COVER SHEET

62323

NIHAO MINERAL RESOURCES INTERNATIONAL, INC. AND SUBSIDIARIES

(Company's Full Name)

7F PEAKSUN BUILDING 1505 SHAW BLVD CORNER PRINCETON STREET MANDALUYONG CITY

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

ARSENIO C. CABRERA, JR.

Contact Person

(632) 8137111

Company Telephone Number

12 31

Month *Day*

Fiscal Year

SEC 17Q2-2014

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stocholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2014**

2. Commission identification number **62323** 3. BIR Tax Identification No. **050-000-889-223**

4. Exact name of issuer as specified in its charter **NiHAO MINERAL RESOURCES INTERNATIONAL, INC.**

5. Province, country or other jurisdiction of incorporation or organization **Philippines**

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office Postal Code

   7F Peaksun Bldg., 1505 Princeton St. corner Shaw Blvd., 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

June 30, 2014 vs. December 31, 2013

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

For the Group's nickel mining claims; the Botolan Nickel Project and the Manticao Nickel Project, NiHAO has focused on community development and community relations while exploration activities are still suspended. On the Masbate 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 late shift in the monsoon season contributed to the delay in the start of mining season in Isabela. Late during the quarter, the company commenced its mining operations, however, no sales of nickel ore were consummated due to the late start of mining operations. The company is confident that before year-end, it will be able to service its supply contract agreements and book revenues.

The group incurred general and operating expenses of ₽ 13.93 million for the general maintenance of the projects.

Cash as of June 30, 2014 amounting to ₽ 263.02 million was 10.36% or ₽ 30.41 million lower than the ₽293.43 million cash as at December 31, 2013. 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 ₽ 67.81 million, was 11.71% or ₽7.11 million higher from ₽ 60.7 million as of December 31, 2013 due to deposits made to various suppliers relative to its Isabela operations.

Other current assets went up by 6.77% or ₽6.22 million due to reclassification to deferred costs other direct fixed expenses incurred relative to its Isabela operations.

A decrease in Property and equipment is mainly due to depreciation.
Given above, total consolidated assets stood at ₽881.43 million, a 2.40% or ₽ 21.7 million lower as compared with consolidated assets of ₽903.13 million as of December 31, 2013.

Total liabilities as of June 30, 2014 amounted to ₱29.56 million which was 21.82% or ₱ 8.25 million lower than the ₱ 37.81 million recorded liabilities as of December 31, 2013. The decrease in total liabilities was mainly due to partial settlement of payables.

Deficit balance as of December 31, 2013 of ₱ 456.35 million plus operating costs incurred for the current period resulted to a balance of ₱ 469.54 million.

June 30, 2014 vs. June 30, 2013

a. Net operating losses for the first six months of 2014; net comprehensive losses:

As of June 30, 2014, the Company recognized a consolidated net losses of ₱13.45 million, 94.57% or ₱ 234.21 million better as compared to the recorded losses covering the same period last year of ₱247.66 million. The difference is mainly due to lower expenses incurred relative to the parent company's Dinapigue operations.

Above losses plus income from change in fair value of available-for-sale financial assets resulted to a total comprehensive losses of ₱ 231.63 million in June 30, 2013. No same transaction was reported during the current period.

b. Increase in Assets:

Cash of ₱ 263.02 million was ₱ 275.19 million or 51.13% lower than balances of ₱ 538.21 million on June 30, 2013. The decrease is due to costs and expenses incurred relative to Isabela operations.

₱ 0.03 million or 0.05% decrease in receivables from ₱ 67.84 million in June 2013 to ₱ 67.81 million in June 2014.

₱ 55.58 million decrease in advances from related parties from ₱55.63 million in June 2013 to ₱0.05 million in June 2014. The decrease is due to application of advances against payables.

₱ 67.29 million increase in other current assets from ₱30.70 million in June 2013 to ₱97.99 million in June 2014. The increase is attributable to deferred costs, input taxes and creditable taxes earned from its Isabela operations.

₱ 3.57 million or 10.01% decrease in available-for-sale financial assets from ₱ 35.68 million in June 2013 to ₱ 32.11 million as of June 30, 2014 attributed to disposal of its investments in quoted securities.

An increase of ₱ 115.15 million or 127.61% in property and equipment from ₱ 90.24 million as of June 2013 to ₱ 205.39 million as of June 2014 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 ₱0.48 million or 4.42% of other non-current assets from ₱ 10.87 million in June 2013 to ₱10.39 million in June 2014 is due to refund of rental deposit and amortization of leasehold rights to use a 10-hectare land located in Brgy. Dicabasan, Dilasag, Aurora for ₱5.0 million for use exclusively for its mining operations.

As a result, given the above-mentioned transactions, total consolidated assets as of June 30, 2014 were recorded at ₱881.43 million, while total assets as of the same period last year amounted to ₱1,033.84 million or a 14.74% decrease equivalent to ₱152.41 million.

c. Increase in Total Liabilities:

Total liabilities increased by 60.69% or by ₱11.16 million as of June 30, 2014, mainly due to unpaid management fees and other accrued expenses relative to its Isabela operations.

d. Decrease in Total Stockholders' Equity:

Total stockholders' equity amounted to ₱ 851.87 million as of June 30, 2014, a decrease of 16.11% or ₱163.58 million from ₱1,015.45 million in the same period last year. The decrease was mainly due to net losses incurred during the period.

Financial Soundness Indicators:

	June 30, 2014	June 30, 2013
Net loss	₱ 13,449,760	₱ 247,657,007
Net comprehensive losses	₱ 13,449,760	₱ 231,626,948
Total Current Assets	431,905,663	695,421,829
Total Assets	881,429,150	1,033,841,427
Current Liabilities	29,557,467	18,394,192
Total Liabilities	29,557,467	18,394,192
Stockholders' Equity	851,871,683	1,015,447,235
(1) Current Ratio		
₱ 431,905,663 / 29,557,467	14.61:1	
₱ 695,421,829 / 18,394,192		37.81:1
(2) Debt to Equity Ratio		
₱ 29,557,467 / 851,871,683	0.03:1	
₱ 18,394,192 /1,015,447,235		0.02:1
(3) Debt Ratio		
₱ 29,557,467 / 881,429,150	0.03:1	
₱ 18,394,192 / 1,033,841,427		0.02:1
(4) Asset to Equity Ratio		
₱ 881,429,150/ 851,871,683	1.03:1	
₱ 1,033,841,427/1,015,447,235		1.02:1
(5) Book value per share		
₱ 851,871,683/ 913,000,000	0.93	
₱ 1,015,447,235/ 913,000,000		1.11
(6) Income (loss) per share		
(₱ 13,192,424) (*) / 913,000,000	(₱ 0.01)	
(₱246,696,579) (*) / 913,000,000		(₱ 0.27)
* 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 June 30, 2014.

Location	Name of Claim	Permit Description	Validity	Permittee/ Applicant	Area Covered (in hectares)

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

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

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

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

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 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.

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

Isabela Operations

The late shift in the monsoon season contributed to the delay in the start of mining season in Isabela. Late during the quarter, the company commenced its mining operations, however, no sales of nickel ore were consummated due to the late start of mining operations. The company is confident that before year-end, it will be able to service its supply contract agreements and book revenues. Moving forward, the company aims to further increase ore production and shipment volume and improve operating efficiency and this can be achieved by upgrading

shipping capacity, improvement of current and opening of new hauling roads, and strengthening the supply chain support system. Several processes will need to be improved and expanded to allow for the increase in production, as further outlined below. Management is confident of realizing optimum potential of this mining operations and aimed to take advantage of the rising trend of raw nickel ore and nickel pig iron in the world markets as Indonesia continues to implement a ban on raw ore export.

Mining and Production

Additional Infrastructure, equipment and working capital are needed to further develop the other mine pits to be able to increase production rates from the current production schedule. Production costs are critical to production as the price of low-nickel high-iron ore, which currently have high demand in China, have lower profit margins, and as such, efficient management of production and logistics costs are critical.

A rental program on equipment will be implemented to ensure low downtime in terms of equipment availability. The programmed production schedule for the initial year of operation will depend heavily on the high reliability of the equipment to do the work.

Port and Shipping
The company is currently studying plans for the development of improved ship loading facilities to further increase shipment volume and reduce operating costs.

Once the improvements in production and shipment volume and operations efficiency have been achieved, the Isabela Nickel Project is expected to be the one of the main revenue drivers for the company and contribute recurring income and strong cash flow, eventually improving shareholder value.

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 a 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.

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 16 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: August 14, 2014

DELFIN CASTRO, JR.
Treasurer/Chief Financial Officer

Date signed: 8/14/14

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

FORM 17-Q, Item 1

Consolidated Financial Statements

Consolidated Statement of Financial Position as of June 30, 2014 and December 31, 2013

Consolidated Statements of Comprehensive Income for the First Six Months Ending June 30, 2014 and 2013

Consolidated Statements of Changes in Equity

Consolidated Statement of Cash Flows for the Six Month Period Ending June 30, 2014 and 2013

Notes to Consolidated Financial Statements

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

		Unaudited Consolidated June 30, 2014		Audited Consolidated Dec 31, 2013
ASSETS				
Current Assets				
Cash and cash equivalents (Note 4)	₱	263,019,349	₱	293,432,068
Accounts receivable - net (Note 5)		67,806,287		60,697,807
Advances to related parties (note 15)		46,109		46,109
Other current assets (note 6)		97,991,251		91,775,116
		428,862,996		445,951,100
Asset held for sale (Note 7)		3,042,667		3,042,667
Total Current Assets		431,905,663		448,993,767
Noncurret Assets				
Available For Sale Financial Assets (Note 8)		32,110,295		32,110,295
Mining Rights (Note 10)		201,633,419		201,633,419
Property and Equipment - net (Notes 11)		205,392,869		209,904,143
Other non-current assets (Note 12)		10,386,904		10,486,904
Total Noncurrent Assets		449,523,487		454,134,761
	₱	881,429,150	₱	903,128,528
LIABILITIES & STOCKHOLDERS' EQUITY				
Liabilities				
Accounts payable and other current liabilities (Note 13)	₱	26,705,683	₱	34,955,302
Due to related parties		2,851,784		2,851,784
Total Liabilities		29,557,467		37,807,086
Stocholder's Equity				
Capital Stock - P1 par value (Note 14)				
Authorized - 2,000,000,000 shares				
Issued		913,000,000		913,000,000
Additional Paid-In Capital		382,377,974		382,377,974
Deficit		(469,540,715)		(456,348,292)
		825,837,259		839,029,682
Equity attributable to non-controlling interest		26,034,424		26,291,760
Total Stockholders' Equity		851,871,683		865,321,442
	₱	881,429,150	₱	903,128,528

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

	April 01, 2014 June 30, 2014 **(Three Months)**	Jan 01, 2014 June 30, 2014 **(Six Months)**	April 01, 2013 June 30, 2013 (Three Months)	Jan 01, 2013 June 30, 2013 (Six Months)
SERVICE INCOME	₱		₱ 68,014,180	₱ 68,014,180
COST OF SERVICE			(252,165,144)	(252,165,144)
GROSS PROFIT (LOSS)	**-**	**-**	(184,150,964)	(184,150,964)
GENERAL AND ADMINISTRATIVE EXPENSES	**(5,995,076)**	**(13,925,943)**	(22,952,231)	(39,727,740)
NET INCOME (LOSS) BEFORE OTHER INCOME (LOSS)	**(5,995,076)**	**(13,925,943)**	(207,103,195)	(223,878,704)
OTHER INCOME (EXPENSES)				
Interest Income	**136,607**	**388,358**	504,385	1,571,972
Gain on sale of investment in shares of stocks				-
Forex Gain (loss)	**(38,043)**	**7,752**	(12,480)	(12,480)
Gain (loss) on sale of AFS			(25,337,795)	(25,337,795)
Other Income		**80,073**		
Sub-total	**98,564**	**476,182**	(24,845,890)	(23,778,303)
INCOME (LOSS) BEFORE INCOME TAX	**(5,896,512)**	**(13,449,760)**	(231,949,085)	(247,657,007)
TAX DUE	**-**	**-**		
INCOME (LOSS) AFTER TAX	**(5,896,512)**	**(13,449,760)**	(231,949,085)	(247,657,007)
OTHER COMPREHENSIVE INCOME				
Income (loss) on change in fair value of available-for-sale financial assets			11,680,001	16,030,059
TOTAL COMPREHENSIVE INCOME (LOSS)	**(5,896,512)**	**(13,449,760)**	(220,269,084)	(231,626,948)
NET INCOME (LOSS) ATTRIBUTABLE TO				
Equity holders of the Parent Company	**(5,889,821)**	**(13,192,424)**	(231,573,990)	(246,696,579)
Non-controlling Interest	**(6,691)**	**(257,336)**	(375,095)	(960,428)
	(5,896,512)	**(13,449,760)**	(231,949,085)	(247,657,007)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Equity holders of the Parent Company	**(5,889,821)**	**(13,192,424)**	(219,893,989)	(230,666,520)
Non-controlling Interest	**(6,691)**	**(257,336)**	(375,095)	(960,428)
	(5,896,512)	**(13,449,760)**	(220,269,084)	(231,626,948)
WEIGHTED AVE. NUMBER OF COMMON SHARES	**913,000,000**	**913,000,000**	913,000,000	913,000,000
Based on net income (loss)	**(0.01)**	**(0.01)**	(0.25)	(0.27)
Based on total comprehensive income	**(0.01)**	**(0.01)**	(0.24)	(0.25)

Note: No dividends declared during the period

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

		Unaudited June 30, 2014		Audited December 31, 2013		Unaudited June 30, 2013		Audited December 31, 2012
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		(456,348,291)		(48,420,505)		(48,420,505)		(223,257,742)
Equity Restructuring				-				150,073,491
Net Income (loss)		(13,192,424)		(407,927,787)		(246,696,579)		24,763,746
Balance at end of period		(469,540,715)		(456,348,292)		(295,117,084)		(48,420,505)
NON-CONTROLLING INTEREST		26,034,424		26,291,760		28,755,858		28,591,286
CUMULATIVE UNREALIZED GAIN (LOSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS				-		(13,569,514)		(29,599,573)
STOCKHOLDERS' EQUITY, END	₱	851,871,683	₱	865,321,442	₱	1,015,447,234	₱	1,245,949,182

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

		April 01, 2014 June 30, 2014 (Three Months)		Jan 01, 2014 June 30, 2014 (Six Months)		April 01, 2013 June 30, 2013 (Three Months)		Jan 01, 2013 June 30, 2013 (Six Months)
CASH FLOWS FROM OPERATING ACTIVITIES								
Income (loss) before income tax	₱	**(5,896,512)**	₱	**(13,449,760)**	₱	(231,949,085)	₱	(247,657,010)
Adjustment to reconcile net loss to net cash provided by operating activities								
Interest Income		**(136,607)**		**(388,358)**		(504,388)		(1,571,972)
Amortization		**50,000**		**100,000**		50,000		100,000
Depreciation		**3,787,724**		**4,511,274**		2,075,270		3,954,560
Operating income before changes in working capital		**(2,195,395)**		**(9,226,844)**		(230,328,203)		(245,174,422)
Changes in operating assets and liabilities								
Decrease (increase) in :								
Accounts receivable		**3,616,513**		**(7,048,415)**		117,674,433		118,630,724
Inventory						274,464		(1,233,542)
Due from related parties								208,486
Other current assets		**(4,038,504)**		**(6,216,135)**		25,176,467		14,554,467
Other non-current assets								
Increase (decrease) in :								
Accounts payable and accrued expenses		**(34,039)**		**(8,249,618)**		5,897,636		2,208,827
Other Liabilties								
Cash generated from operations		**(2,651,425)**		**(30,741,012)**		(81,305,201)		(110,805,459)
Income Tax								-
Interest Income		**136,607**		**328,293**		457,722		1,160,805
Net cash provided by operating activities		**(2,514,818)**		**(30,412,719)**		(80,847,479)		(109,644,655)
CASH FLOWS FROM INVESTING ACTIVITIES								
Disposals (acquisitions) of property and equipment						(30,855,016)		(31,049,798)
Disposal (Acquisition) of Available-for-sale financial asset						58,960,439		58,960,439
Net cash used in investing activities		-		-		28,105,423		27,910,641
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,514,818)**		**(30,412,719)**		(52,742,056)		(81,734,014)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**265,534,167**		**293,432,068**		590,955,809		619,947,767
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱	**263,019,349**	₱	**263,019,349**	₱	538,213,753	₱	538,213,753

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 Group's registered office address is 7th Floor Peaksun Building, 1505 Princeton Street corner 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 9, 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	**2013**	2012
Subsidiaries:			
Mina Tierra Gracia, Inc. (MTGI)	Direct	**100**	100
Bountiful Geomines, Inc. (BGI)	Direct	**100**	100
Oregalore, Inc. (OI)	Direct	**100**	100
Masbate13 Philippines, Inc. (Masbate13)*	Indirect	**80**	80

** 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 ₱131.3 million in 2013 and ₱64.1 million in 2012. The Project has an approved Mineral Purchase and Sharing Agreement (MPSA), which is owned by Geogen Corporation. This is located in Dinapigue, Isabela covering an area of 2,314.2018 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 at June 30, 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 a 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. 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 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 1,944 hectares located in Manticao, Misamis Oriental. In connection with the aforementioned EP application, BGI submitted all mandatory requirements provided under the Philippine Mining Act and its Implementing Rules and Regulations, including, an exploration work program as well as proof of technical and financial competence.

   As at June 30, 2014, 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 amounted to ₱30.0 million. The EP application is expected to be approved once the revenue sharing scheme with the government is finalized.

3. Masbate Mining Claim

   Masbate13, one of the 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. As at June 30, 2014, management is currently undergoing data gathering and reconnaissance mapping simultaneously and they are expecting that those will be completed after six months before they perform other exploration procedures.

The Group incurred losses in the past resulting in deficit of ₱469.5 million, ₱456.3 million and ₱ 48.4 million as at June 30, 2014, December 31, 2013 and 2012, 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.

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 June 30, 2014 and December 31, 2013. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company using consistent 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.

<u>Changes in Accounting Policies</u>
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS, Philippine Accounting Standard (PAS),

and International Financial Reporting Interpretation Committee (IFRIC) which were adopted as at January 1, 2013:

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group.

The nature and the impact of each new standard and amendment are described below:

- PFRS 1, First-time Adoption of International Financial Reporting Standards - *Government Loans* (Amendments)
  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Group.

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

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

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

  The amendments affect disclosures only and have no effect on the Group's financial position or performance. As the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements, the amendment does not affect the Group's financial statements.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose*

Entities. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

The application of PFRS 10 did not affect the accounting for the Group's interests on all its subsidiaries.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The amendment does not affect the Group's financial position or performance.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights).

  The Group has no controlled subsidiary with less than a majority of voting rights.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and do not affect the Group's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized. The amendment does not affect the financial statements of the Group.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact on the Group's financial position and performance.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not significantly affect the separate financial statements of the Group.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

  This amendment does not affect the Group's financial position or performance as it currently accounts for its investments in a joint venture and an associate using equity accounting method.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a noncurrent asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The adoption has no significant effect on disclosures and on the financial position or performance since the Group's current policy is aligned with IFRIC 20.

Annual Improvements to PFRSs (2009-2011 cycle)

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing

costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments do not significantly affect the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not significantly affect the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not significantly affect the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and not the Group's financial position or performance.

<u>Standards and Interpretation Issued but not yet Effective</u>
The Group will adopt the following standards and interpretation enumerated below when these become effective, except or otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant effect on its financial statements.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 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. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and not the

Group's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014. They 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). This amendment is not relevant to the Group.

- Philippine Interpretation IFRIC 21, *Levies*
  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. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect IFRIC 21 to have a material effect on future financial statements.

- 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 are effective for annual periods beginning on or after January 1, 2014. The Group does not expect that PAS 39 will have a material effect on future financial statements.

- 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. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 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 remeasurements 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 July 1, 2014. The amendment is not relevant to the Group.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the

grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The amendment has no effect on the Group's financial statements.

- 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 require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendment has no effect on the Group's financial statements.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The Group does not expect that the amendment will have material effect on future financial statements.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the Group of the reporting entity. The amendments also

clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and not the Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no effect on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of "Effective PFRSs"*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. These amendments are not relevant to the Group.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods

beginning on or after July 1 2014 and is applied prospectively. The amendment has no effect on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant effect on the Group's financial position or performance.

To be Determined:

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing 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 FVPL. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities, 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 in respect of the liability's 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 into PFRS 9, including the embedded derivative separation 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 effect on the classification and measurement of financial liabilities.

  PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

- 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 Financial Reporting Standard Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any effect on the financial statements of the Group.

The Group does not expect any significant effect in the financial statements when it adopts the above standards and interpretations. The revised and additional disclosures provided by the

standards and interpretation will be included in the financial statements when these are adopted in the future, if applicable.

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 statement of comprehensive income.

Financial Instruments

Date of Recognition

The Group recognizes a financial asset or a financial liability in the Group 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 fair value through profit or loss (FVPL). Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

Financial assets are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets, 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, loans and borrowings, 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 June 30, 2014 and December 31, 2013. The Group's financial liabilities as at June 30, 2014 and December 31, 2013 are in the nature of other financial liabilities.

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 date.

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.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 17.

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 June 30, 2014 and December 31, 2013, 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 profit or loss when the liabilities are derecognized as well as through the amortization process.

As at June 30, 2014 and December 31, 2013, other financial liabilities consisted of accrued expenses, other liabilities and due to related parties.

Offsetting Financial Instruments
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.

Impairment of Financial Assets
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.

Input Value-Added tax (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.

The amount of VAT recoverable from the taxation authority is included as part of "Other current assets" in the Group statement of financial position.

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

Property and Equipment
Items of property and equipment, except land, 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.

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.

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.

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.

Impairment of Nonfinancial Assets

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 statement of comprehensive income.

Other Current and Noncurrent Assets
The Group provides allowance for impairment losses on 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 prepayments 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 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.

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

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 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.

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

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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 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 parent company financial statements:

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to 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 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.

The classification of financial instruments is disclosed in Note 23 to the consolidated financial statements.

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 (see Note 15).

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 2013, 2012 and 2011, 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 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.

Allowance for impairment loss on receivables amounted to ₱4.9 million as at June 30, 2014 and

December 31, 2013. The carrying values of receivables amounted to ₱67.86 million and ₱60.7 million as at June 30, 2014 and December 31, 2013, respectively (see Note 5). The carrying values of due from related parties amounted to ₱0.04 million as at June 30, 2014 and December 31, 2013, respectively (see Note 15).

Determining Impairment of AFS Financial Assets
The Group treats quoted AFS investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or whether other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In applying this judgment, the Group evaluates the financial health of the issuer, among others. In the case of AFS equity instruments, the Group expands its analysis to consider changes in the issuer's industry and sector performance, legal and regulatory framework, changes in technology and other factors that affect the recoverability of the Group's investments.

For unquoted shares, management believes that while the range of reasonable fair value estimates is significant, the probabilities of the various estimates cannot be reasonably assessed given the unquoted nature of these equity investments. As a result, the Group carries unquoted AFS financial assets at cost, less any impairment in value.

The fair values of quoted AFS financial assets as at June 30, 2014 and December 31, 2013amounted to nil (see Note 8). Based on management's assessment, there has been no significant or prolonged decline in the fair value of AFS financial assets, thus, no impairment loss was recognized in June 30, 2014 , 2013 and, 2012.

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 June 30, 2014 and December 31, 2013. The carrying values of the Group's property and equipment as at June 30, 2014 and December 31, 2013 amounted to ₱205.4 million and ₱209.9 million, 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.

There was no impairment loss recognized on the Group's nonfinancial assets in June 30, 2014 and December 31, 2013.

The carrying values of the investment in an associate amounted to nil as at June 30, 2014 and December 31, 2013. The carrying values of the Group's property and equipment as at June 30, 2014 and December 31, 2013 amounted to ₱205.4 million and ₱209.9 million, respectively (see Note 11). The carrying values of the Group's mining rights amounted to ₱201.6 million as at June 30, 2014 and December 31, 2013 (see Note 10). The carrying values of other noncurrent assets amounted to ₱10.4 million and ₱10.5 million as at June 30, 2014 and December 31, 2013 respectively (see Note 12).

Estimating Recoverability of Deferred Income Tax Assets
The Group reviews the carrying amount of deferred income tax assets at the end of each reporting period and is reduced to the extent that they are no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred income tax assets on nondeductible temporary differences is based on forecasted future taxable profits. This forecast is based on the Group's past results and future expectations on revenues and expenses.

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 instruments, which approximate the carrying values, as at June 30, 2014 and December 31, 2013 disclosed in Note 17 to the consolidated financial statements.

4. Cash and Cash Equivalents

	June 30, 2014	December 31, 2013
Cash on hand	**₱20,000**	₱20,000
Cash in banks	**17,613,775**	64,412,132
Cash equivalents	**245,385,574**	228,999,936
	₱263,019,349	₱293,432,068

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

5. **Receivables**

	June 30, 2014	December 31, 2013
Trade (Note 15)	**₱24,065,172**	₱24,276,932
Advances to:		
Suppliers	**47,998,401**	40,693,605
Officers and employees	**619,858**	498,667
Others	**8,019**	8,019
Interest receivable	**33,066**	138,813
	72,724,516	65,616,036
Less allowance for impairment loss	**4,918,229**	4,918,229
	₱67,806,287	₱60,697,807

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.

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.

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

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

Allowance for impairment loss as at June 30, 2014 and December 31, 2013pertains to the following:

	June 30, 2014	December 31, 2013
Advances to:		
Suppliers	**₱1,762,343**	₱1,762,343
Others	**3,155,886**	3,155,886
	₱4,918,229	₱4,918,229

Movements in the allowance for impairment loss in were as follows:

	June 30, 2014	December 31, 2013
Beginning balance	**₱4,918,229**	₱4,668,229
Provisions during the period	**0**	250,000
Ending balance	**₱4,918,229**	₱4,918,229

Aging of Receivables:

Current	:	₱ 67,806,287
Non-current	:	4,918,229
		₱ 72,724,516

6. **Other Current Assets**

	June 30, 2014	December 31, 2013
Input VAT	**₱53,998,209**	₱53,067,138
Deferred service cost	**37,597,108**	32,142,601
Creditable withholding tax (CWT)	**5,768,470**	5,768,470
Supplies	**627,464**	796,907
	₱97,991,251	₱91,775,116

Input VAT represents taxes paid on purchases of applicable goods and services 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).

Deferred service costs pertain to the nickel stockpile, cost of extraction of unsold mineral ore and cost incurred in providing exploration services. As at June 30, 2014, a total of 439,152.428 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.

Supplies consists of motorpool inventory supplies.

7. **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 June 30, 2014 and December 31, 2013.

8. **AFS Financial Assets**

	June 30, 2014	December 31, 2014
At fair value – quoted	**₱–**	₱-
At cost – unquoted	**32,110,295**	32,110,295
	32,110,295	32,110,295
Cumulative changes in fair value	**–**	-
	₱32,110,295	₱32,110,295

The Quoted securities consist of investment in a publicly listed entity traded in the PSE. These are carried at fair value with cumulative changes in fair value presented as part of "Unrealized loss on AFS financial assets" in the consolidated statement of financial position. The fair value of these shares is based on the quoted market prices as of the end of the reporting date.

Unquoted equity securities include unlisted shares of stock (see Note 9) which the Group will continue to carry as part of its investments. The fair value of these securities cannot be reliably determined, thus, they are carried at cost less allowance for impairment, if any.

In 2013, the Group disposed all of its investments in quoted securities for the total consideration of ₱37.6 million, with a carrying value of ₱46.5 million. The Group also realized its cumulative

unrealized loss amounting to ₱29.6 million which resulted in a loss for a total of ₱38.5 million for the said disposal of AFS investment.

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

	June 30, 2014	December 31, 2013
Balance at beginning of year	**₱-**	(₱29,599,573)
Change in fair value of AFS financial assets	**-**	29,599,573
Balance at end of year	**₱–**	₱-

9. **Business Combinations**

Acquisition of OI

On March 10, 2011, the Parent Company acquired all of the outstanding shares of OI pursuant to a Memorandum of Agreement between the Parent Company and the previous stockholders of OI. Under the agreement, the total consideration of ₱108.0 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 4,136.7538 hectares in the Municipalities of Milagros and Mandaon in Masbate.

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 10). The excess of the fair value of the net assets acquired over the purchase price amounting to ₱17.2 million is presented as "Income from the acquisition of a subsidiary" in the consolidated statements of comprehensive income.

10. Mining Rights

Mining rights represent the Group's intangible assets for its right to mine certain areas. The details as at June 30, 2014 and December 31, 2013 are presented below:

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

11. Property and Equipment

	June 30, 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	**-**	**-**	**-**	**-**	**-**	**-**
Ending balance	**3,970,000**	**2,363,528**	**70,591,699**	**403,573**	**148,007,584**	**225,336,384**
Accumulated depreciation:						
Beginning balance	**1,405,668**	**1,487,852**	**10,181,493**	**82,348**	**2,274,880**	**15,432,241**
Depreciation, amortization and depletion	**362,000**	**190,963**	**3,914,583**	**43,728**		**4,511,274**
Ending balance	**1,767,668**	**1,678,815**	**14,096,076**	**126,076**	**2,274,880**	**19,943,515**
Net book value	**₱2,202,332**	**₱684,713**	**₱56,495,623**	**₱277,497**	**₱145,732,704**	**₱205,392,869**

	December 31, 2013					
	Transportation Equipment	Office and Laboratory Equipment	Site Assets	Leasehold Improvements	Mine Development Costs	Total
Cost:						
Beginning balance	₱2,350,000	₱1,605,805	₱63,879,460	₱–	₱–	₱67,835,265
Additions	1,620,000	757,723	6,712,239	403,573	148,007,584	157,501,119
Ending balance	3,970,000	2,363,528	70,591,699	403,573	148,007,584	225,336,384
Accumulated depreciation:						
Beginning balance	775,834	1,110,375	2,805,671	–	–	4,691,880
Depreciation, amortization and depletion	629,834	377,477	7,375,822	82,348	2,274,880	10,740,361
Ending balance	1,405,668	1,487,852	10,181,493	82,348	2,274,880	15,432,241
Net book value	₱2,564,332	₱875,676	₱60,410,206	₱321,225	₱145,732,704	₱209,904,143

12. **Other Noncurrent Assets**

	June 30, 2014	December 31, 2013
Deposits	**₱5,803,571**	₱5,803,571
Leasehold rights	**4,583,333**	4,683,333
	₱10,386,904	₱10,486,904

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

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:

	June 30, 2014	December 31, 2013
Cost:		
Beginning and ending balances	**₱5,000,000**	₱5,000,000
Accumulated amortization:		
Beginning balance	**316,667**	116,667
Amortization	**100,000**	200,000
Ending balance	**416,667**	316,667
Net book value	**₱4,583,333**	₱4,683,333

13. **Accrued Expenses and Other Liabilities**

	June 30, 2014	December 31, 2013
Accounts payable	**₱63,741**	₱63,741
Accrued expenses	**26,608,801**	30,449,632
Taxes payable	**23,512**	4,422,672
Others	**9,629**	19,256
	₱26,705,683	₱34,955,301

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 pertain to legal and other professional fees.

Taxes payable includes withholding taxes on compensation and expanded withholding taxes which are payable to the government within fifteen (15) days after the end of each month.

14. **Capital Stock**

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

	June 30, 2014	2013	2012
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	880,000,000
Issuance during the year	–	-	33,000,000
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) discussed in Note 24, entered into a Subscription Agreement with the Parent Company for the initial subscription of 33,000,000 common shares (the "Subscribed Shares"). The Subscribed Shares were paid in cash and in full at a subscription price of ₱9.46 per share, or a total amount of ₱312.2 million. The issuance resulted in additional paid in capital amounting to ₱279.2 million.

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

Details were as follow:

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

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

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

There were no dividend declarations made in 2013 and 2012.

15. **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 2014 and 2013 included the following:

Category	Amount	Outstanding Balance	Terms	Conditions
June 30, 2014 and December 31, 2013				
Associate/Investee				
GNA	**₱–**	**₱46,009**	**Payable on demand, non-interest bearing**	**Unsecured, no impairment and unguaranteed**
Geogen Corporation (Geogen)	**–**	**100**	**Payable on demand, non-interest bearing**	**Unsecured, no impairment and unguaranteed**
	₱–	**₱46,109**		

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

b. The Group extended non-interest bearing advances to ORVI and GNA for working capital requirements in 2012. Advances to ORVI were paid in full in 2013.

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

Category	Amount	Outstanding Balance	Terms	Conditions
Under common control				
Trade receivable				
2014 – Geogen				
	0	**₱24,065,172**		
2013-Geogen	**₱131,285,885**	**₱24,276,932**	**Payable on demand, non-interest bearing**	**Unsecured, no impairment and unguaranteed**
Management fee				
2014-ABG	**0**	**(₱10,528,094)**		
2013-ABG	**(₱7,074,850)**	**(₱10,528,094)**	**Payable on demand, non-interest bearing**	**Unsecured, no impairment and unguaranteed**
Rental				
2014-AASI	**0**	**0**		
2013-Angping and Associates Securities, Inc. (AASI)	**₱750,305**	**₱–**	**Payable on demand, non-interest bearing**	**Unsecured, no impairment and unguaranteed**

Category	Amount	Outstanding Balance	Terms	Conditions
Cash advances from				

AU Philippines, Inc. (AU)	**₱–**	**(₱1,953,741)**	**Payable on demand, non-interest bearing**	**Unsecured, no impairment and unguaranteed**
Geograce Resources Philippines, Inc. (Geograce)	**–**	**(898,043)**	**Payable on demand, non-interest bearing**	**Unsecured, no impairment and unguaranteed**
	₱–	**(₱2,851,784)**		

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.

e. On October 19, 2011, the Group entered into a Contract of Lease with AASI for the lease of its office space and parking slots. The lease is for a period of two (2) years beginning October 19, 2011 with the option to renew for another two (2) years. The monthly lease rental is ₱0.1 million inclusive of taxes and association dues. The security deposit for the lease amounting to ₱0.3 million will be returned to the Group not earlier than sixty (60) days after the termination of the lease contract.

   The security deposit was returned to the Group in December 2013 after the termination of the lease contract.

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

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

16. 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 account payable and other current liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Group has no significant financial instruments that are exposed to interest rate risk and foreign currency rate risk as at December 31, 2013 and 2012. 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:

	2014	2013
Cash and cash equivalents*	**₱263,019,349**	₱293,412,068
Receivables	**72,724,516**	65,616,036
Due from related parties	**46,109**	46,109

AFS financial assets	**32,110,295**	32,110,295
	₱367,900,269	₱391,184,508

**excluding cash on hand*

As at June 30, 2014 and December 31, 2013, the credit quality and aging of the Group's financial assets are as follows:

	June 30, 2014				
	Neither past due nor impaired		**Past due but not impaired**		
	High Grade	**Standard Grade**	**(More than 90 days)**	**Impaired**	**Total**
Cash and cash equivalents	**₱263,019,349**	**₱–**	**₱–**	**₱–**	**₱263,019,349**
Receivables	**33,066**	**67,773,221**	**–**	**4,918,229**	**72,724,516**
Due from related parties	**–**	**–**	**46,109**	**–**	**46,109**
AFS financial assets	**32,110,295**	**–**	**–**	**–**	**32,110,295**
	₱295,162,710	**₱67,773,221**	**₱46,109**	**₱4,918,229**	**₱367,900,269**

	2013				
	Neither past due nor impaired		Past due but not impaired		
	High Grade	Standard Grade	(More than 90 days)	Impaired	Total
Cash and cash equivalents	₱293,412,068	₱–	₱–	₱–	₱293,412,068
Receivables	138,813	60,558,994	-	4,918,229	65,616,036
Due from related parties	–	–	46,109	–	46,109
AFS financial assets	32,110,295	–		–	32,110,295
	₱325,661,176	₱60,558,994	₱46,109	₱4,918,229	₱391,184,508

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.

AFS financial assets were classified as high grade since these were invested in a reputable companies with good financial capacity.

Due from related parties amounting to ₱0.05 million, are classified as past due but not impaired. These are collectible on demand.

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

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.

- Amounts owed by related parties are assessed as standard grade since amounts are settled several days after the incurrence of the liability.

- Other receivables, which pertain to advances that are due and demandable, were assessed as standard grade since amounts are settled after due date.

- Quoted shares were assessed as high grade since these are instruments from companies with good financial capacity.

- Unquoted shares were assessed as high grade, since these belong to companies which have good financial conditions and operate in an industry which has potential growth.

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 June 30, 2014 and December 31, 2013, the Group's other financial liabilities are summarized below:

	June 30, 2014	December 31, 2013
Accrued expenses and other liabilities	**₱26,705,683**	₱30,532,629
Due to related parties	**2,851,784**	2,851,784
	₱29,557,467	₱33,384,413

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 June 30, 2014 and December 31, 2013, the Group's financial assets amounting to ₱367.9 million and ₱391.2 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.

17. Financial Instruments

Fair Value Information and Categories of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and Cash Equivalents, Receivables, Due to/from Related Parties and Accrued Expenses and Other Liabilities.
Due to the short-term nature of the transactions the carrying values of these financial assets and liabilities approximate their fair values as of financial reporting date.

AFS Financial Assets.
The fair values were determined by reference to market bid quotes as at the end of the reporting period. For unquoted equity securities for which no reliable basis of fair value measurement is available, these are carried at cost.

The fair values are based on quoted prices published in the Philippine equity markets.

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

- Quoted prices in active markets for identical asset or liability (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability; either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those inputs for assets or liability that are not based on observable market date (unobservable inputs) (Level 3).

June 30, 2014 and Dec. 31, 2013	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
AFS financial asset	**₱–**	**₱32,110,295**	**₱–**	**₱32,110,295**

As at June 30, 2014 and December 31, 2013, the fair value of the quoted equity securities is the quoted market price at the close of the business (Level 1).

During the period ended June 30, 2014 and December 31, 2013, there were no transfers among levels 1, 2 and 3 of fair value measurements.

18. **Segment Information**

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

	June 30, 2014	2013	2012
Net income (loss)	**(₱13,449,760)**	(₱410,227,313)	₱24,150,507
Other information:			
Segment assets	**881,429,150**	903,128,527	1,262,134,548
Segment liabilities	**29,557,467**	37,807,085	16,185,366