016

In 2012, the Group made deposits for subcontracted services in relation to the Geogen Operation.

On June 1, 2012, the Group purchased a right to use a 10-hectare land located in Brgy. Dicabasan, Dilasag, Aurora for ₱5.0 million to be used in its mining operations. The land will be returned to its original owner upon completion of the Isabela Nickel Project.

The leasehold is to be amortized on a straight-line basis over 25 years, which corresponds to the term of the MPSA.

Details of leasehold rights are as follows:

Cost	₱5,000,000
Accumulated amortization	(166,667)
Net book value	₱4,833,333

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

	March 31, 2013	Dec. 31, 2012
Accounts payable	**₱1,663,741**	₱1,663,741
Accrued expenses	**7,590,671**	8,347,357
Taxes payable	**379,863**	3,311,646
Others	**24,444**	24,784
	₱9,658,719	₱13,347,528

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

Accrued expenses pertain to management fee, inventories and other professional fees.

16. **Capital Stock**

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

	March 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Common shares - ₱1 par value			
Authorized			
Balance at beginning and end of year	**2,000,000,000**	2,000,000,000	2,000,000,000
Issued			
Balance at beginning of year	**913,000,000**	880,000,000	680,000,000
Issuance during the year	**-**	33,000,000	200,000,000
Balance at end of year	**913,000,000**	913,000,000	880,000,000

Below were the Parent Company’s issuances of shares of stock approved by the SEC:

Date of SEC Approval	Type of Issuance	No. of Shares Issued	Issue/Offer Price
October 3, 1990	Initial Public Offering	100,000,000	₱1.00
January 14, 2009	Stock Rights	500,000,000	₱1.00

On March 2, 2012, Macquarie Bank Limited (Macquarie Bank), in relation to the Memorandum of Agreement (MOA) discussed in Note 24, entered into a Subscription Agreement with the Parent Company for the initial subscription of 33,000,000 common shares (the “Subscribed Shares”). The Subscribed Shares were paid in cash and in full at a subscription price of ₱9.46 per share, or a total amount of ₱312.2 million. The issuance resulted in additional paid in capital amounting to ₱279.2 million.

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

Details were as follow:

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

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

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 December 29, 2010, the Parent Company entered into an agreement with one of its stockholders to open for subscription a portion of the Parent Company's authorized but unissued capital stock for the purpose of utilizing the proceeds from such subscription to fund business expansion activities that the Company was to undertake in the succeeding years, including the acquisition of mining tenements and mining rights. The stockholder 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. On the same date, the Parent 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 Parent Company. However, this right was waived by stockholders during the annual stockholders' meeting.

17. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity 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/Investee

	Volume/Transaction		**Outstanding Receivables**			
	Jan to March 31, 2013	Jan to Dec. 31, 2012	**March 31, 2013**	Dec. 31, 2012	**Terms**	**Conditions**
Loan - ORVI	**₱–**	₱–	**₱55,500,000**	₱55,500,000	On demand; Noninterest bearing	Unsecured; no impairment
Cash Advances						
GNA	--	46,008	**46,008**	46,008	On demand; Noninterest bearing	Unsecured; no impairment
ORVI	–	-	**80,160**	80,160	On demand; Noninterest bearing	Unsecured; no impairment
	₱0	₱46,008	**₱55,626,168**	₱55,626,168		

a. On March 24, 2010, the Parent Company entered into a noninterest-bearing loan facility agreement with ORVI amounting to ₱137,000,000 for use by ORVI exclusively to fund 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.

b. The Group extended noninterest bearing advances to ORVI and GNA for working capital requirements.

Companies with Common Shareholders or Interlocking Directors

	Volume/Transaction		**Outstanding Receivables (Payables)**			
	Jan to March 2013	Jan to Dec 2012	**March 31, 2013**	Dec. 31, 2012	**Terms**	**Conditions**
Cash advances from:						
AU Philippines, Inc. (AU)	**₱–**	₱–	**(₱1,953,741)**	(₱1,953,741)	On demand; Noninterest bearing	Unsecured; no impairment
Geograce	–	–	**(898,043)**	(898,043)	On demand; Noninterest bearing	Unsecured; no impairment
			(₱2,851,784)	(₱2,851,784)		
Cash advances to Geogen	**₱100**	₱208,587	**₱100**	₱208,587	On demand; Noninterest bearing	Unsecured; no impairment
Service income - Geogen	**₱-**	₱64,080,812	**₱-**	₱27,007,407	30-day term; Noninterest bearing	Unsecured; no impairment
Management fee - Asiabest Group International, Inc. (ABG)	**₱-**	₱3,560,045	**₱-**	(₱3,453,244)	On demand; Noninterest bearing	Unsecured; no impairment
Rental - Angping and Associates Securities Inc. (AASI)	**₱250,102**	₱1,000,406	**₱–**	₱–	On demand; Noninterest bearing	Unsecured; no impairment

c. Pursuant to the Operating Agreement with Geogen, the Group shall pay ABG management fee equivalent to 5% of the revenue from the shipment of nickel ore.

d. AU, the previous majority shareholder of Masbate13, extended noninterest-bearing cash advances to Masbate13.

e. Geograce extended noninterest-bearing cash advances to Masbate13 for working capital requirements.

f. The Parent Company entered into HOA with Geograce whereby 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).

g. 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. Prior to October 19, 2011, the Parent Company’s lease contract with AASI was for a period of two (2) years until December 31, 2010, with the option to extend upon mutual consent of both parties. The monthly lease rental is ₱68,850, exclusive of taxes and association dues. Moreover, under the lease contract, the Parent Company paid one year advance rentals aggregating ₱826,200. This amount was recorded under “Other current assets” account in the consolidated statement of financial position. The security deposit for the lease amounted to ₱206,550 and was returned to the Parent Company after termination of the contract.

h. 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.

18. Agreements and Commitments

As of March 31, 2013 and December 31, 2012, the Group is a party to the following agreements:

Agreements with Geogen
On June 13, 2012, the BOD of the Parent Company approved the execution, delivery and performance of Operating Agreement with Geogen. Under the agreement, the Group shall have the exclusive right to explore, operate, mine, develop and process minerals found within the Geogen’s mineral property consisting of a total area of 2,391.8041 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 Group an amount equivalent to 90% of the invoice value of the nickel ore sold by Geogen to third parties in consideration of the services to be performed by the Company. This agreement superseded the General Contractor Agreement entered into with Geogen on March 5, 2012. The General Contractor Agreement was executed to appoint the Company as Geogen’s general contractor over the Mineral Property.

Sale and Purchase Agreement with Welcome Stranger Mining Ltd. (“Welcome Stranger”)
On December 31, 2012, the Parent Company, OI and Welcome Stranger entered into a Sale and Purchase Agreement involving 1,000,000 shares of stock (40% ownership) of Masbate13.

Pursuant to the agreement, OI shall sell its 40% ownership in Masbate13 for a total consideration of 50,000,000 shares in Welcome Stranger at listing value of AUD0.20 per share plus US$250,000 in cash. The sale shall become effective upon satisfaction of the following contract conditions:
(a) Where OI is subject or affected by the *Foreign Acquisition and Takeovers Act 1975 (the "Act")* or the foreign investment policy (the "policy") of Australia in connection with the issuance of shares of Welcome Stranger, there shall be a written advice or confirmation without conditions from the Treasurer of the Commonwealth of Australia to OI that there is no objection, under that act or policy, to the issuance of shares of Welcome Stranger;
(b) Where Welcome Stranger is subject or affected by the policy of the Philippines in connection with the proposed issuance of the sale shares, there shall be a written advice or confirmation from the Philippine Government or a duly authorized delegate of the Philippine Government, to Welcome Stranger that there is no objection, under the Philippine Laws or the policy of the Philippines, to the issuance of shares of Masbate13.

Completion of this agreement is also subject to the following significant conditions precedent:
(a) Execution of the Royalty Agreements, Shareholders Agreement, Restriction Agreement and Operating Agreements by all of the parties to this agreement;
(b) Completion of the Capital Gold Sale Agreement;
(c) Completion of the Dizon Agreement.

This agreement was in connection with the previous MOA entered into with Capital Gold Pty Ltd. ("Capital Gold") and Welcome Stranger on September 17, 2012.

Agreement by and among Macquarie Bank Limited ("Macquarie Bank"), Parent Company and one of its major shareholders
On February 11, 2012, 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, Macquarie 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 approval 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 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.

On March 2, 2012, Macquarie Bank entered into a Subscription Agreement with the Company for the subscription of 33,000,000 shares of stocks.

HOA with ABG and Glencore
For the details of this agreement, please refer to Note 12 of the consolidated financial statements.

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.

19. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprises of cash and cash equivalents, due from related parties 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:

<u>Credit Risk</u>
The Group's credit risk is the risk that 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, 2013	Dec. 31, 2012
Cash and cash equivalents*	**₱590,945,809**	₱619,937,767
Receivables:		
Trade	**-**	27,007,407
Interest receivable	**46,667**	411,168
Advances to others	**-**	556
Due from related parties	**55,626,269**	55,834,755
AFS financial assets	**82,960,974**	78,610,915
	₱729,579,719	₱781,802,568

**excluding cash on hand*

As of March 31, 2013 and December 31, 2012, the credit quality and aging of the Group's financial assets are as follows:

			March 31, 2013			
	Neither past due nor impaired		**Past due but not impaired**		**Less Allowance**	
	High Grade	**Standard Grade**	**(More than 90 days)**	**Impaired**	**For impairment**	**Total**
Cash and cash equivalents	**₱590,945,809**	**₱–**	**₱–**	**₱–**	**₱–**	**₱590,945,809**
Receivables:						
Trade	–	-	–	–	–	-
Interest receivable	**46,667**	–	–	–	–	**46,667**
Advances to others	–	–	-	**2,905,886**	**2,905,886**	-
Due from related parties	–	–	**55,626,269**	–	–	**55,626,269**
AFS financial assets	**82,960,974**	–	–	–	–	**82,960,974**
	₱673,953,450	**₱-**	**₱55,626,269**	**₱2,905,886**	**₱2,905,886**	**₱729,579,719**

			December 31, 2012			
	Neither past due nor impaired		Past due but not impaired		Less Allowance	
	High Grade	Standard Grade	(More than 90 days)	Impaired	For Impairment	Total
Cash and cash equivalents	₱619,937,767	₱–	₱–	₱–	₱–	₱619,937,737
Receivables:						
Trade	-	27,007,407	-	-	-	27,007,407
Interest receivable	411,168	–	–	–	–	411,168
Advances to others	–	–	556	2,905,886	2,905,886	556
Due from a related party	–	–	55,834,755	–	–	55,834,755
AFS financial assets	78,610,915	–	–	–	–	78,610,915
	₱698,959,850	₱27,007,407	₱55,835,311	₱2,905,886	₱2,905,886	₱781,802,568

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.

<u>Liquidity Risk</u>
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, 2013 and December 31, 2012, the Group's other financial liabilities are summarized below:

	March 31, 2013	Dec. 31, 2012
Accounts payable and other current liabilities*	**₱9,279,825**	₱10,035,882
Due to related parties	**2,851,784**	2,851,784
	₱12,131,609	₱12,887,666

**excluding taxes payables*

Accounts payable and other current liabilities are normally settled within 30 days or throughout the year. Due to related parties are payable on demand. As of March 31, 2013 and December 31, 2012, the Company's financial assets amounting to ₱729.6 million and ₱781.8 million, 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, 2013 and December 31, 2012 were as follows:

	2012	Dec. 31, 2012
Total debt	**₱12,510,503**	₱16,199,312
Total equity	**1,223,297,335**	1,245,946,182
Debt-to-equity ratio	**0.01**	0.01

20. **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, 2013 and December 31, 2012:

	March 31, 2013		Dec. 31,2012	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents*	**₱590,945,809**	**₱590,945,809**	₱619,937,767	₱619,937,767
Receivables:				
Trade	**-**	**-**	27,007,407	27,007,407
Interest receivable	**46,667**	**46,667**	411,168	411,168
Advances to others	**-**	**-**	556	556
Due from a related party	**55,626,269**	**55,626,269**	55,834,755	55,834,755
AFS financial assets	**82,960,974**	**82,960,974**	78,610,915	78,610,915
	₱729,579,719	**₱729,579,719**	₱781,802,568	₱781,802,568

**excluding cash on hand*

Financial Liabilities				
Other financial liabilities:				
Accounts payable and other current liabilities*	**₱9,279,825**	**₱9,279,825**	₱10,035,882	₱10,035,882
Due to related parties	**2,851,784**	**2,851,784**	2,851,784	2,851,784
	₱12,131,609	**₱12,131,609**	₱12,887,444	₱12,887,666

**excluding 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, 2013 and December 31, 2012, the Group's AFS financial assets are measured using Level 1.

21. Segment Information

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

	1st Quarter 2013	CY 2012	**1st Quarter** 2012
Net income (loss)	**(₱15,707,925)**	₱24,150,507	(₱7,322,948)
Other information:			
Segment assets	**1,247,101,821**	1,262,148,494	1,516,328,189
Segment liabilities	**12,510,503**	16,199,312	6,716,707