SEC Registration Number

						6	2	3	2	3

Company Name

NIHAO MINERAL RESOURCES INTERNATIONAL, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting	Fiscal Year Month/Day
106	3rd Wednesday of May	12/31

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

1505 Princeton Street corner Shaw Blvd., Brgy Wack-wack, Greenhills East, Mandaluyong City

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2017**

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

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

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

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

7. Address of issuer's principal office Postal Code

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

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

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

N/A

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	**1,010,000,000 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 [x] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The Company's consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards ("PFRS").

This Financial Statements meeting the requirements of SRC Rule 68, is furnished as specified therein.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

FINANCIAL PERFORMANCE AND RESULTS OF OPERATION

March 31, 2017 vs. December 31, 2016

In June 2012, the Company inked an Operating Agreement with Geogen Corporation wherein the Group shall have the exclusive right to explore, operate, mine, develop and process minerals found within the Geogen's mineral property consisting of a total area of 2,391 hectares located at Dinapigue, Isabela, which is covered by MPSA No. 258-2007-II dated July 30, 2007 (the "Mineral Property").

Pursuant to the Operating Agreement, Geogen shall pay the Group an amount equivalent to ninety (90%) of the invoice value of the nickel ore sold by Geogen to third parties in consideration of the services to be performed by the Group. This agreement superseded the General Contractor Agreement (GCA) entered into with Geogen on March 5, 2012. The GCA was executed to appoint the Parent Company as Geogen's general contractor over the Mineral Property.

On August 4, 2015, the Parent Company and Nickel Asia Corporation (NAC) entered into an agreement wherein NAC will acquire ten percent (10%) secondary shares of the Parent Company at a purchase price of ₱4 per share, and one hundred percent (100%) of the issued and outstanding capital stock of Geogen.

As a result of NAC's acquisition of one hundred percent (100%) of Geogen, the Operating Agreement between the Parent Company and Geogen was terminated. As consideration, Geogen shall issue to NiHAO Ten Million (10,000,000) preferred shares at a par value of One Centavo (₱ 0.01) per share, with the following features:

a) No voting rights, except with respect to matters where applicable law grants non-voting shareholders the right to vote, provided that the affirmative vote of NiHAO as a preferred shareholder shall be required for the approval of matters affecting NiHAO's economic rights including, among others;
   - a.1 Any reclassification, alteration or amendment of any existing shares or creation of shares which would grant preferential rights of any kind, shape or form or with privileged voting rights;
   - a.2 Any sale, lease, exchange, disposition or encumbrance of all or substantially all of the business or assets of Geogen;
   - a.3 Any merger, demerger or similar re-organization of Geogen;
   - a.4 Any sale of shares of stock whereby a new shareholder or group of shareholders shall attain majority shareholdings in Geogen;
   - a.5 Any change in the dividend policy and/or formula for the determination of dividends due to the preferred shares;
   - a.6 Any sale, assignment, transfer or surrender of rights over the MPSA, the Isabela Nickel Project and/or the Contract Area.

b) Non-redeemable;

c) Preference in the declaration and payment of dividends;
d) Non-participating;
e) Non-transferrable and non-assignable, except with the prior written consent of the Company;
f) The dividends shall be cumulative, to be computed annually based on the following formula:
Twenty percent (20%) of the Mine Operating Income, less Income Tax using the prevailing income tax prescribed by the BIR, where –
Mine Operating Income is equivalent to:
Revenue from sale of ore
Less the following deductions:
Cost of sales
Shipping and loading costs
Excise Tax
Royalty to IPs
Management fee which shall not exceed three percent (3%) of the revenue from sale of ore

Geogen likewise committed to cause its shareholders and board of directors to approve, and file with the SEC the amendment of the Articles of Incorporation for the creation of Ten Million (10,000,000) preferred shares with a par value of One Centavo (₱ 0.01) per share, equivalent to One Hundred Thousand Pesos (₱ 100,000.00), out of the existing authorized capital stock of Geogen.

For the Group's other nickel mining claims; the Botolan Nickel Project and the Manticao Nickel Project, NiHAO focused on community development and community relations while exploration activities are still suspended. On the Masbate 13 Gold project, the Group is currently concentrating on compliance with conditions set forth in EP-V-2008-005 and will soon start implementation of the National Greening Program.

The Company is currently looking for opportunities in other mining companies that it can tap for joint venture or new business opportunities. For the first quarter of 2017, the group incurred general and operating expenses of ₱ 958 thousand for the general maintenance of the projects.

Cash as of March 31, 2017 amounting to ₱ 121.81 million was 2.5% or ₱ 3.12 million lower than the ₱124.93 million cash as at December 31, 2016. The decrease is primarily brought about by partial settlement of payables and operating expenses incurred during the period.

Receivables of ₱ 8.45 million, was 1.22% or ₱102 thousand higher from ₱ 8.34 million as of December 31, 2016 due to receipt of interest earned from cash in banks.

Depreciation amounting to ₱3.42 thousand during the period contributed to decrease in property and equipment.

Given above, total consolidated assets stood at ₱ 992.78 million, a 0.30% or ₱ 3.023 million lower as compared with consolidated assets of ₱995.70 million as of December 31, 2016.

Total liabilities as of March 31, 2017 amounted to ₱28.03 million which was 6.92% or ₱ 2.08 million lower than the ₱ 30.11 million recorded liabilities as of December 31, 2016. The decrease was due to partial liquidation of accrued payables.

Deficit balance as of December 31, 2016 of ₱ 743.42 million plus net losses incurred for the current period resulted to a March 31, 2017 balances of ₱ 744.35 million.

March 31, 2017 vs. March 31, 2016

a. Net operating losses for the first three months of 2016; net comprehensive losses:

As of March 31, 2017, the Company recognized a consolidated net losses of ₱937 thousand, 68.24% or ₱ 2.01 million lower as compared to the recorded net losses covering the same period last year of ₱2.01 million. The difference is mainly due to lower expenses incurred during the period.

b. Decrease in Assets:

Cash of ₱ 121.81 million was ₱ 2.78 million or 2.33% higher than balances of ₱ 119.03 million in March 2016. The increase is due to collection of receivable net of partial payment of payables and expenses incurred during the period.

₱ 16.95 million or 66.73% decrease in receivables from ₱ 25.39 million in March 2016 to ₱ 8.45 million in March 2017. The decrease was brought about by collection of trade receivables.

A decrease of ₱64.95 million or 55.70% of other non-current assets from ₱ 116.60 million in March 2016 to ₱51.65 million in March 2017 is due to amortization of leasehold rights and provision for impairment losses.

As a result, given the above-mentioned transactions, total consolidated assets as of March 31, 2017 were recorded at ₱992.68 million, while total assets as of the same period last year amounted to ₱1,071.81 million or a 7.38% decrease equivalent to ₱79.13 million.

c. Decrease in Total Liabilities:

Total liabilities decreased by 17.32% or by ₱5.87 million from ₱ 33.9 million as of March 31, 2016 to ₱ 28.03 million as of March 31, 2017, mainly due to partial settlement of unpaid accounts.

d. Decrease in Total Stockholders' Equity:

Total stockholders' equity amounted to ₱ 964.65 million as of March 31, 2017, a decrease of 7.06% or ₱73.26 million from ₱1,037.91 million in the same period last year. The decrease was mainly due to provision of impairment allowance on non-current assets and due from related parties coupled with operating expenses incurred during the period.

Financial Soundness Indicators:

	March 31, 2017	March 31, 2016
Net loss	₱ 937,255	₱ 2,950,646
Net comprehensive losses	937,255	2,950,646
Total Current Assets	135,789,020	149,959,836
Total Assets	992,678,781	1,071,812,460
Current Liabilities	28,015,319	33,899,992
Total Liabilities	28,027,436	33,899,992
Stockholders' Equity	964,651,344	1,037,912,468
(1) Current Ratio		
₱ 135,789,020 / 28,015,319	4.85:1	
₱ 149,959,836 / 33,899,992		4.42:1
(2) Debt to Equity Ratio		
₱ 28,027,436 / 964,651,344	0.03:1	
₱ 33,899,992 / 1,037,912,468		0.03:1

(3) Debt Ratio		
₱ 28,027,436 / 992,678,781	0.03:1	
₱ 33,899,992 / 1,071,812,460		0.03:1
(4) Asset to Equity Ratio		
₱ 992,678,781/ 964,651,344	1.03:1	
₱ 1,071,812,460/ 1,037,912,468		1.03:1
(5) Book value per share		
₱ 964,651,344/ 1,010,000,000	0.96	
₱ 1,037,912,468/ 1,010,000,000		1.03
(6) Income (loss) per share		
(₱ 931,515) (*) / 1,010,000,000	(₱ 0.000)	
(₱ 2,937,785) (*) / 1,010,000,000		(₱ 0.003)
* 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	NA

Current Ratio/Liquidity Ratio:

The ratio is computed by dividing the current assets into the current liabilities.
The ratio measures the company's ability to pay maturing obligations.

Debt to Equity Ratio/Solvency Ratio:

This ratio is determined by dividing the total liabilities into the total stockholders' equity.
The ratio measures the leverage on borrowed capital.

Debt Ratio:

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

Asset to Equity Ratio:

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

Book value per share:

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

Income (loss) Per Share:

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

Interest Coverage Ratio:

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

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

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

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

Discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operation of the following:

a. Any known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

MINING CLAIMS AND PERMITS

The operations of the Company's subsidiaries are primarily conducted under Mining Claims described below. The following table sets forth certain information related to the Company's Mining Claims and their corresponding permits or permit applications as of March 31, 2017.

Location	**Name of Claim**	**Permit Description**	**Permittee/ Applicant**	**Area Covered (in hectares)**
Zambales & Masbate				
Botolan and Iba	Botolan Mining Claim	MPSA No. 315-2010-III	Mina Tierra Gracia, inc.	5,081.6408
Aroroy and Baleno, Masbate	Magellan Masbate Mining Claim	EP 011-2010-V	Magellan Consolidated Mines and Development Corporation	2,799.9862
		MPSA No. 315- 2010-III (Amended I)		7,881.627
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
				13,962.3808

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

1. ***<u>Operating Agreement with Geogen Corporation / General Contractor Agreement with Geogen Corporation ("Geogen")</u> / <u>Termination of Geogen-NiHAO Operating Agreement and Cancellation of Management Agreement with Option to Buy with Geogen Corporation</u>***

On June 13, 2012, the BOD of the Parent Company approved the execution, delivery and performance of Operating Agreement with Geogen. Under the agreement, the Group shall have the exclusive right to explore, operate, mine, develop and process minerals found within the Geogen's mineral property consisting of a total area of 2,391.4081 hectares located at Dinapigue, Isabela, which is covered by MPSA No. 258-2007-II dated July 30, 2007 (the "Mineral Property"). Pursuant to the agreement, Geogen shall pay the Group an amount equivalent to 90% of the invoice value of the nickel ore sold by Geogen to third parties in consideration of the services to be performed by the Group. This agreement superseded the General Contractor Agreement (GCA) entered into with Geogen on March 5, 2012. The GCA was executed to appoint the Parent Company as Geogen's general contractor over the Mineral Property.

On August 4, 2015, the Parent Company and Nickel Asia Corporation (NAC) entered into an agreement wherein NAC will acquire ten percent (10%) secondary shares of the Parent Company at a purchase price of ₱4 per share, and one hundred percent(100%) of the issued and outstanding capital stock of Geogen.

As a result of NAC's acquisition of one hundred percent (100%) of Geogen, the Operating Agreement between the Parent Company and Geogen was terminated. As consideration, Geogen shall issue to NiHAO Ten Million (10,000,000) preferred shares at a par value of One Centavo (₱ 0.01) per share, with the following features:

a) No voting rights, except with respect to matters where applicable law grants non-voting shareholders the right to vote, provided that the affirmative vote of NiHAO as a preferred shareholder shall be required for the approval of matters affecting NiHAO's economic rights including, among others;

a.1 Any reclassification, alteration or amendment of any existing shares or creation of shares which would grant preferential rights of any kind, shape or form or with privileged voting rights;

a.2 Any sale, lease, exchange, disposition or encumbrance of all or substantially all of the business or assets of Geogen;

a.3 Any merger, demerger or similar re-organization of Geogen;

a.4 Any sale of shares of stock whereby a new shareholder or group of shareholders shall attain majority shareholdings in Geogen;

a.5 Any change in the dividend policy and/or formula for the determination of dividends due to the preferred shares;

a.6 Any sale, assignment, transfer or surrender of rights over the MPSA, the Isabela Nickel Project and/or the Contract Area.

b) Non-redeemable;

c) Preference in the declaration and payment of dividends;

d) Non-participating;

e) Non-transferrable and non-assignable, except with the prior written consent of the Company;

f) The dividends shall be cumulative, to be computed annually based on the following formula:

Twenty percent (20%) of the Mine Operating Income, less Income Tax using the prevailing income tax prescribed by the BIR, where –

Mine Operating Income is equivalent to:

Revenue from sale of ore
Less the following deductions:
Cost of sales
Shipping and loading costs

Excise Tax
Royalty to IPs
Management fee which shall not exceed three percent (3%) of the revenue from sale of ore

Geogen likewise committed to cause its shareholders and board of directors to approve, and file with the SEC the amendment of the Articles of Incorporation for the creation of Ten Million (10,000,000) preferred shares with a par value of One Centavo (₱ 0.01) per share, equivalent to One Hundred Thousand Pesos (₱ 100,000.00), out of the existing authorized capital stock of Geogen.

Likewise, the Management Agreement with ABG was terminated with NiHAO paying a termination fee equal to the average of the last three (3) years of operations of the Isabela Property

2. ***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") / Termination of Welcome Stranger Mining Limited Agreement***

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

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.

Subject to the satisfaction of certain conditions, the Parties to the MOA 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 ; and
(b) Welcome Stranger will pay to NiHAO/Oregalore a cash consideration of two hundred fifty thousand USD dollars (US250,000.00);

Capital Gold and Welcome Stranger acknowledged the completion of legal and technical due diligence on NiHAO, Oregalore and Masbate 13 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. 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, to be effective upon satisfaction of the following contract conditions:
(a) 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, written advice or confirmation to Welcome Stranger that there is no objection under any law or foreign policy of the Philippines to the proposed issue of the Sale Shares
(c) Execution of the Royalty Agreement, Shareholders Agreement Restriction Agreement and Operating Agreements by all of the parties of this agreement;
(d) Completion of the Capital Gold Sale Agreement;
(e) Completion of the Dizon Agreement.

On October 28, 2015, the Board of Directors, however, approved the termination of the following agreements and the Execution of a Deed of Cancellation:

1. Memorandum of Agreement dated 17 September 2012 with Welcome Stranger and Capital Gold re: the acquisition by Welcome Stranger and Capital Gold of forty percent (40%) of the issued share capital of Masbate 13 for and in consideration of : (i) Fifty Million (50,000,000) shares in Welcome Stranger for the Corporation/Oregalore at an indicative listing market value of twenty Australian cents (AUD 0.20) per share, equivalent to 19.68% of Welcome Stranger, and (ii) cash of Two Hundred Fifty Thousand US Dollars (USD250,000);
2. Sale and Purchase Agreement dated 31 December 2012 with Oregalore and Welcome Stranger re: the sale by Oregalore to Welcome Stranger of a total of One Million (1,000,000) shares in Masbate 13, equivalent to forty percent of the issued share capital of Masbate 13, in consideration of: (a) Fifty Million (50,000,000) shares in Welcome Stranger for the Corporation/Oregalore at a listing value of twenty Australian cents (AUD 0.20) per share; and (b) cash of Two Hundred Fifty Thousand (USD250,000);
3. The Parties mutually agreed to execute a Deed of Cancellation for the termination of these Agreements due to: a) failure to comply with the conditions precedent under the SPA within the periods provided therein, and b) the fact that Australian Stock Exchange delisted Welcome Stranger on 01 January 2016 for being continuously suspended for more than three (3) years.

   Pursuant to the Deed of Cancellation, the parties agreed to release each other from any liability or obligation under the Welcome Stranger Agreements. However, Capital Gold shall be obliged to pay the Corporation amounting to ₱ 8.2 million as reimbursement for expenses incurred by the Corporation in relation to the SPA.

PRIVATE PLACEMENTS

Private Placements 2010 - 2011

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.

None of these three tranches of shares are listed to-date and their respective listing applications with complete requirements are still pending listing process with the PSE.

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 resulted in an increase in the additional paid-in capital of ₱279.2 million.

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

97 Million shares Private Placement

On 04 August 2015, the Company entered into a subscription agreement with Messrs. Jerry C. Angping and San-ho Cheng to subscribed to shares of stock in the Company in the aggregate amount of Ninety Seven Million (97,000,000) from the Company's authorized but unissued capital stock at Four Pesos (₱ 4.00) per share. The price was at a premium over the 15-day, 30-day, 45-day, 60-day, and 90-day volume weighted average price (VWAP) of the Company's shares as traded in the PSE.

The issuance of the Private Placement Shares was entered into for purposes of providing funding for the settlement of contractual obligations, and working capital for the Company's projects. Over time, ultimate benefit to shareholders is expected as shareholders' value will be enhanced.

The total transaction value of the issuance of the Private Placement Shares is Three Hundred Eighty Eight Million Pesos (₱ 388,000,000.00).

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, most specially NAC.

Balance of the proceeds of private placements in 2011 were initially used to purchase additional publicly listed shares from the PSE open market and for acquisition of mining equipment. These were only interim transactions of the Company while waiting for better investment opportunities. To date, the investment in publicly listed shares were fully liquidated thru the PSE. This plus proceeds from private placements made by Macquarie in March 2012 were used relative to the Operating Services of the Company to Geogen Corporation.

On 04 August 2015, The Board approved to utilize the balance of the SRO proceeds in the amount of Thirty Three Million Seven Hundred Eighty Nine Thousand Three Hundred Thirteen (₱33,789,313.00) as of 30 June 2015 to supplement payment of contractual liabilities and additional working capital for its projects. As of March 31, 2017, the proceeds has a balance of ₱32,264,663.

Isabela Operations

On 04 August 2015, the operating agreement was pre-terminated. As consideration, Geogen shall issue to NiHAO Ten Million (10,000,000) preferred shares at a par value of One Centavo (₱ 0.01) per share. With the following features:

a) No voting rights, except with respect to matters where applicable law grants non-voting shareholders the right to vote, provided that the affirmative vote of NiHAO as a preferred shareholder shall be required for the approval of matters affecting NiHAO's economic rights;
b) Non-redeemable;
c) Preference in the declaration and payment of dividends;
d) Non-participating;
e) Non-transferrable and non-assignable, except with the prior written consent of the Company;
f) The dividends shall be cumulative, to be computed annually based on the following formula:
   Twenty percent (20%) of the Mine Operating Income, less Income Tax using the prevailing income tax prescribed by the BIR, where –
   Mine Operating Income is equivalent to:
   Revenue from sale of ore
   Less the following deductions:
   Cost of sales
   Shipping and loading costs
   Excise Tax
   Royalty to IPs
   Management fee which shall not exceed three percent (3%) of the revenue from sale of ore

Geogen likewise committed to cause its shareholders and board of directors to approve, and file with the SEC the amendment of the Articles of Incorporation for the creation of Ten Million (10,000,000) preferred shares with a par value of One Centavo (₱ 0.01) per share, equivalent to One Hundred Thousand Pesos (₱ 100,000.00), out of the existing authorized capital stock of Geogen.

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

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

Manticao Mining Claim

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

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

In this interim period:

a) There is no known trend, event or uncertainty that has or is reasonably likely to have a negative impact on the Company's short-term or long-term liquidity. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring the Company to make payments.

b) The liquidity of the Company is expected to be generated from the Company's financial resources as well as from the proceeds of equity private placements and offerings.

c) There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

d) There are no material commitments for capital expenditures except for those provided in the "Use of Proceeds" from the private placements conducted by the Parent Company.

e) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Company's financial statements.

f) There are no significant elements of income or loss that did not arise from the Company's continuing operations.

FINANCIAL RISK EXPOSURE

Please refer to Note 12 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

DELFIN CASTRO, JR.
Treasurer/Chief Financial Officer

Date signed: May 10, 2017

Date signed: May 10, 2017

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

FORM 17-Q, Item 1

Consolidated Financial Statements

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

		Unaudited Consolidated March 31, 2017		Audited Consolidated Dec 31, 2016
ASSETS				
Current Assets				
Cash and cash equivalents (Note 3)	₱	121,805,530	₱	124,926,173
Accounts receivable - net (Note 4)		8,447,853		8,345,845
Other current assets (note 5)		5,535,637		5,535,637
		135,789,020		138,807,655
Noncurret Assets				
Mining Rights (Note 7)		201,633,419		201,633,419
Property and Equipment - net (Notes 8)		603,602,219		603,605,635
Other non-current assets (Note 9)		51,654,121		51,654,821
Total Noncurrent Assets		856,889,759		856,893,875
	₱	992,678,780	₱	995,701,530
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liability				
Accounts payable and other current liabilities (Note 10)	₱	28,015,319		30,100,819
Noncurrent Liability				
Deferred tax liability		12,117		12,117
Total Liabilities		28,027,436		30,112,936
Stocholder's Equity				
Capital Stock - P1 par value (Note 11)				
Authorized - 2,000,000,000 shares				
Issued		1,010,000,000		1,010,000,000
Additional Paid-In Capital		673,377,974		673,377,974
Deficit		(744,346,985)		(743,415,474)
		939,030,989		939,962,500
Equity attributable to non-controlling interest		25,620,354		25,626,094
Total Stockholders' Equity		964,651,344		965,588,594
	₱	992,678,780	₱	995,701,530

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

	Jan. 01, 2017 March 31, 2017 (Three Months)	Jan. 01, 2016 March 31, 2016 (Three Months)
REVENUES	₱	₱
COST OF SERVICE		
GROSS PROFIT (LOSS)	-	-
GENERAL AND ADMINISTRATIVE EXPENSES	(958,676)	(3,071,474)
NET INCOME (LOSS) BEFORE OTHER INCOME (LOSS)	(958,676)	(3,071,474)
OTHER INCOME (EXPENSES)		
Interest Income	21,421	120,828
Sub-total	21,421	120,828
INCOME (LOSS) BEFORE INCOME TAX	(937,255)	(2,950,646)
TAX DUE	-	-
INCOME (LOSS) AFTER TAX	(937,255)	(2,950,646)
OTHER COMPREHENSIVE INCOME		
TOTAL COMPREHENSIVE INCOME (LOSS)	(937,255)	(2,950,646)
NET INCOME (LOSS) ATTRIBUTABLE TO		
Equity holders of the Parent Company	(931,515)	(2,937,785)
Non-controlling Interest	(5,740)	(12,861)
	(937,255)	(2,950,646)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO		
Equity holders of the Parent Company	(931,515)	(2,937,785)
Non-controlling Interest	(5,740)	(12,861)
	(937,255)	(2,950,646)
WEIGHTED AVE. NUMBER OF COMMON SHARES	1,010,000,000	1,010,000,000
Based on net income (loss)	(0.001)	(0.003)
Based on total comprehensive income	(0.001)	(0.003)

Note: No dividends declared during the period

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

		Unaudited March 31, 2017		Audited December 31, 2016		Unaudited March 31, 2016		Audited December 31, 2015
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		**1,010,000,000**		1,010,000,000		1,010,000,000		1,010,000,000
Issued	₱	**1,010,000,000**	₱	1,010,000,000	₱	1,010,000,000	₱	1,010,000,000
Additional Paid - in Capital		**673,377,974**		673,377,974		673,377,974		673,377,974
		1,683,377,974	₱	1,683,377,974	₱	1,683,377,974	₱	1,683,377,974
DEFICIT								
Balance at beginning of period		(743,415,474)		(668,275,911)		(668,275,911)		(502,913,210)
Net Income (loss)		(931,514)		(75,139,563)		(2,937,785)		(165,362,701)
Balance at end of period		(744,346,988)		(743,415,474)		(671,213,696)		(668,275,911)
NON-CONTROLLING INTEREST		25,620,357		25,626,094		25,895,643		25,908,504
STOCKHOLDERS' EQUITY, END	₱	964,651,344	₱	965,588,594	₱	1,038,059,921	₱	1,041,010,567

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

		Jan. 01, 2017 March 31, 2017 (Three Months)		Jan. 01, 2016 March 31, 2016 (Three Months)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	₱	(937,255)	₱	(2,950,646)
Adjustment to reconcile net loss to net cash provided by operating activities				
Interest Income		(21,421)		(120,828)
Amortization		50,000		50,000
Depreciation		3,416		6,637
Operating income before changes in working capital		(905,260)		(3,014,837)
Changes in operating assets and liabilities				
Decrease (increase) in :				
Accounts receivable		(151,304)		58,282
Other current assets				(61,589)
Increase (decrease) in :				
Accounts payable and accrued expenses		(2,085,500)		(10,727,415)
Other Liabilties				-
Cash generated from operations		(3,142,064)		(13,745,559)
Income Tax				
Interest Income		21,421		120,828
Net cash provided by operating activities		(3,120,643)		(13,624,731)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(3,120,643)		(13,624,731)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		124,926,173		132,654,534
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱	121,805,530	₱	119,029,802

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

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

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

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

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

The following are the subsidiariesof the Parent Company as at March 31, 2017 and December 31, 2016 :

Company	Ownership	Percentage
Mina Tierra Gracia, Inc. (MTGI)	Direct	100%
Bountiful Geomines Inc. (BGI)	Direct	100%
Oregalore, Inc. (OI)	Direct	100%
Masbate13 Philippines, Inc. (Masbate13)*	Indirect	80%

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

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

Isabela Nickel Project (the "Project")
On June 13, 2012, the BOD of the Parent Company approved the execution, delivery and performance of an Operating Agreement with GeogenCorporation (Geogen) wherein the Group shall have the exclusive right to explore, operate, mine, develop and process minerals found within the Geogen's mineral property consisting of a total area of 2,391 hectares located at Dinapigue, Isabela, which is covered by MPSA No. 258-2007-II dated July 30, 2007 (the "Mineral Property").

Pursuant to the Operating Agreement, Geogen shall pay the Group an amount equivalent to ninety (90%) of the invoice value of the nickel ore sold by Geogen to third parties in consideration of the services to be performed by the Group. This agreement superseded the General Contractor Agreement (GCA) entered into with Geogen on March 5, 2012. The GCA was executed to appoint the Parent Company as Geogen's general contractor over the Mineral Property.

Mine development costs incurred related to the Project, recorded under "Property and equipment", amounted to ₱603.6 million as at March 31, 2017 and December 31, 2016 (see Note 7).

On August 4, 2015, the Parent Company and Nickel Asia Corporation (NAC) entered into an agreement wherein NAC will acquire ten percent (10%) secondary shares of the Parent Company at a purchase price of ₱4 per share, and one hundred percent(100%) of the issued and outstanding capital stock of Geogen.

As a result of NAC's acquisition of one hundred percent (100%) of Geogen, the Operating Agreement between the Parent Company and Geogen was terminated.

In accordance with the termination agreement between the Parent Company and Geogen, the Parent Company's right under the Operating Agreement over the Isabela Project will be converted into preferred shares of Geogen, which shall beentitled to dividends corresponding to twenty percent (20%) of operating income, net of income tax, subject to a Shareholder's Agreement to be executed between the Parent Company and Geogen.The Parent Company shall also grant NAC the exclusive preference and priority to explore, develop and operate the Parent Company's other mining properties. As at December 31, 2016, the Shareholder's Agreement is yet to be executed.

Service income and its related costs incurred recognized from this agreement amounted to ₱15.3 million and ₱11.1 million, respectively, in 2014. No service income and related costs were recognized and incurred in the first quarter of 2017 and in2016.

Status of Operations

As shown in the accompanying consolidated financial statements, the Group incurred accumulated losses resulting in deficit of ₱744.3 million and ₱743.4 million as at March 31, 2017 and December 31, 2016, respectively.The Parent Company's subsidiaries are still in its pre-operating stage and has not started commercial operations as at March 31, 2017 and December 31, 2016.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 APIC. The equity restructuring was approved by the SEC on October 24, 2012, subject to the condition that the remaining APIC amounting to ₱103.2 million shall not be used to eliminate losses that may be incurred in the future without prior approval of the SEC. For purposes of dividend declaration, the retained earnings of the Parent Company shall be restricted to the extent of the deficit wiped out amounting to ₱150.1 million.

In addition to the Project, the Group is also conducting exploration activities in other areas. As at March 31, 2017, 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. The Botolan Mining Claim has an approved MPSA that covers approximately 5,081 hectares located in the town of Botolan, Zambales. With the MPSA, MTGI projects that it will produce and ship up to 450,000 dry metric tonsof nickel ore at an average of 1.6% nickel grade.

   On October 22, 2012, Mines and Geosciences Bureau (MGB) first renewal of the two (2) year Exploration Period under its MPSA No. 315-2010-III. On April 25, 2016, MGB granted second and last renewal of the two (2) year Exploration Period under said MPSA.

   The Group is continuously implementing Community Development Program (CDP) for its Claim to create a symbiotic relationship between the Group and the community. The Group believes that its investment in the implementation of a CDP will be easier for the transition of the Claim from exploration into development and full scale operation.

On May 12, 2016, Mina Tierra together with Magellan Consolidated Mines and Development Corporation holder of EP Mo. EP-011-2010-V applied for the expansion of the area under MPSA NO. 315-20-10-III by annexing the 2,799.9862 hectare area covered by said EP pursuant to the pertinent provisions of Executive Order (EO) No. 792 and DAO No. 2010-078, as amended. Furthermore, on June 24, 2016, the MGB issued an "Order" under the same terms and conditions provided for under the Mineral Production Sharing Agreement and the existing applicable laws, rules and regulations. MPSA No. 315-2010-III is hereby redonominated as MPSA No. 315-2010-III-Amended I.

2. Manticao Mining Claim

BGI has an Exploration Permit (EP) application with the MGB covering the Manticao Mining Claim with an area of 1,946 hectares located in Manticao, Misamis Oriental. In connection with the aforementioned EP application, BGI submitted all mandatory requirements provided under the Philippine Mining Act of 1995 and its Implementing Rules and Regulations, including, an exploration work program as well as proof of technical and financial competence.As at March 31, 2017, the EP application is undergoing initial evaluation by the MGB. The Group will conduct additional study and exploration to further support the application.

3. Masbate Mining Claim

Masbate13, one of the Parent Company's subsidiaries through OI, has an EP,denominated as EP-V-2008-05, with the MGB of the Department of Environment and Natural Resources (DENR) originally covering the Masbate Mining Claim with an area of 8,357 hectares located at the Municipalities of Milagros and Mandaon, Masbate. Said permit which expired on February 6, 2010, has been renewed for the second time on July 2014. Upon renewal, the coverage area of the permit was revised to 4,137 hectares. The EP which expired inJuly 2016 is currently under MGB evaluation for renewal.

2. Significant Accounting Judgment, Estimates and Assumptions

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

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.
Judgments, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be recoverable under the circumstances. However, actual outcome can differ from these estimates.

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements. The judgments are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements:

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.

For the first quarter of 2017 and in 2016, 2015 and 2014, all exploration costs were charged to operations.

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below:

Assessing Recoverability of Mining Rights
The application of the Group's accounting policy for mining rights requires judgment in determining whether it is likely that future economic benefits are certain, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after mining rights are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-off in the consolidated statements of comprehensive income in the period when the new information becomes available. An impairment loss is recognized when the carrying value of these assets do not exceed their fair value.

The Group has no provision for impairment loss for mining rights for the first quarter of 2017, and in 2016, 2015 and 2014.

Estimating Impairment of Mine Development Costs and Property and Equipment
The Group assesses impairment of mine development costs and property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The assessment of the recoverable amount of the mine development costs depends on the technical feasibility, successful development and profitable production of the Project.

The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use and ultimate disposition of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows.

There were no provision for impairment losses recognized for the first quarter of 2017 and in 2016, 2015 and 2014.

Estimating Allowance for Impairment Loss on Receivables and Due from Related Parties

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

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

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

There were no provision for impairment losses on receivables for the first quarter of 2017 and in 2016, 2015 and 2014. The carrying values of receivables amounted to ₱8.4 million and ₱8.3 million as at March 31, 2017 and December 31, 2016, respectively (see Note 4).

There were no provision for impairment losses on due from related parties for the first quarter of 2017 and in 2016, 2015 and 2014. The carrying values of due from related parties amounted to nil as at March 31, 2017 and December 31, 2016 (see Note 11).

3. Cash and Cash Equivalents

	March 31, 2017	Dec. 31, 2016
Cash on hand	**₱10,000**	₱10,000
Cash with banks	**121,795,530**	124,916,173
	₱121,805,530	₱124,926,173

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

4. Receivables

	March 31, 2017	Dec. 31, 2016
Advances to officers and employees	**₱**261,814	₱63,158
Interest receivable	**-**	96,868
Others	**8,193,358**	8,193,838
	8,455,172	8,353,864
Less allowance for impairment losses	**8,019**	8,019
	₱8,447,153	₱8,345,845

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.

Others represent the expected reimbursements as agreed with Capital Gold Pty Ltd. ("Capital Gold") and other receivables of the Group.

5. **Other Current Asset**

As at March 31, 2017 and December 31, 2016, the Group has CWT amounting to ₱5.5 million. 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.

6. **Mining Rights**

Mining rights represent the Group's intangible assets for its right to mine certain areas. The details as at March 31, 2017 and December 31, 2016 are presented below:

OI	₱152,136,833
MTGI	49,496,586
	₱201,633,419

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

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

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

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

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

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

No impairment loss was recognized for the first quarter of 2017 and year ended December 31, 2016.

7. Property and Equipment

	March 31, 2017					
	Transportation Equipment	Office and Laboratory Equipment	Site Assets	Leasehold Improvements	Mine Development Costs	Total
Cost:						
Beginning and ending balances	**₱–**	**₱1,746,013**	**₱–**	**₱81,288**	**₱605,867,697**	**₱607,694,998**
Accumulated depreciation, depletion andamortization:						
Beginning balances	**–**	**1,733,195**	**–**	**81,288**	**2,274,880**	**4,089,363**
Depreciation, depletion and amortization	**–**	**3,416**	**–**	**–**	**–**	**3,416**
Ending balances	**–**	**1,736,611**	**–**	**81,288**	**2,274,880**	**4,092,779**
Net book values	**₱–**	**₱9,402**	**₱–**	**₱–**	**₱603,592,817**	**₱603,602,219**

	December 31, 2016					
	Transportation Equipment	Office and Laboratory Equipment	Site Assets	Leasehold Improvements	Mine Development Costs	Total
Cost:						
Beginning and ending balances	**₱–**	**₱1,746,013**	**₱–**	**₱81,288**	**₱605,867,697**	**₱607,694,998**
Accumulated depreciation, depletion andamortization:						
Beginning balances	**–**	**1,715,628**	**–**	**81,288**	**2,274,880**	**4,071,796**
Depreciation, depletion and amortization	**–**	**17,567**	**–**	**–**	**–**	**17,567**
Ending balances	**–**	**1,733,195**	**–**	**81,288**	**2,274,880**	**4,089,363**
Net book values	**₱–**	**₱12,818**	**₱–**	**₱–**	**₱603,592,817**	**₱603,605,635**

8. Other Noncurrent Assets

	March 31, 2017	Dec. 31, 2016
Input VAT	**₱110,646,244**	₱110,596,944
Advances to suppliers and operators	**32,208,875**	32,208,875
Deposits	**5,803,571**	5,803,571
Leasehold rights	**4,033,333**	4,083,333
	152,692,023	152,692,723
Less allowance for impairment losses:		
Input VAT	**63,045,560**	63,045,560
Advances to suppliers and operators	**32,188,771**	32,188,771
Deposits	**5,803,571**	5,803,571
	101,037,902	101,037,902
	₱51,654,121	₱51,654,821

Input VAT represents taxes paid on purchases of applicable goods and services, net of output VAT, which can be recovered as tax credit against future income tax liability of the Group upon approval by the Philippine Bureau of Internal Revenue (BIR). In 2016 and 2015, the Group provided an allowance for impairment loss on input VAT amounting to ₱35.9 million and ₱8.5 million, respectively. There were no allowances made for the first quarter of 2017.

Advances to suppliers pertain to advance payments for services to be rendered for the mining operation, development of the project, and exploration studies required under the MPSA. This account also includes advance payments made to surface right owners and other contractors. This account will be credited when the services are rendered.

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

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

The leasehold is to be amortized on a straight-line basis over twenty-five(25) years, which corresponds to the term of the Geogen's MPSA.

9. Accrued Expenses and Other Liabilities

	March 31, 2017	Dec. 31, 2016
Accrued expenses	**₱27,053,045**	₱29,140,882
Taxes payable	**895,755**	892,859
Others	**66,519**	67,078
	₱28,015,319	₱30,100,819

Accrued expenses include expenses already incurred but not yet billed by the suppliers as at the end of the reporting period. These accrued expenses pertain to legal fees, audit fees and government dues.

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.

Others consist of amounts withheld by the Group from the compensation of its employees which represents payables to Social Security System, Home Development Mutual Fund, and Philhealth.

10. Capital Stock

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

	March 31, 2017	Dec. 31, 2016	DEC. 31, 2015
Authorized common shares - ₱1 par value	**₱2,000,000,000**	₱2,000,000,000	₱2,000,000,000
Issued			
Balance at beginning of year	**₱1,010,000,000**	₱1,010,000,000	₱913,000,000
Issuance during the year	–	-	97,000,000
Balance at end of year	**₱1,010,000,000**	₱1,010,000,000	₱1,010,000,000

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 18, 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. The shares issued in line with the subscription agreement are pending for listing with the PSE.

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 APIC
September 21, 2011	100,000,000	₱2.00	₱200,000,000	₱100,000,000
August 16, 2011	100,000,000	2.25	225,000,000	125,000,000
	200,000,000		₱425,000,000	₱225,000,000

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

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

On December 29, 2010, the Parent Company entered into an agreement with one of its stockholders to open for subscription a portion of the Parent Company's authorized but unissued capital stock for the purpose of utilizing the proceeds from such subscription to fund business expansion activities that the Parent Company was to undertake in the succeeding years, including the acquisition of mining tenements and mining rights. The stockholder agreed to subscribe to 80,000,000 common shares at a subscription price of ₱1.35 per share for a total consideration of ₱108.0 million.

The issuance resulted in an increase in APIC of ₱28.0 million. On the same date, the Parent Company's BOD approved the issuance of additional shares of stocks through a SRO, implemented on a 2:5 proportion. This was to provide other stockholders with equal opportunity to subscribe to new share issuances of the Parent Company. However, this right was waived by stockholders during the annual stockholders' meeting.

On August 4, 2015, the Parent Company entered into a subscription agreement with Messr. Jerry C. Angping and San-ho Cheng to subscribe shares of stock in the Parent Company in the aggregate amount of ₱97.0 million from the Parent Company's authorized but unissued capital stock at ₱4.00 per share. The price was at a premium over the 15-day, 30-day, 45-day, 60-day, and 90-day volume weighted average price (VWAP) of the Parent Company's shares as traded in the PSE.

The issuance of the private placement shares was entered into for purposes of providing funding for the settlement of contractual obligations, and working capital for the Group's projects. Over time, ultimate benefit to shareholders is expected as shareholders' value will be enhanced.

The total transaction value of the issuance of the private placement shares is ₱388.0 million. The shares issued in line with the subscription agreement are pending for listing with the PSE.

There were no dividend declarations made in 2016, 2015 and 2014.

11. **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

Category	Amount/ Volume	Due from related parties	Management fee	Terms	Conditions
Affiliates with common officers, directors and stockholders					
GNA Resources International Ltd. (GNA)					
2016	–	–	–	Collectible on demand; non-interest bearing; settlement occurs through cash	Unsecured; and unguaranteed
2015	–	46,008	–		
Asiabest Group International, Inc. (ABG)					
2016	–	–	–	Collectible on demand; non-interest bearing; settlement occurs through cash	Unsecured; and unguaranteed
2015	6,488,734	–	3,039,361		
Total 2017	**₱–**	**₱–**	**₱–**		
Total	₱6,488,734	₱46,008	₱3,039,361		

In the normal course of business, the Group enters into transactions with certain related parties.

Transactions in March 2017, 2016and 2015 include the following:

a. The management and accounting functions of the subsidiaries are being handled by the Parent Company.
b. Due from related parties amounting to ₱46.0 thousand were fully provided with allowance for impairment loss during the year ended December 31, 2016.

Transactions with Key Management Personnel
The Group considered as key management personnel all employees holding the positions ofcorporate secretary up to directors. The compensation of the Group's key management personnel consisted mainly of management fees aggregating to nil and nil in March 2017 and Dec. 2016.

12. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments comprises of cash and cash equivalents and due from related parties. The purpose of these financial instruments is to fund the Group's operations. The

Group has other financial assets and liabilities such as receivables and accrued expenses and other liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Group has no significant financial instruments that are exposed to interest rate risk as at March 31, 2017 and December 31, 2016. The BOD reviews and approves policies for managing each of these risks and they are summarized below:

Credit Risk

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

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

	March 31, 2017	Dec. 31, 2016
Cash and cash equivalents*	**₱121,795,530**	₱124,916,173
Receivables	**8,193,358**	8,290,706
	₱129,988,888	₱133,206,879

**excluding cash on hand*

As at March 31, 2017 and December 31, 2016, the credit quality and aging of the Group's financial assets are as follows:

	March 31, 2017				
	Neither past due nor impaired		**Past due but not impaired**		
	High Grade	**Standard Grade**	**(More than 90 days)**	**Impaired**	**Total**
Cash with banks	**₱121,795,530**	**₱–**	**₱–**	**₱–**	**₱121,795,530**
Receivables	**–**	**–**	**8,193,358**	**–**	**8,193,358**
	₱121,795,530	**₱–**	**₱8,193,358**	**₱–**	**129,988,888**

	Dec. 31, 2016				
	Neither past due nor impaired		Past due but not impaired		
	High Grade	Standard Grade	(More than 90 days)	Impaired	Total
Cash and cash equivalents	₱124,916,173	₱–	₱–	₱–	₱124,916,173
Receivables	–	-	8,290,706	–	8,290,706
	₱124,916,173	-	₱8,290,706	₱–	₱133,206,879

Credit quality of Financial Assets

The credit quality of financial assets is managed by the Group using credit ratings and is classified into three (3): High grade, which has no history of default; Standard grade, which pertains to accounts with history of one (1) or two (2) defaults; and Substandard grade, which pertains to accounts with history of at least three (3) payment defaults or no repayment dates.

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

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

- Receivables assessed as high grade pertain to those receivables from customers that consistently pay before the maturity date. Standard grade include receivables that are collected on their due dates even without an effort from the Group to follow them up.
- Due from related parties are assessed as standard grade since amounts are settled several days after the incurrence of the liability.

Liquidity Risk

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

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

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.

The Group's other financial liabilities consists of accrued expenses and other liabilities, excluding taxes payable, amounting to ₱27.1 million and ₱29.2 million as at March 31, 2017 and December 31, 2016, respectively.

Accrued expenses and other liabilities are normally settled within one year.

As at March 31, 2017 and December 31, 2016 , the Group's financial assets amounting to ₱129.99 million and ₱133.2 million, respectively, were determined by management to be realizable within one year.