SEC Registration Number

CS200762323

Company Name

NIHAO MINERAL RESOURCES INTERNATIONAL, INC. AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

1505 Princeton St., cor. Shaw Blvd., Brgy Wack-Wack, Greenhills East, Mandaluyong City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17Q1	CRM	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.nihaomining.com	**(632) 823-3158**	**N/A**

No. of Stockholders	Annual Meeting	Fiscal Year Month/Day
103	**3rd Wednesday of May**	**12/31**

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Delfin S. Castro Jr.	**castrojun@yahoo.com**	**(632) 823-3158**	**09189084418**

Contact Person's Address

1A Boni Avenue, San Francisco Gardens, Mandaluyong City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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, 2015**

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

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

   1505 Princeton St. corner Shaw Blvd., Brgy. Wack-Wack, Greenhlls East, Mandaluyong City

8. Issuer's telephone number, including area code **(632)-705-71-96**

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 31,2015 vs. December 31, 2014

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, the Company conducted extensive mining activities such as further development of infrastructures, maintenance of new laboratory, hiring of additional manpower among others.

However, on 08 April 2015, the Board of Directors of NiHAO disclosed the results of negotiations with Nickel Asia Corporation (NAC) over a transaction, the salient details of which are summarized as follows:

1. NAC to purchase Isabela project

NAC will acquire from the shareholders of Geogen Corporation ("GEOGEN") a controlling stake of up to all or one hundred percent (100%) of GEOGEN's total and outstanding shares of stock.
GEOGEN owns the mineral rights over a mineral property consisting of an aggregate area of 2,381.4081 hectares more or less, located in Dinapigue, Isabela and covered by Mineral Production Sharing Agreement ("MPSA") No. 258-2007-II.

2. NiHAO to have 20% Profit Share in Isabela

NiHAO will turnover operations of the Isabela Project to NAC with NiHAO retaining economic interests over the Isabela Project. As a result, NiHAO and GEOGEN shall cause the conversion of NiHAO's current Operating and General Contractorship Agreement over the Isabela Project into a twenty percent (20%) share in the net profits of said Project in favor of NiHAO

3. NAC to buy NiHAO shares

NAC will acquire from a group of existing and controlling shareholders of NiHAO such sufficient number of shares to constitute at least ten percent (10%) of the issued and outstanding capital stock of NiHAO at a purchase price of Four Pesos (₱4.00) per share. Said purchase shall be effected and crossed through the facilities of the Philippines Stock Exchange through a Trading Participant selected by the Parties.

4. NAC to Develop other NIHAO properties

NiHAO shall grant NAC exclusive preference and priority to explore, operate, and develop the other mining properties of NiHAO and its subsidiaries, namely, the mining claims of Mina Tierra Gracia, Inc., Bountiful Geomines, Inc. and Masbate 13 Philippines, Inc.

If NAC proceeds to explore, operate, and develop these properties, NiHAO and/or its subsidiary, as applicable, will likewise be granted the same terms as that of the Isabela Project.

For the Group's other nickel mining claims; the Botolan Nickel Project and the Manticao Nickel Project, NiHAO focused on community development and community relations while exploration activities are still suspended. On the Masbate 13 Gold project, the Group is currently concentrating on compliance with conditions set forth in EP-V-2008-005 and will soon start implementation of the National Greening Program. The Group is also preparing for the forty percent (40%) acquisition of Masbate 13 by Welcome Stranger Mining Pty Ltd. under a Memorandum of Agreement (MOA) between the Group, Welcome Stranger and Capital Gold Pty Ltd.

The group incurred general and operating expenses of ₱ 10.80 million for the general maintenance of the projects.

Cash as of March 31, 2015 amounting to ₱ 89.66 million was 38.71% or ₱ 56.64 million lower than the ₱146.30 million cash as at December 31, 2014. The decrease is brought about by (a) partial settlement of payables, (b) operating expenses incurred during the period, and (c) costs related to Isabela operations.

Receivables of ₱ 68.47 million, was 12.95% or ₱10.19 million lower from ₱ 78.66 million as of December 31, 2014 due to (a) employees' liquidation; (b) interest collected from cash deposits and (c) application of collectible from sale of ORVI shares against billings on mine development costs.

Other current assets went up by 3.59% or ₱5.56 million due to increase in input tax relative to its Isabela operations.

A net increase in property and equipment of ₱27.94 million is mainly due to mine development costs relative to its Isabela operations.

Given above, total consolidated assets stood at ₱829.75 million, a 4.21% or ₱ 36.43 million lower as compared with consolidated assets of ₱866.18 million as of December 31, 2014.

Total liabilities as of March 31, 2015 amounted to ₱22.29 million which was 53.29% or ₱ 25.43 million lower than the ₱ 47.72 million recorded liabilities as of December 31, 2014. The decrease in total liabilities was mainly due to partial settlement of payables.

Deficit balance as of December 31, 2014 of ₱ 502.91 million plus net losses incurred for the current period resulted to a March 31, 2015 balances of ₱ 513.84 million.

March 31, 2015 vs. March 31, 2014

a. Net operating losses for the first three months of 2015; net comprehensive losses:

As of March 31, 2015, the Company recognized a consolidated net losses of ₱11.00 million, 45.63% or ₱ 3.45 million higher as compared to the recorded losses covering the same period last year of ₱7.55 million. The difference is mainly due to higher expenses incurred during the period.

b. Decrease in Assets:

Cash of ₱ 89.66 million was ₱ 175.87 million or 66.23% lower than balances of ₱ 265.53 million on March 31, 2014. The decrease is due to settlement of mine development costs and other expenses incurred relative to Isabela operations.

₱ 2.96 million or 4.14% decrease in receivables from ₱ 71.42 million in March 2014 to ₱ 68.47 million in March 2015.

₱ 100 thousand or 219.80% increase in advances to related parties. These were additional expenses settled by the Company.

₱ 64.68 million increase in other current assets from ₱95.48 million in March 2014 to ₱160.16 million in March 2015. The increase is attributable to deferred costs and input taxes earned from its Isabela operations.

₱ 3.04 million or 100% decrease in assets held for sale. This was sold in March 2015.

₱ 32.11 million or 100% decrease in available-for-sale financial assets. Orvi shares were fully sold in 2014.

An increase of ₱ 97.60 million or 47% in property and equipment from ₱ 207.65 million as of March 2014 to ₱ 305.25 million as of March 2015 was due to road and mine development costs and acquisition of other site equipment during the period relative to its Isabela operations net of depreciation.

A decrease of ₱6.00 million or 57.52% of other non-current assets from ₱ 10.44 million in March 2014 to ₱4.43 million in March 2015 is due to provision of impairment allowance on deposit made to contractor.

As a result, given the above-mentioned transactions, total consolidated assets as of March 31, 2015 were recorded at ₱829.75 million, while total assets as of the same period last year amounted to ₱887.36 million or a 6.49% decrease equivalent to ₱57.61 million.

c. Decrease in Total Liabilities:

Total liabilities decreased by 24.66% or by ₱7.30 million from ₱ 29.59 million as of March 31, 2014 to ₱ 22.29 million as of March 31, 2015, mainly due to partial settlement of past due accounts and advances made to related parties.

d. Decrease in Total Stockholders' Equity:

Total stockholders' equity amounted to ₱ 807.46 million as of March 31, 2015, a decrease of 5.86% or ₱50.31 million from ₱857.77 million in the same period last year. The decrease was mainly due to net losses incurred during the period.

Financial Soundness Indicators:

	March 31, 2015	March 31, 2014
Net loss	₱ 11,000,149	₱ 7,553,248
Net comprehensive losses	₱ 11,000,149	₱ 7,553,248
Total Current Assets	318,439,654	435,530,759
Total Assets	829,754,189	887,359,701
Current Liabilities	22,293,303	29,591,506
Total Liabilities	22,293,303	29,591,506
Stockholders' Equity	807,460,886	857,768,194
(1) Current Ratio		
₱ 318,439,654 / 22,293,303	14.28:1	
₱ 435,530,759 / 29,591,506		14.72:1
(2) Debt to Equity Ratio		
₱ 22,293,303 / 807,460,886	0.03:1	
₱ 29,591,506 / 857,768,194		0.03:1

(3) Debt Ratio		
₱ 22,293,303 / 829,754,189	0.03:1	
₱ 29,591,506 / 887,359,701		0.03:1
(4) Asset to Equity Ratio		
₱ 829,754,189/ 807,460,886	1.03:1	
₱ 887,359,701/ 857,768,194		1.03:1
(5) Book value per share		
₱ 807,460,886/ 913,000,000	0.88	
₱ 857,768,194/ 913,000,000		0.94
(6) Income (loss) per share		
(₱ 10,927,699) (*) / 913,000,000	(₱ 0.01)	
(₱ 7,302,604) (*) / 913,000,000		(₱ 0.01)
* attributable to Equity holders of the Parent Company		
(7) Interest Coverage Ratio	NA	NA
No interest expense incurred		
(8) Return on Asset	NA	NA
(9) Gross Profit Margin	NA	NA
(10) 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 (loss) Per Share:

Income (loss) per share is computed by dividing the net income (loss) attributable to equity holders of the parent company by 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.

MINING CLAIMS AND PERMITS

The operations of the Company's subsidiaries are primarily conducted under Mining Claims described below. The following table sets forth certain information related to the Company's Mining Claims and their corresponding permits or permit applications as of March 31, 2015.

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	4,136.7538
					11,162.3946

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.

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 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 and improved into 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. ***<u>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")</u>***

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. ("OI").

The MOA supersedes and details the MOU executed between the Parties. 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. With comments in email

PRIVATE PLACEMENTS

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 which owns 80% of Masbate 13. 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 Oriental Peninsula Resources Group, Inc. (ORE) thru the Philippine Stock Exchange.

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.

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

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

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

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

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

No additional subscriptions were made under the Issuance Program after this first tranche since the listing process for the 33 million shares remain pending to-date with the Philippine Stock Exchange even after the one-year program already expired.

MANAGEMENT PLAN OF OPERATIONS

Plan of Operations

The Company shall use part of the balance of the net proceeds from the 2009 SRO to maintain its Botolan and Manticao Mining Claims, the former which has already been awarded an 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 will be flexible on the use of the remaining balance of net proceeds as opportunities arise such as acquisitions 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 better investment opportunities. To date, the investment in publicly listed shares were fully liquidated thru the PSE. This plus 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

On 08 April 2015, the Board of Directors of NiHAO disclosed the results of negotiations with Nickel Asia Corporation (NAC) over a transaction, the salient details of which are summarized as follows:

1. NAC to purchase Isabela project
NAC will acquire from the shareholders of Geogen Corporation ("GEOGEN") a controlling stake of up to all or one hundred percent (100%) of GEOGEN's total and outstanding shares of stock. GEOGEN owns the mineral rights over a mineral property consisting of an aggregate area of 2,381.4081 hectares more or less, located in Dinapigue, Isabela and covered by Mineral Production Sharing Agreement ("MPSA") No. 258-2007-II.

2. NiHAO to have 20% Profit Share in Isabela
NiHAO will turnover operations of the Isabela Project to NAC with NiHAO retaining economic interest over the Isabela Project. As a result, NiHAO and GEOGEN shall cause the conversion of NiHAO's current Operating and General Contractorship Agreement over the Isabela project into a twenty percent (20%) share in the net profits of said Project in favor of NiHAO

3. NAC to buy NiHAO shares
NAC will acquire from a group of existing and controlling shareholders of NiHAO such sufficient number of shares to constitute at least ten percent (10%) of the issued and outstanding capital stock of NiHAO at a purchase price of Four Pesos (₱4.00) per share. Said purchase shall be effected and crossed through the facilities of the Philippines Stock Exchange through a Trading Participant selected by the Parties.

4. NAC to Develop other NIHAO properties
NiHAO shall grant NA exclusive preference and priority to explore, operate, and develop the other mining properties of NiHAO and its subsidiaries, namely, the mining claims of Mina Tierra Gracia, Inc., Bountiful Geomines, Inc. and Masbate 13 Philippines, Inc.
If NAC proceeds to explore, operate, and develop these properties, NiHAO and/or its subsidiary, as applicable, will likewise be granted the same terms as that of the Isabela Project.

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.

The company is also looking into the possibility of going into value-adding activities to make the project more viable. In this regard, it is on the look-out for technology plant that can beneficiate the ore from the Botolan claim and/ or look for technology providers who can process the ore or joint venture partners to co-develop a processing/ beneficiation plant. The company also actively pursues possibilities for local and foreign partnerships for the eventual operations and development of the Botolan 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 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 15 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
Chairman and President

Date signed: May 12, 2015

DELFIN CASTRO, JR.
Treasurer/Chief Financial Officer

Date signed: May 12, 2015

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, 2015		Audited Consolidated Dec 31, 2014
ASSETS				
Current Assets				
Cash and cash equivalents (Note 4)	₽	89,661,541	₽	146,299,482
Accounts receivable - net (Note 5)		68,467,032		78,665,398
Advances to related parties (note 14)		147,452		147,452
Other current assets (note 7)		160,163,628		154,608,570
		318,439,654		379,720,902
Asset held for sale (Note 6)		-		3,042,667
Total Current Assets		318,439,654		382,763,569
Noncurret Assets				
Mining Rights (Note 9)		201,633,419		201,633,419
Property and Equipment - net (Notes 10)		305,247,782		277,303,746
Other non-current assets (Note 11)		4,433,334		4,483,333
Total Noncurrent Assets		511,314,535		483,420,498
	₽	829,754,189	₽	866,184,067
LIABILITIES & STOCKHOLDERS' EQUITY				
Liabilities				
Accounts payable and other current liabilities (Note 12)	₽	22,293,303	₽	47,723,033
Total Liabilities		22,293,303		47,723,033
Stocholder's Equity				
Capital Stock - P1 par value (Note 13)				
Authorized - 2,000,000,000 shares				
Issued		913,000,000		913,000,000
Additional Paid-In Capital		382,377,974		382,377,974
Deficit		(513,840,907)		(502,913,210)
		781,537,067		792,464,764
Equity attributable to non-controlling interest		25,923,820		25,996,270
Total Stockholders' Equity		807,460,886		818,461,034
	₽	829,754,189	₽	866,184,067

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

		Jan 01, 2015 March 31, 2015 (Three Months)	Jan 01, 2014 March 31, 2014 (Three Months)
REVENUES	₱		-
COST OF SERVICE			-
GROSS PROFIT (LOSS)		-	-
GENERAL AND ADMINISTRATIVE EXPENSES		(10,799,155)	(7,930,867)
NET INCOME (LOSS) BEFORE OTHER INCOME (LOSS)		(10,799,155)	(7,930,867)
OTHER INCOME (EXPENSES)			
Interest Income		125,006	251,751
Gain on sale of investment in shares of stocks			
Forex Gain (loss)			45,795
Gain (loss) on sale of asset		(326,000)	
Other Income			80,073
Sub-total		(200,994)	377,619
INCOME (LOSS) BEFORE INCOME TAX		(11,000,149)	(7,553,248)
TAX DUE		-	-
INCOME (LOSS) AFTER TAX		(11,000,149)	(7,553,248)
OTHER COMPREHENSIVE INCOME			
Income (loss) on change in fair value of available-for-sale financial assets			
TOTAL COMPREHENSIVE INCOME (LOSS)		(11,000,149)	(7,553,248)
NET INCOME (LOSS) ATTRIBUTABLE TO			
Equity holders of the Parent Company		(10,927,699)	(7,302,604)
Non-controlling Interest		(72,450)	(250,644)
		(11,000,149)	(7,553,248)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Equity holders of the Parent Company		(10,927,699)	(7,302,604)
Non-controlling Interest		(72,450)	(250,644)
		(11,000,149)	(7,553,248)
WEIGHTED AVE. NUMBER OF COMMON SHARES		913,000,000	913,000,000
Based on net income (loss)		(0.01)	(0.01)
Based on total comprehensive income		(0.01)	(0.01)

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, 2015		December 31, 2014		March 31, 2014		December 31, 2013
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		913,000,000
Issued	₱	913,000,000	₱	913,000,000	₱	913,000,000	₱	913,000,000
Additional Paid - in Capital		382,377,974		382,377,974		382,377,974		382,377,974
		1,295,377,974	₱	1,295,377,974	₱	1,295,377,974	₱	1,295,377,974
DEFICIT								
Balance at beginning of period		(502,913,210)		(456,348,292)		(456,348,292)		(48,420,505)
Equity Restructuring				-				-
Net Income (loss)		(10,927,699)		(46,564,918)		(7,302,603)		(407,927,787)
Balance at end of period		(513,840,909)		(502,913,210)		(463,650,894)		(456,348,292)
NON-CONTROLLING INTEREST		25,923,820		25,996,270		26,041,114		26,291,760
STOCKHOLDERS' EQUITY, END	₱	807,460,886	₱	818,461,034	₱	857,768,194	₱	865,321,443

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

		Jan 01, 2015 March 31, 2015 (Three Months)		Jan 01, 2014 March 31, 2014 (Three Months)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	₱	(11,000,149)	₱	(7,553,248)
Adjustment to reconcile net loss to net cash provided by operating activities				
Interest Income		(125,006)		(251,751)
Amortization		50,000		50,000
Loss on sale of asset		326,000		
Depreciation		653,707		723,550
Operating income before changes in working capital		(10,095,448)		(7,031,449)
Changes in operating assets and liabilities				
Decrease (increase) in :				
Accounts receivable		10,232,055		(10,664,928)
Other current assets		(5,555,058)		(2,177,631)
Increase (decrease) in :				
Accounts payable and accrued expenses		(25,429,730)		(8,215,579)
Other Liabilties				
Cash generated from operations		(30,848,181)		(28,089,587)
Income Tax				
Interest Income		91,316		191,686
Net cash provided by operating activities		(30,756,865)		(27,897,901)
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposals (acquisitions) of property and equipment		(28,597,743)		
Disposal (Acquisition) of asset held for sale		2,716,667		
Net cash used in investing activities		(25,881,076)		-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(56,637,941)		(27,897,901)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		146,299,482		293,432,068
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱	89,661,541	₱	265,534,167

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

1. Corporate Information and Status of Operations

Corporate Information
NiHAO Mineral Resources International, Inc., (NiHAO or the Parent Company) and its subsidiaries (collectively referred to as the Group) were incorporated in the Philippines. The Company's registered office is 1505 Princeton St., cor. Shaw Blvd., Brgy Wack-Wack, Greenhills East, Mandaluyong City.

The Parent Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 16, 1975, as a mining company. On October 3, 1990, the Parent Company's shares were offered to the public and listed on the Philippine Stock Exchange (PSE).

As a mining company, its primary purpose is to carry on the business of mining, milling, concentrating, converting, smelting, preparing for market, manufacturing, buying, selling, exchanging, and otherwise producing and dealing in nickel, chromite, and other kinds of ores, metal, minerals and by-products.

The following are the subsidiaries of the Parent Company:

		Percentage of Ownership	
Company	Ownership	**2014**	2013
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

** The ownership in this subsidiary is held through OI*

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

Status of Operations
The Parent Company's Isabela Nickel Project (the "Project") started operations in 2012 and entered into full-year of shipping in 2013. The operations generated service income for the Group amounting to ₱15.3 million, ₱131.3 million and ₱64.1 million in 2014, 2013, and 2012, respectively. The Project has an approved Mineral Production and Sharing Agreement (MPSA), which is held by Geogen Corporation (Geogen). This is located in Dinapigue, Isabela covering an area of 2,392 hectares. Since the Group 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, 2015 and December 31, 2014, the Group had three (3) mining claims located in the provinces of Zambales, Misamis Oriental and Masbate.

The following are the Group's mining claims:

1. Botolan Mining Claim

   Botolan Mining Claim is registered under the name of MTGI, a wholly owned subsidiary. The Botolan Mining Claim covers approximately 5,081 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. With the MPSA, MTGI projects that it will produce and ship up to 450,000 dry metric tons (DMT) of nickel ore at an average grade of 1.6% nickel grade.

   On October 22, 2012, MGB granted the MTGI the first renewal of the two (2) year Exploration Period under MPSA No. 315-2010-III. As at March 31, 2015, application for second renewal of the two (2) year Exploration Period under said MPSA filed by MTGI on October 1, 2014 with MGB Central Office is still pending approval. MTGI is continuously implementing the required Community Development Program (CDP) to create a symbiotic relationship between MTGI and the community. MTGI believes that its investment in the implementation of a CDP will ease the transition of the Botolan Mining Claim from exploration into development and full scale operation. MTGI has recently received the approval of the budget for implementation of its CDP and plans to implement presently.

2. Manticao Mining Claim

   BGI has an Exploration Permit (EP) application with the MGB covering the Manticao Mining Claim with an area of 1,946 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 at March 31, 2015, the EP application is undergoing initial evaluation by the MGB. The Company will conduct additional study and exploration to further support the application. The budget planned for the additional study and exploration amounts to ₱30.0 million. The EP application is expected to be approved once pending revenue sharing scheme legislation and implementing regulations with the government is finalized.

3. Masbate Mining Claim

   Masbate13, one of the Parent Company's subsidiaries through OI, has an EP covering Masbate Mining Claim with an area of approximately 8,357 hectares located in Milagros and Mandaon, Masbate. Said permit which expired on February 6, 2010, has been renewed for the second time on July 2014. Upon renewal, the coverage area of the permit was revised to 4,137 hectares. As at March 31, 2015, management is currently undergoing data gathering and reconnaissance mapping simultaneously before they perform further exploration procedures.

The Group incurred accumulated losses resulting in deficit of ₱513.8 million and ₱502.9 million as at March 31, 2015 and December 31, 2014, 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 previous Parent Company's deficit amounting to ₱150.1 million as at December 31, 2011 by application against additional paid-in capital. The equity restructuring was approved by the 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 eliminate losses that may be incurred in the future without prior approval of the SEC. For purposes of dividend declaration, the retained earnings of the Parent Company shall be restricted to the extent of the deficit wiped out amounting to ₱150.1 million

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. The EO could potentially delay the processing of some of the Group'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. At any rate, management believes that EO 79 will not have a major impact on the Group's current operations considering the extent of investment and activities they have made on their mining areas that the government will take into account favorably and considering also that one of the mines is already covered by an existing 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.

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2. Basis of Preparation, Statement of Compliance, Basis of Consolidation, Changes in Accounting Policies and Summary of Significant Accounting Policies

Basis of Preparation
The accompanying 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), which is the Group's functional currency under Philippine Financial Reporting Standards (PFRS). Amounts are rounded off to the nearest peso unit, except when otherwise indicated.

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with PFRS.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at March 31, 2015 and December 31, 2014. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company using uniform accounting policies.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Parent Company controls an investee if and only if the Parent Company has all of the following:

- Power over the investee;

- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the Parent Company's returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries are deconsolidated from the date on which control ceases.

Subsidiaries
Subsidiaries are entities over which the parent company has control.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognized in assets are eliminated in full.

Non-controlling Interest (NCI)
Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recognized in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent company's share of components previously recognized in other comprehensive income or OCI to profit or loss or retained earnings, as appropriate.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the financial statements are consistent with the prior year, except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) which were adopted as at January 1, 2014.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements,* PFRS 12, *Disclosure of Interest in Other Entities* and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). The amendment is not relevant to the Group since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The 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. The amendments affect presentation only and not the Group's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no effect on the Group as the Group has no derivatives during the current or prior periods.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement,* on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and not the Group's financial position or performance.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The interpretation has no significant effect on the Group's financial position or performance.

Annual Improvements to PFRSs (2010-2012 cycle)

In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no significant effect on the Group's consolidated financial statements.

Annual Improvements to PFRSs (2011-2013 cycle)
In the 2011 - 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards-First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no effect on the Group as it is not a first-time PFRS adopter.

Future Changes in Accounting Policies
The following new and revised standards, amendments to PFRS and Philippine Interpretations will become effective subsequent to December 31, 2014:

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the re-measurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group since the Group has no benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material effect on the Group. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition.
  - A performance target must be met while the counterparty is rendering service.
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
  - A performance condition may be a market or non-market condition.
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after January 1, 2015. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material effect on the Group. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect on the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect on the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any effect on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not).

  A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments will not have any effect on the Group's consolidated financial statements.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business

must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect on the Group.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its consolidated financial statements. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be

  done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim consolidated financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

- PFRS 9, *Financial Instruments* - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

  The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are

subsequently measured at fair value through profit or loss (FVPL). All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss.

Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

The effectivity date of PFRS 9 is on January 1, 2018. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The Group is currently assessing the effect of adopting this standard.

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.
  The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the effect of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- Philippine Interpretation IFRIC 15, *Agreements for the 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 SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

Summary of Significant Accounting and Financial Reporting Policies

Business Combinations
Business combinations are accounted for using the acquisition 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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate standards.

Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

NCI

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

Presentation of Financial Statements

The Group has elected to present all items of recognized income and expense in one single consolidated statement of comprehensive income.

Financial Instruments

Date of Recognition

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

Initial Recognition 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 FVPL. Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

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

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.

The Group’s financial assets are in the nature of loans and receivables and AFS financial assets. The Group has no financial assets at FVPL and HTM investments and derivatives designated as hedging instruments in an effective hedge as at March 31, 2015 and December 31, 2014. The Group’s financial liabilities are in the nature of other financial liabilities. The Group had no financial liabilities at FVPL as at March 31, 2015 and December 31, 2014.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statement are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each end of the reporting period.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business on the end of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Subsequent Measurement
The subsequent measurement of financial instruments depends on their classification as follows:

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within twelve (12) months from the reporting period. Otherwise, these are classified as noncurrent assets.

As at March 31, 2015 and December 31, 2014 , the Group's loans and receivables consisted of 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 FVPL. 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 period.

Other Financial Liabilities
Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the Group's consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

As at March 31, 2015 and December 31, 2014, other financial liabilities consisted of accrued expenses and other liabilities, and due to related parties.

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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.

<u>Impairment of Financial Assets</u>
The Group assesses at each end of reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a 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 occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or a group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in consolidated statements of comprehensive income.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

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

<u>Asset Held for Sale</u>
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.

<u>Other Current Assets</u>
Other current assets include input value-added tax (VAT), deferred service cost, creditable withholding tax (CWTs), prepayments and supplies. Other assets are classified as noncurrent when it is not probable to be realized within one (1) year from the end of financial reporting date.

Input VAT
Input VAT represent taxes imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations.

Deferred Service Costs
Deferred service costs pertains to the nickel stockpile, cost of extraction of unsold mineral ore and cost incurred in providing exploration services. This is subsequently charged to cost of services upon sale of mineral ores.

CWTs
CWTs are withheld from sale of services which the Group can utilize as payment for income taxes provided that they are properly supported by certificates of creditable withholding tax withheld at source subject to the rules in Philippine income taxation.

<u>Property and Equipment</u>
Items of property and equipment are carried at cost less accumulated depreciation and depletion and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes, and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been placed into operation, such as repairs and maintenance costs, are normally recognized in consolidated statements of comprehensive income in the period they are incurred.

When assets are sold or retired, the cost and related accumulated depreciation, amortization and depletion are removed from the accounts and any resulting gain or loss is recognized in the consolidated statements of comprehensive income.

Depreciation of property and equipment, except mine development costs, is computed using the straight-line method over the estimated useful lives of the assets as follows:

Category	Number of Years
Transportation equipment	5 years
Office and laboratory equipment	3 years
Site assets	5-10 years

The cost of leasehold improvements is amortized over the shorter of the term of the lease or the estimated useful lives of three to five (3-5) years of the improvements.

Depreciation, amortization or depletion of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation, amortization or depletion ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the asset is derecognized.

The estimated recoverable mine reserves, useful lives, and depreciation, amortization and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, periods and methods of depreciation, amortization and depletion are consistent with the expected pattern of economic benefits from the items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in consolidated statements of comprehensive income in the year the asset is derecognized.

The asset's useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each end of the reporting period.

Expenditures on major maintenance refits or repairs comprise the cost of replacement assets or parts of assets and overhaul cost. Where an asset or part of an asset that was separately depreciated and is now written-off is replaced, and it is probable that future economic benefits associated with the item will flow to the Group through an extended life, expenditure is capitalized. All other day to day maintenance costs are expensed as incurred.

Mine Development Costs

Mine development costs are stated at cost, which includes cost of construction, property, plant and equipment, borrowing costs and other direct costs. Mine development costs, except for cost attributable to current operations, and construction in-progress are not depreciated or depleted until such time as the relevant assets are completed and become available for use. Mine development costs attributed to operations are depleted using the UOP method based on estimated recoverable reserves in tonnes.

Property and equipment also include the estimated costs of rehabilitating the mine site, for which the Group is constructively liable. These costs, included under mine development costs, are amortized using the units-of-production (UOP) method based on the estimated recoverable mine reserves until the Group actually incurs these costs in the future.

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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

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

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

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

After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss on its investment in the associate. The Group determines at each reporting period 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.

Leasehold Rights

Leasehold rights, included under "Other noncurrent assets" account in the consolidated statement of financial position, are carried at cost less accumulated amortization and any impairment losses. Amortization is computed using the straight-line method over the lease term of 25 years.

Mining Rights

Mining rights are carried at cost less amortization and impairment in value, if any. Amortization commences at the start of commercial production based on UOP. It ceases 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 the 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 reporting 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.

<u>Impairment of Nonfinancial Assets</u>

Property and Equipment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or CGU is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU'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 groups of assets.

Where the carrying amount of an asset or CGU 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses are recognized in the consolidated statement of comprehensive income.

Asset Held for Sale, Mining Rights, Other Current and Noncurrent Assets

The Group provides allowance for impairment losses on asset held for sale, mining rights, and nonfinancial other current and noncurrent assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease asset held for sale, mining rights, and other current and noncurrent assets.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined had no impairment loss been recognized for that asset in prior years.

<u>Capital Stock</u>

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

Deficit

Deficit represents the cumulative balance of periodic results of operations. A deficit is not an asset but a deduction from equity.

Revenue Recognition

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.

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.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when they are incurred.

Costs of Services

Costs of services consist of costs directly associated with the Group's operations. These are generally recognized when the cost is incurred.

General and Administrative Expenses

Expenses incurred in the direction and general administration of day-to-day operations of the Group. These are generally recognized when the services are used or the expenses arise.

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 parent company statement of comprehensive income as incurred, unless there is a future economic benefit that is more likely to be realized than not. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating 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.

Leases

Determination of Whether an Arrangement Contains a Lease

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 Lease - Group as a Lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of assets are classified as operating leases. Operating lease expenses are recognized in the 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 have been enacted or substantively enacted at the end of each reporting period.

Deferred Income Tax
Deferred income tax is provided using the balance sheet liability method on all temporary differences at the end of financial reporting period 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, except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits can be utilized except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient future taxable profits will be available against which the temporary differences can be utilized.

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

Unrecognized deferred income tax assets are reassessed at each end of reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax asset to be recovered.

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

Earnings (Loss) Per Share

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

Diluted earnings (loss) per common share, if applicable, is calculated by dividing the net income for the year attributable to the ordinary equity holders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of ordinary shares that would be issued for outstanding common stock equivalents.

Segment Reporting

An operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
c) for which discrete financial information is available.

Provisions

Provisions 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 obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement, is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

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.

3. Significant Accounting Judgment, Estimates and Assumptions

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

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be recoverable under the circumstances. However, actual outcome can differ from these estimates.

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

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to each of the entities in the Group, the functional currency has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which each of the entities in the Group operates. It is the currency that mainly influences labor, materials and other costs of providing goods and services, in which funds from financing activities are generated, and in which receipts from operating activities are generally retained.

Classifying 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.

Operating Lease Commitments - Group as a Lessee
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 not 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 2014, 2013 and 2012, all exploration costs were charged to operations.

Estimates and Assumptions
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 reporting period are discussed below:

Estimating Allowance for Impairment Loss on Receivables and Due from Related Parties
The level of allowance is evaluated by management based on experience and other factors that may affect the recoverability of these assets. The allowance for impairment loss is estimated using two methods namely, the specific and collective assessment. The total of the amounts calculated using the two methods determine the total allowance to be maintained as of the reporting period.

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

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

Provision for impairment losses on receivables amounted to nil in March 2015 and December 2014. Allowance for impairment loss on receivables amounted to ₱4.9 million as at March 31, 2015 and December 31, 2014. The carrying values of receivables amounted to ₱68.5 million and ₱78.7 million as at March 31, 2015 and December 31, 2014, respectively (see Note 5).

There were no provision for impairment losses on due from related parties in March 2015 and December 2014. The carrying values of due from related parties amounted to ₱147,452 as at March 31, 2015 and December 31, 2014 (see Note 14).

Estimating Useful Lives of Property and Equipment and Leasehold Rights
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 and leasehold rights would increase the recorded operating expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of property and equipment and leasehold rights in March 2015 and December 2014. The carrying values of the Group's property and equipment as at March 31, 2015 and December 31, 2014 amounted to ₱305.2 million and ₱277.3 million, respectively (see Note 10). The carrying values of the Group's leasehold rights under "other noncurrent assets" amounted to ₱4.4 million and ₱4.5 million as at March 31, 2015 and December 31, 2014, respectively (see Note 11).

Estimating Allowance for 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. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Group's assessment of recoverable values and may lead to future additional impairment charges.

The carrying values of other current assets as at March 31, 2015 and December 31, 2014 amounted to ₱160.2 million and ₱154.6 million, respectively (see Note 7). The carrying values of the Group's property and equipment as at March 31, 2015 and December 31, 2014 amounted to ₱ 305.2 million and ₱277.3 million, respectively (see Note 10). The carrying values of other noncurrent assets amounted to ₱4.4 million and ₱4.5 million as at March 31, 2015 and December 31, 2014, respectively (see Note 11). Impairment loss on these nonfinancial assets amounted to ₱ 24.5 million as at March 31, 2015 and December 31, 2014.

Determination of Fair Values of Financial Instruments
Determining the fair value of a financial instrument requires extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence (i.e., interest rates, foreign currency). However, the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any change in the fair value of these financial instruments would affect the comprehensive income.

The fair value of the financial assets, which approximate the carrying values amounted to ₱127.0 million and ₱193.7 million as at March 31, 2015 and December 31, 2014, respectively. The fair values of the financial liabilities, which approximate the carrying values amounted to ₱21.1 million and ₱44.9 million as at March 31, 2015 and December 31, 2014, respectively.

4. **Cash and Cash Equivalents**

	March 31, 2015	Dec. 31, 2014
Cash on hand	**₱20,000**	₱20,000
Cash in banks	**10,483,338**	44,811,603
Cash equivalents	**79,158,203**	101,467,879
	₱89,661,541	₱146,299,482

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three (3) months, depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term deposit rates.

5. **Receivables**

	March 31, 2015	Dec. 31, 2014
Trade (Note 15)	**₱17,170,812**	₱17,170,812
Advances to:		
Suppliers	**35,735,324**	35,685,324
Officers and employees	**471,106**	685,782
Others	**8,019**	8,019
Interest receivable		33,690
Others	**20,000,000**	30,000,000
	73,385,261	83,583,627
Less allowance for impairment loss	**4,918,229**	4,918,229
	₱68,467,032	₱78,665,398

All of the receivables above generally have 30- to 60- days' term.

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. This account will be credited when the services are rendered.

Advances to officers and employees represent the revolving fund given to the employees for the expense incurred in relation to operations such as travel and representation.

Advances to others are cash advances to third parties that are generally due and demandable.

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

Others represent the receivable from the sale of AFS financial assets.

Allowance for impairment loss as at March 31, 2015 and December 31, 2014 pertains to the following:

	March 31, 2015	Dec. 31, 2014
Advances to:		
Suppliers	**₱4,910,210**	₱4,910,210
Others	**8,019**	8,019

	₱4,918,229	₱4,918,229

6. **Asset Held for Sale**

Asset held for sale consists of a pre-fabricated collapsible building and is presented at its carrying value amounting to ₱3.0 million as at December 31, 2014.

On March 2015, the Company sold the asset held for sale to Peaksun Enterprises & Export Corporation resulting to a net loss of ₱326 thousand.

7. **Other Current Assets**

	March 31, 2015	Dec. 31, 2014
Input VAT	**₱70,538,420**	₱66,515,635
Deferred service cost	**102,666,035**	101,133,762
CWTs	**5,681,947**	5,681,947
	178,886,402	173,331,344
Less allowance for impairment loss on input VAT	**18,722,774**	18,722,774
	₱160,163,628	₱154,608,570

Input VAT represents taxes paid on purchases of applicable goods and services, net of output VAT, which can be recovered as tax credit against future income tax liability of the Group upon approval by the Philippine Bureau of Internal Revenue (BIR). In 2014, the Group provided an allowance for impairment loss on input VAT amounting to ₱18.7 million.

Deferred service costs pertain to cost of extraction of unsold mineral ore and cost incurred in providing exploration services. As at March 31, 2015, 125,199 wet metric tons (wmt) of nickel are still on stockpile.

CWTs are withheld from sale of services which the Group can utilize as payment for income taxes provided that they are properly supported by certificates of creditable withholding tax withheld at source subject to the rules in Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within twelve (12) months are classified as current assets.

8. **Business Combinations**

Acquisition of MTGI

On October 16, 2007, the Parent Company acquired all of the outstanding shares of MTGI pursuant to the Deed of Absolute Sale between the Parent Company and the shareholders of MTGI.

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

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

The excess of the purchase price over the fair value of net assets acquired is presented as “Mining Rights” account in the consolidated statement of financial position (see Note 9).
Purchase price is based on the Mine Valuation Report of Minercon International, Inc. dated September 18, 2007 on the mining rights of MTGI in Botolan, Zambales.

Acquisition of OI

On March 10, 2011, the Parent Company acquired all of the outstanding shares of OI pursuant to a Memorandum of Agreement (MOA) between the Parent Company and the previous stockholders of OI. Under the MOA, the total consideration of ₱108.0 million covered the assignment of all outstanding shares of OI, assignment of advances made by the previous stockholders to OI aggregating ₱125.5 million and the 80% ownership of outstanding shares of Masbate13 held by OI. Masbate13 is the owner of a gold mining claim covering 8,375.35 hectares in the Municipalities of Milagros and Mandaon in Masbate. In 2014, the area covered by the gold mining claim was reduced to 4,137 hectares compliant with the legal requirement to excise areas deemed not beneficial for mining activities.

On December 31, 2011, the BOD of OI approved the increase in its authorized capital stock to 2,000,000 shares and the conversion of the ₱125.5 million advances assigned to the Parent Company into 1,250,000 shares, with par value of ₱100 per share.

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

Assets acquired and liabilities assumed

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

	Fair value recognized on acquisition
Assets:	
Cash in banks	₱3,820,625
Mining rights	152,136,833
Other current assets	1,702,200
	157,659,658

Liabilities:	
Accrued expenses	₱89,600
Due to related parties	2,469,626
	2,559,226
Total identifiable net assets at fair value	155,100,432
NCI	(29,919,721)
Negative goodwill arising on acquisition	(17,180,711)
Purchase consideration	₱108,000,000

OI obtained an independent valuation for the gold mining claim of Masbate13. The valuation showed that the fair value at the date of acquisition was ₱152.1 million. This was presented under "Mining rights" account in the consolidated statements of financial position (see Note 9).

9. Mining Rights

Mining rights represent the Group's intangible assets for its right to mine certain areas. The details as at March 31, 2015 and December 31, 2014 are presented below:

Botolan, Zambales (Note 9)	₱49,496,586
Milagros and Magdaon Masbate (Note 9)	152,136,833
	₱201,633,419

10. Property and Equipment

	2014					
	Transportation Equipment	**Office and Laboratory Equipment**	**Site Assets**	**Leasehold Improvements**	**Mine Development Costs**	**Total**
Cost:						
Beginning balance	**₱3,970,000**	**₱2,363,528**	**₱70,591,699**	**₱403,573**	**₱224,405,517**	**₱301,734,317**
Additions	**–**	**–**	**–**	**–**	**30,129,870**	**30,129,870**
Ending balance	**3,970,000**	**2,363,528**	**70,591,699**	**403,573**	**254,535,387**	**331,864,187**
Accumulated depreciation:						
Beginning balance	**2,129,668**	**1,845,556**	**18,010,660**	**169,807**	**2,274,880**	**24,430,571**
Depreciation and depletion	**180,999**	**25,678**	**1,957,292**	**21,865**	**–**	**2,185,834**
Ending balance	**2,310,667**	**1,871,234**	**19,967,952**	**191,672**	**2,274,880**	**26,616,405**
Net book value	**₱1,659,333**	**₱492,294**	**₱50,623,747**	**₱211,901**	**₱252,260,507**	**₱305,247,782**

	2014					
	Transportation Equipment	Office and Laboratory Equipment	Site Assets	Leasehold Improvements	Mine Development Costs	Total
Cost:						
Beginning balance	₱3,970,000	₱2,363,528	₱70,591,699	₱403,573	₱148,007,584	₱225,336,384
Additions					76,397,933	76,397,933
Ending balance	3,970,000	2,363,528	70,591,699	403,573	224,405,517	301,734,317
Accumulated depreciation:						
Beginning balance	1,405,668	1,487,852	10,181,493	82,438	2,274,880	15,432,241
Depreciation and depletion	724,000	357,704	7,827,167	87,459		8,998,330
Ending balance	2,129,668	1,845,556	18,010,660	169,807	2,274,880	24,430,571
Net book value	₱1,840,332	₱517,972	₱52,581,039	₱233,66	₱222,130,637	₱277,303,746

11. Other Noncurrent Assets

	March 31, 2015	Dec. 31, 2014
Deposits	**₱5,803,571**	₱5,803,571
Leasehold rights	**4,433,334**	4,483,333
	10,236,905	10,286,904
Less allowance for impairment loss	**5,803,571**	5,803,571
	₱4,433,334	₱4,483,333

In 2012, the Group made deposits for subcontracted services in relation to the Geogen Operations. The Group provided an allowance for impairment loss on deposits amounting to ₱5.8 million in 2014.

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:

	March 31, 2015	Dec. 31, 2014
Cost:		
Beginning and ending balances	**₱5,000,000**	₱5,000,000
Accumulated amortization:		
Beginning balance	**516,667**	316,667
Amortization	**50,000**	200,000
Ending balance	**566,667**	516,667
Net book value	**₱4,433,333**	₱4,483,333

12. Accrued Expenses and Other Liabilities

	March 31, 2015	Dec. 31, 2013
Accounts payable	**₱63,741**	₱63,741
Accrued expenses	**21,020,738**	44,811,865
Taxes payable	**1,206,962**	2,845,565
Others	**1,862**	1,862
	₱22,293,303	₱47,723,033

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

Accrued expenses include expenses already incurred but not yet billed by the suppliers as at the end of the reporting period.

Taxes payable includes withholding taxes on compensation and expanded withholding taxes which are payable to the government within ten (10) days after the end of each month. It also includes deferred output VAT which pertains to output VAT on outstanding trade receivable. Others consists of amounts withheld by the Group from the compensation of its employees which represents payables to SSS, HDMF, and Philhealth.

13. Capital Stock

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

	March 31, 2015	Dec. 31,2014	2013
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**	913,000,000	913,000,000
Issuance during the year	**–**	–	-
Balance at end of year	**₱913,000,000**	₱913,000,000	₱913,000,000

Issuances of shares of stock of the Parent Company approved by the SEC were as follows:

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), 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 stock rights offering (SRO) to other stockholders.

There were no dividend declarations made in 2014 and 2013.

14. Related Party Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

Transactions with Related Parties

In the normal course of business, the Group enters into transactions with certain related parties. Transactions in 2015 and 2014 included the following:

Category	**Amount**	**Outstanding receivable (payable)**	**Terms**	**Conditions**
March 31, 2015				
Under common control				
Geogen	**₱101,344**	**₱101,444**	**Payable on demand, non-interest bearing, settlement occurs through cash**	**Unsecured, and unguaranteed**
GNA Resources International Ltd. (GNA)	**–**	**46,008**	**Payable on demand, non-interest bearing, settlement occurs through cash**	**Unsecured, and unguaranteed**
	₱101,344	**₱147,452**		

Category	Amount	Outstanding receivable (payable)	Terms	Conditions
Dec. 31, 2014				
Under common control				
GNA	-	₱46,008	Payable on demand, non-interest bearing, settlement occurs through cash	Unsecured, and unguaranteed
Geogen	101,344	101,344	Payable on demand, non-interest bearing, settlement occurs through cash	Unsecured, and unguaranteed
	₱101,344	₱147,452		

a. The management and accounting functions of the subsidiaries are being handled by the Parent Company.

b. The Group extended non-interest bearing advances for Geogen's expenses.

Category	**Amount**	**Outstanding receivable (payable)**	**Terms**	**Conditions**
March 31, 2015				
Under common control				
Service income and Trade receivable (Note 5)				
Geogen	**₱0**	**₱17,170,812**	**Payable on demand, non-interest bearing, settlement occurs through cash**	**Unsecured, no impairment and unguaranteed**
Management fee				**P**
Asiabest Group International, Inc. (ABG)	**₱–**	**(₱9,528,094)**	**Payable on demand, non-interest bearing, settlement occurs through cash**	**Unsecured, no impairment and unguaranteed**

Category	Amount	Outstanding receivable (payable)	Terms	Conditions
2014				
Under common control				
Service income and Trade receivable (Note 5)				
Geogen	₱15,331,082	₱17,170,812	Payable on demand, non-interest bearing, settlement occurs through cash	Unsecured, no impairment and unguaranteed

(Forward)

Category	Amount	Outstanding receivable (payable)	Terms	Conditions
Management fee				
ABG	₱0	(₱9,528,094)	Payable on demand, non-interest bearing, settlement occurs through cash	Unsecured, no impairment and unguaranteed

c. Pursuant to the Operating Agreement with Geogen, Geogen shall pay the Group an amount equivalent to 90% of invoice value of the nickel ore sold by Geogen to third parties in consideration of the services to be performed by the Group. Service income amounted to nil and ₱15.3 million in March 31, 2015 and December 31, 2014, respectively.

d. 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. The Group made partial payment amounting to ₱1 million to ABG in 2014.

15. **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, AFS financial assets and accrued expenses and other 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 has no significant financial instruments that are exposed to interest rate risk as at March 31, 2015 and December 31, 2014. The BOD reviews and approves policies for managing each of these risks and they are summarized below:

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

The Group's 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, 2015	Dec. 31, 2014
Cash and cash equivalents*	**₱89,641,541**	₱146,279,482
Receivables	**37,170,812**	47,204,502
Due from related parties	**147,452**	147,452
	₱126,959,805	₱193,631,436

**excluding cash on hand*

As at March 31, 2015 and December 31, 2014, the credit quality and aging of the Group's financial assets are as follows:

	March 31, 2015				
	Neither past due nor impaired		**Past due but not impaired (More than 90 days)**	**Impaired**	**Total**
	High Grade	**Standard Grade**			
Cash and cash equivalents	**₱89,641,541**	**₱–**	**₱–**	**₱–**	**₱89,641,541**
Receivables	**-**	**37,170,812**	**–**	**–**	**37,170,812**
Due from related parties	**–**	**–**	**147,452**	**–**	**147,452**
	₱89,641,541	**₱37,170,812**	**₱147,452**	**₱–**	**₱126,959,805**

	December 31, 2014				
	Neither past due nor impaired		Past due but not impaired (More than 90 days)	Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents	₱146,279,482	₱–	₱–	₱–	₱146,279,482
Receivables	33,690	47,170,812	–	–	47,204,502
Due from related parties	–	–	147,452	–	147,452
	₱146,313,172	₱47,170,812	₱147,452	₱–	₱193,631,436

Cash and cash equivalents and short-term deposits were classified as high grade since these were deposited and invested with a reputable bank and can be withdrawn anytime.

Receivables were classified as high grade and standard grade. High grade receivables include receivable from a reputable bank. Standard grade receivable include receivables that are collected more than one (1) month to less than three (3) months.

Due from related parties amounting to ₱147,452, are classified as past due but not impaired. These are collectible on demand

Credit quality

Accordingly, the Group has assessed the credit quality of the following financial assets classified as neither past due nor impaired:

- Cash and cash equivalents are assessed as high grade since these are deposited in reputable banks, which have a low probability of insolvency.

- Receivables assessed as high grade pertain to those receivables from customers that consistently pay before the maturity date. Standard grade include receivables that are collected on their due dates even without an effort from the Group to follow them up.

- Due from related parties are assessed as standard grade since amounts are settled several days after the incurrence of the liability.

Liquidity Risk

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

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

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

As at March 31, 2015 and December 31, 2014, the Group's other financial liabilities are summarized below:

	March 31, 2015	Dec. 31, 2014
Accrued expenses and other liabilities	**₱21,086,341**	₱44,877,468

Accrued expenses and other liabilities are normally settled within 30 days or throughout the year. Due to related parties are payable on demand. As at March 31, 2015 and December 31, 2014, the Group's financial assets amounting to ₱127 million and ₱194 million, respectively, were determined by management to be realizable within one year.

Capital Management

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

The Group 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 Group's debt-to-equity ratio as at March 31, 2015 and December 31, 2014 were as follows:

	March 31, 2015	Dec. 31, 2014
Total debt (a)	**₱22,293,303**	₱47,723,033
Total equity (b)	**807,460,886**	818,461,034
Debt-to-equity ratio (a/b)	**0.03:1**	0.06:1