COVER SHEET

SEC Registration Number

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Company Name

N	I	H	A	O		M	I	N	E	R	A	L		R	E	S	O	U	R	C	E	S		I	N	T	E	R	N
A	T	I	O	N	A	L	,		I	N	C	.	A	N	D		S	U	B	S	I	D	I	A	R	I	E	S	

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

1	5	0	5		P	R	I	N	C	E	T	O	N		S	T	.	,		C	O	R		S	H	A	W		
B	L	V	D.	,		B	R	G	Y	.		W	A	C	K		W	A	C	K	,		G	R	E	E	N	H	I
L	L	S		E	A	S	T	,		M	A	N	D	A	L	U	Y	O	N	G		C	I	T	Y				

Form Type	Department requiring the report	Secondary License Type, If Applicable
1 7 Q 2	C R M	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 Month/Day	Fiscal Year Month/Day
105	**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 Shaw Blvd. corner Princeton Street, Mandaluyong City

Note: In case of death, resgination 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 **June 30, 2018**

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)-823-31-58**

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

June 30, 2018 vs. December 31, 2017

The Company is currently looking for opportunities in other mining ventures that it can tap for joint venture or new business opportunities. The group incurred general and operating expenses of ₱ 1.48 million covering the first two quarters of 2018.

Cash as of June 30, 2018 amounting to ₱ 114.22 million was 2.5% or ₱ 2.93 million lower than the ₱117.15 million cash as at December 31, 2017. The decrease is primarily brought about by partial settlement of payables and operating expenses incurred during the period.

Given above, total consolidated assets stood at ₱ 962.11 million, a 0.31% or ₱ 2.98 million lower as compared with consolidated assets of ₱965.09 million as of December 31, 2017.

Total liabilities as of June 30, 2018 amounted to ₱25.32 million which was 3.99% or ₱ 1.05 million lower than the ₱ 26.38 million recorded liabilities as of December 31, 2017. The decrease was due to partial settlement of accrued payables.

Deficit balance as of December 31, 2017 of ₱ 770.28 million plus net losses incurred for the current period resulted to June 30, 2018 balances of ₱ 772.21 million.

June 30, 2018 vs. June 30, 2017

a. Net operating losses for the second quarter of 2018; net comprehensive losses:

As of June 30, 2018, the Company recognized consolidated net losses of ₱1.93 million, 15.41% or ₱ 0.26 million higher as compared to the recorded net losses covering the same period last year of ₱1.67 million. The difference is mainly due to expenses incurred during the period.

b. Decrease in Assets:

Cash of ₱ 114.22 million was ₱ 4.08 million or 3.45% lower than balances of ₱ 118.30 million in June 2017. The decrease is due to partial settlement of payables and expenses incurred during the period.

Depreciation accounts for the decrease in property and equipment.

A decrease of ₱22.75 million or 44.07% of other non-current assets from ₱ 51.62 million in June 2017 to ₱28.87 million in June 2018 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 June 30, 2018 were recorded at ₱962.11 million, while total assets as of the same period last year amounted to ₱988.97 million or a 2.72% decrease equivalent to ₱26.86 million.

c. Decrease in Total Liabilities:

Total liabilities increased by 1.09% or by ₱0.27 million from ₱ 25.05 million as of June 30, 2017 to ₱ 25.32 million as of June 30, 2017, mainly due to unpaid expenses during the period.

d. Decrease in Total Stockholders' Equity:

Total stockholders' equity amounted to ₱ 936.78 million as of June 30, 2018, a decrease of 2.81% or ₱27.13 million from ₱963.92 million in the same period last year. The decrease was mainly due to provision of impairment allowance on non-current assets and operating expenses incurred during the period.

Financial Soundness Indicators:

	June 30, 2018	June 30, 2017
Net loss	₱ 1,930,321	₱ 1,672,517
Net comprehensive losses	1,930,321	1,672,517
Total Current Assets	128,012,712	132,116,040
Total Assets	962,109,675	988,966,973
Current Liabilities	25,319,994	25,038,774
Total Liabilities	25,324,734	25,050,891
Stockholders' Equity	936,784,941	963,916,081
(1) Current Ratio		
₱ 128,012,712 / 25,319,994	5.06:1	
₱ 132,116,040 / 25,038,774		5.28:1
(2) Debt to Equity Ratio		
₱ 25,324,734 / 936,784,941	0.03:1	
₱ 25,050,891 / 963,916,081		0.03:1
(3) Debt Ratio		
₱ 25,324,734 / 962,109,675	0.03:1	
₱ 25,050,891 / 988,966,963		0.03:1
(4) Asset to Equity Ratio		
₱ 962,109,675/ 936,784,941	1.03:1	
₱ 988,966,963/ 963,916,081		1.03:1
(5) Book value per share		
₱ 936,784,941/ 1,010,000,000	0.93	
₱ 963,916,081/ 1,010,000,000		0.95
(6) Income (loss) per share		
(₱ 1,927,023) (*) / 1,010,000,000	(₱ 0.002)	
(₱ 1,666,777) (*) / 1,010,000,000		(₱ 0.002)
* 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 June 30, 2018.

Location	Name of Claim	Permit Description	Permittee/ Applicant	Area Covered (in hectares)
Zambales & Masbate				
Botolan and Iba	Botolan Mining Claim		Mina Tierra Gracia, inc.	5,081.6408
Aroroy and Baleno, Masbate	Magellan Masbate Mining Claim		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. ***Operating Agreement with Geogen Corporation / General Contractor Agreement with Geogen Corporation ("Geogen") / Termination of Geogen-NiHAO Operating Agreement and Cancellation of Management Agreement with Option to Buy with Geogen Corporation***

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).

The listing application for all the shares covered by the above described private placement transactions remain pending with the PSE to-date despite submission of all the documentary requirements for such purpose.

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 June 30, 2018, the balance of the proceeds is at ₱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.

<u>Botolan Mining Claim</u>

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.

<u>Manticao Mining Claim</u>

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 13 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 08, 2018

DELFIN CASTRO, JR.
Treasurer/Chief Financial Officer

Date signed: August 08, 2018

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 June 30, 2018		Audited Consolidated Dec 31, 2017
ASSETS				
Current Assets				
Cash and cash equivalents (Note 4)	₱	114,218,686	₱	117,151,800
Accounts receivable - net (Note 5)		8,258,389		8,254,177
Other current assets (note 6)		5,535,637		5,535,637
		128,012,712		130,941,614
Noncurret Assets				
Mining Rights (Note 7)		201,633,419		201,633,419
Property and Equipment - net (Notes 8)		603,592,816		603,594,593
Other non-current assets (Note 9)		28,870,727		28,922,069
Total Noncurrent Assets		834,096,963		834,150,081
	₱	962,109,675	₱	965,091,695
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liability				
Accounts payable and other current liabilities (Note 10)	₱	25,319,994		26,371,694
Noncurrent Liability				
Deferred tax liability		4,740		4,740
Total Liabilities		25,324,734		26,376,434
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
Subscription Receivable				
Additional Paid-In Capital		673,377,974		673,377,974
Deficit		(772,207,466)		(770,280,444)
		911,170,508		913,097,530
Equity attributable to non-controlling interest		25,614,433		25,617,731
Total Stockholders' Equity		936,784,941		938,715,261
	₱	962,109,675	₱	965,091,695

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

	April 01, 2018 June 30, 2018 (Three Months)	Jan. 01, 2018 June 30, 2018 (Six Months)	April 01, 2017 June 30, 2017 (Three Months)	Jan. 01, 2017 June 30, 2017 (Six Months)
REVENUES	₱	₱	₱	₱
COST OF SERVICE				
GROSS PROFIT (LOSS)	-	-	-	-
GENERAL AND ADMINISTRATIVE EXPENSES	(467,882)	(1,952,153)	(737,411)	(1,696,087)
NET INCOME (LOSS) BEFORE OTHER INCOME (LOSS)	(467,882)	(1,952,153)	(737,411)	(1,696,087)
OTHER INCOME (EXPENSES)				
Interest Income	1,055	21,832	2,149	23,570
Gain on sale of investment in shares of stocks				
Other Income				
Sub-total	1,055	21,832	2,149	23,570
INCOME (LOSS) BEFORE INCOME TAX	(466,827)	(1,930,321)	(735,262)	(1,672,517)
TAX DUE	-	-	-	-
INCOME (LOSS) AFTER TAX	(466,827)	(1,930,321)	(735,262)	(1,672,517)
OTHER COMPREHENSIVE INCOME				
Income (loss) on change in fair value of available-for-sale financial assets				
TOTAL COMPREHENSIVE INCOME (LOSS)	(466,827)	(1,930,321)	(735,262)	(1,672,517)
NET INCOME (LOSS) ATTRIBUTABLE TO				
Equity holders of the Parent Company	(466,712)	(1,927,023)	(733,618)	(1,666,777)
Non-controlling Interest	(116)	(3,299)	(1,644)	(5,740)
	(466,827)	(1,930,321)	(735,262)	(1,672,517)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Equity holders of the Parent Company	(466,712)	(1,927,023)	(733,618)	(1,666,777)
Non-controlling Interest	(116)	(3,299)	(1,644)	(5,740)
	(466,827)	(1,930,321)	(735,262)	(1,672,517)
WEIGHTED AVE. NUMBER OF COMMON SHARES	1,010,000,000	1,010,000,000	1,010,000,000	1,010,000,000
Based on net income (loss)	(0.000)	(0.002)	(0.001)	(0.002)
Based on total comprehensive income	(0.000)	(0.002)	(0.001)	(0.002)

Note: No dividends declared during the period

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

		Unaudited		Audited		Unaudited		Audited
		June 30, 2018		December 31, 2017		June 30, 2017		December 31, 2016
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 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
Subscription Receivable								
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		(770,280,444)		(743,415,474)		(743,415,474)		(668,275,911)
								-
Net Income (loss)		(1,927,023)		(26,864,970)		(1,666,777)		(75,139,563)
Balance at end of period		(772,207,466)		(770,280,444)		(745,082,251)		(743,415,474)
NON-CONTROLLING INTEREST		25,614,433		25,617,731		25,620,357		25,626,094
STOCKHOLDERS' EQUITY, END	₱	936,784,941	₱	938,715,261	₱	963,916,081	₱	965,588,594

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

	April 01, 2018 June 30, 2018 (Three Months)	Jan. 01, 2018 June 30, 2018 (Six Months)	April 30, 2017 June 30, 2017 (Three Months)	Jan. 01, 2017 June 30, 2017 (Six Months)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	₱ (466,827)	₱ (1,930,321)	₱ (735,262)	₱ (1,672,513)
Adjustment to reconcile net loss to net cash provided by operating activities				
Interest Income	(1,055)	(21,832)	(2,149)	(23,570)
Amortization	50,000	100,000	50,000	100,000
Depreciation		1,778	2,291	5,707
Operating income before changes in working capital	(417,882)	(1,850,375)	(685,120)	(1,590,376)
Changes in operating assets and liabilities				
Decrease (increase) in :				
Accounts receivable	(7,083)	(4,212)	188,006	36,702
Other non-current assets	(19,736)	(48,659)	(38,568)	(38,568)
Increase (decrease) in :				
Accounts payable and accrued expenses	166,283	(1,051,700)	(2,976,544)	(5,062,044)
Other Liabilties				
Cash generated from operations	(278,418)	(2,954,946)	(3,512,226)	(6,654,286)
Income Tax				
Interest Income	1,055	21,832	2,149	23,570
Net cash provided by operating activities	(277,363)	(2,933,114)	(3,510,077)	(6,630,716)
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposals (acquisitions) of property and equipment				
Disposal (Acquisition) of asset held for sale				
Net cash used in investing activities	-	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of capital stock				
Long-term borrowings				
Net cash provided by (used in) financing activities	-	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(277,363)	(2,933,114)	(3,510,077)	(6,630,716)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	114,496,049	117,151,800	121,805,530	124,926,173
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱ 114,218,686	₱ 114,218,686	₱ 118,295,453	₱ 118,295,457

(In Philippine Peso)

Note 1- 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 and registered with the Securities and Exchange Commission (SEC) on July16, 1975 per Registration No. 62323, primarily to carry on the business of mining, milling, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in gold, silver, copper, lead and all kinds of ores, metal, minerals and by-products.

On October 3, 1990, the Parent Company's shares were offered to the public and listed on PSE.

The Parent Company holds investments in wholly-owned subsidiaries that are all incorporated in the Philippines and are engaged in the business related to the main business of the Parent Company.

The following are the subsidiaries of the Parent Company as at June 30, 2018 and December 31, 2017:

	Industry	Ownership	Percentage
Mina Tierra Gracia Inc.	Mining	Direct	**100%**
Bountiful Geomines Inc.	Mining	Direct	**100%**
Oregalore Inc.	Mining	Direct	**100%**
Masbate13 Philippines, Inc.*	Mining	Indirect	**80%**

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

<u>Status of Operations</u>
As shown in the accompanying consolidated financial statements, the Group had a deficit of ₱772.21 million and ₱770.28 million as at June 30, 2018 and December 31, 2017, respectively. The Parent Company's subsidiaries are still in its pre-operating stage and have not started commercial operations as at June 30, 2018 and December 31, 2017. 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 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 (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.

The following are the subsidiaries' mining claims as at June 300, 2018 and December 31, 2017:

a. Botolan & Masbate Mining Claim

   Botolan Mining Claim is registered under the name of Mina Tierra Gracia, Inc. The Botolan Mining Claim has an approved MPSA (No. 315-2010-III) that covers approximately 5,081 hectares located in the town of Botolan, Zambales.

   On May to June 2016, Mina Tierra together with Magellan Consolidated Mines and Development Corporation holder of EP No. EP-011-2010-V secured an 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. 2012-078, as amended. Thus, on June 24, 2016, the MGB issued an "Order" approving such annexation 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 redenominated as MPSA No. 315-2010-III-Amended I.

b. Manticao Mining Claim

Bountiful Geomines, Inc. has an Exploration Permit (EP) application with the MGB covering the Manticao Mining Claim with an area of 1,946 hectares located in Manticao, Misamis Oriental. In connection with the aforementioned EP application, BGI submitted all mandatory requirements provided under the Philippine Mining Act and its Implementing Rules and Regulations, including, an exploration work program as well as proof of technical and financial competence.

c. Masbate Mining Claim

Masbate13, one of the Parent Company's subsidiaries through Oregalore, Inc, 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 on July 2016 is currently being processed by MGB.

Note 2 – Summary of Significant Accounting and Reporting Policies

2.1 <u>Basis of Preparation of Financial Statements</u>

These consolidated financial statements have been prepared on a historical cost. The consolidated financial statements are presented in Philippine 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.

<u>Basis of Consolidation</u>
The accompanying consolidated financial statements comprise the financial statements of the Group. The financial statements of the subsidiaries are prepared for the same reporting year as the Group, using consistent accounting policies.

In the consolidated financial statements, subsidiary undertakings - which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations - have been fully consolidated.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

a) Transactions and Non- controlling Interest

The Group applies a policy of treating transactions with non- controlling interests as transactions with parties external to the Group. Disposals to non- controlling interests result in gains and losses for the Group are recorded in the statement of income. Purchases from non- controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

b) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional currency, and all values represent absolute amounts except when otherwise indicated.

c) Use of Estimates and Judgments

The preparation of the financial statements in conformity of PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are discussed in Note 3 to the financial statements.

2.2 Changes in Accounting Policy and Disclosures

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 7, Statement of Cash Flows - Disclosure Initiative – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods.

- Amendments to PAS 12, Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses – The amendments clarify that an entity need to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

- Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of the equity, as appropriate), without allocating the change between opening retained earnings and other components of the equity. Entities applying this relief must disclose that fact.

- Amendments to PFRS 12, Disclosures of Interests in Other Entities – Clarification of the Scope of the Standard – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the disclosure requirements in PFRS 12 apply to interests in entities within the scope of PFRS 5, Non-current Assets Held for Sale and Discontinued Operations except for summarized financial information for those interests (i.e. paragraphs B10-B16 of PFRS 12).

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

New and Amended PFRS in Issue But Not Yet Effective
Relevant new and amended PFRS which are not yet effective for the year ending December 31, 2017 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, Financial Instruments – This standard will replace PAS 39, Financial Instruments: Recognition and Measurement (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting, recognition and derecognition.

  - PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on the classification by reference to the business model within which these are held and its contractual cash flow characteristics.

  - For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

- o For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

- o For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

- o The derecognition provisions are carried over almost unchanged from PAS 39.

Apart from equity investments classified currently as available-for-sale and measured at fair value through other comprehensive income that should be measured at fair value through profit or loss under PFRS 9, all the other financial assets and financial liabilities should continue to be measured on the same bases as currently under PAS 39.

Concerning impairment, the Group expects to apply the simplified approach to recognize lifetime expected credit loss for the Group’s trade receivables. Although the Group is currently assessing the extent of this impact, it is anticipated that the application of the expected credit loss model of PFRS 9 will result in earlier recognition of credit losses. However, it is not practicable to provide a reasonable estimate of that effect until the detailed review that is in progress has been completed. In particular, the implementation of the new expected credit loss model proves to be challenging and might involve significant modifications to the Group’s credit management systems.

As the new hedge accounting requirements will align more closely with the Group’s risk management policies, a preliminary assessment of the Group’s current hedging relationships indicate that these will qualify as continuing hedging relationships upon application of PFRS 9.

The Group does not anticipate that the application of the PFRS 9 hedge accounting requirements will have a material impact on the financial statements.

- Amendments to PFRS 2, Share-based Payment - Classification and Measurement of Share-based Payment Transactions – The amendments clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment transactions, the accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and condition of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

- Amendments to PFRS 4, Insurance Contracts - Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts – The amendments give all insurers the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before implementing PFRS 17, Insurance Contracts (‘the overlay approach’). Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption (until 2021) from applying PFRS 9, thus continuing to apply PAS 39 instead (‘the deferral approach’).

- PFRS 15, Revenue from Contract with Customers – The new standard replaces PAS 11, Construction Contracts, PAS 18, Revenue and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.). Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

Based on the current accounting treatment of the Group's major sources of revenue, the Group does not anticipate that the application of PFRS 15 will have a significant impact on its financial position and/or financial performance, apart from providing more extensive disclosures on the Group's revenue transactions. However, as the Group is still in the process of assessing the full impact of the application of PFRS 15 on the financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the Group complete the detailed review.

- Amendment to PFRS 15, Revenue from Contract with Customers - Clarification to PFRS 15 – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Amendment to PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - Deletion of Short-term Exemptions for First-time Adopters – The amendment is part of the Annual Improvements to PFRS 2014-2016 Cycle and deleted the short-term exemptions in paragraph E3-E37 of PFRS 1, because it has now served its intended purpose.

- Amendments to PAS 40, Investment Property - Transfers of Investment Property – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC 22, Foreign Currency Transactions and Advance Consideration – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

- Amendments to PAS 28, Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, Leases – This standard replaces PAS 17, Leases and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

For the Group's non-cancellable operating lease commitments as at December 31, 2017, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. Thus, the Group will have to recognize a right-of-use asset and a corresponding liability in respect of all these leases - unless these qualify for low value or short-term leases upon the application of PFRS 16 – which might have a significant impact on the amounts recognized in the Group's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until the Group completes the review.

For finance leases where the Group is a lessee, as the Group has already recognized an asset and a related finance lease liability for the lease arrangement, it is not anticipated that the application of PFRS 16 will have a significant impact on the amounts recognized in the financial statements.

- Philippine Interpretation IFRIC 23, Uncertainty Over Income Tax Treatments – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, Income Taxes, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PFRS 9, Prepayment Features with Negative Compensation -

Deferred effectivity -

- Amendment to PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joints ventures.

2.3 Financial Assets

Financial assets include cash and other financial instruments. Financial assets within the scope of PAS 39 are classified as either financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, and available-for-sale (AFS) financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at FVPL, directly attributable transaction costs.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase the asset. Regular purchase or sales are purchases or sales of financial assets that requires delivery of assets within the period generally established by regulation or convention in the marketplace.

For the period ended June 30, 2018 and December 31, 2017, the Group has no financial assets classified as financial assets at FVPL, HTM and AFS financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL.

Loans and receivable are recognized initially at fair value and subsequently measured at amortized costs using the effective interest method, less provision of impairment. A provision for impairment of loans and receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well as through the amortized process.

As of June 30, 2018 and December 31, 2017, the Group's cash and receivables are classified under this category.

Cash and cash equivalents
This includes cash on hand, deposits at call with banks, and other short term highly liquid investments with original maturities of three months or less.

2.4 Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

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 effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the statement of income.

The following are indicators used by the Group to determine whether there is objective evidence that a financial assets or group is impaired:

a) Significant financial difficulty of the obligor
b) Breach of contract, default or delinquency in interest or principal
c) Probability of the borrower entering bankruptcy
d) Adverse change in the payment status of borrowers
e) Observable data indications that there is a measurable decrease of estimated future cash flows

The Group first assesses whether objectives 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 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 the statement of income, 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 the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible, and is written off against the allowance account.

2.5 Financial Liabilities

Financial liabilities within the scope of PAS 39 are classified as either financial liabilities at FVPL or other financial liabilities. The Group has no financial liabilities at FVPL as of June 30, 2018 and December 31, 2017.

Other financial liabilities pertain to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or noninterest-bearing loans and borrowings.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization(or accretion) for any related premium, discount and any directly attributable transaction costs.

This category includes accrued expenses and other liabilities.

2.6 Fair Value of Measurement

The Group measures financial instruments, such as AFS investments at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost.

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 assumption 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 assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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 statements are categorized within the fair value hierarchy, describe as follows, and 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 remeasurement as a whole at the end of each reporting period.

2.7 Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realized the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the balance sheet.

2.8 Derecognition of Financial Assets and Liabilities

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

- the right to receive cash flows from the asset have expired;
- the Company 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 Company 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 Company has transferred its rights to receive cash flows from an asset 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 Company’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 Company could be required to repay.

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

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

2.9 Advances and Deposits

Advances and deposits are payments made in advance for a contractual project or services. It will be recognized either as an asset or an expense upon completion of the project or service.

2.10 Input VAT

Input VAT represents taxes imposed on the Company 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 non-current assets” in the statement of financial position.

2.11 Property and Equipment

The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, such expenditures are capitalized as additional costs of property and equipment. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income of such period.

The estimated recoverable mine reserves, useful lives and depreciation, depletion and amortization methods are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. The residual values are reviewed and adjusted, if appropriate, at each end of the reporting period.

Depreciation of assets is calculated using the straight-line method to allocate the cost of each asset less residual values over the estimated useful lives of the assets, or the term of the lease as in the case of leasehold improvements, whichever is shorter.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Transportation equipment	5 years
Office and laboratory equipment	3 years
Site assets	3 – 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 to 5) years of the improvements.

Depreciation, depletion or amortization 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. Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

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 from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

Mine Development Cost
Mine development costs are stated at cost, which includes cost of construction, property and equipment, borrowing costs and other direct costs. Mine development costs, except for cost attributable to current operations, 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 units-of-production method based on estimated recoverable reserves in tons.

With the termination of the Operating Agreement between the Parent company and Geogen, as mentioned in Note 1 to the Financial Statements, the Mine Development costs shall, henceforth, be applied against the Parent company's dividend income from the preferred shares of Geogen.

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

2.12 Leasehold Rights

Leasehold rights, included under "Other non-current assets" account in the 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 twenty five (25) years.

2.13 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 planes for the future.

Mining rights represent the Group's intangible asset for its right to mine certain areas.

2.14 Impairment of Non-Financial Assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of an asset, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the assets recoverable amount is calculated as the higher of the assets value in use or net selling price. An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the period in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but only to the extent of the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. Reversal of an impairment loss is credited to current operations.

2.15 Provisions and Contingencies

The Company recognizes a provision if a present obligation has arisen as a result of a past event, payment is probable and the amount can be measured reliably. The amount recognized is the best estimate of the expenditure required to settle the present obligation at balance sheet date, that is, the amount the Company would rationally pay to settle the obligation to a third party.

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

2.16 Related Parties and Related Party Transactions

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel of the Company and close members of the family of any individuals owning directly or indirectly a significant voting power of the Company that gives them significant influence in the financial and operating policy decisions of the Company are also considered to be related parties.

An entity is related to the Company if any of the following conditions apply:

- The entity and the Company are members of the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others)
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member)
- Both entities are joint ventures of the same third party
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity
- The entity is a post-employment benefit plan for the benefit of employees of either the Company of an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company
- The entity is controlled or jointly controlled by a person identified above
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Company and include that person's children and spouse or domestic partner, children of that person's spouse or domestic partner, and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. An entity is related to the Company when it directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with the Company. Transactions between related parties are accounted for at arm's-length prices or on terms similarly offered to non-related entities in an economically comparable market.

2.17 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest income is recognized when the interest accrues, taking into account the effective yield on the asset.

2.18 Cost and Expense

Costs and expenses are decreases in economic benefits during the accounting 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 distribution to equity participants. Cost and expenses are generally recognized when they are incurred.

General and administrative expenses are generally recognized when the services are used or the expenses arise.

Exploration and Evaluation Costs
Pre-license costs are expenses in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditures are charged to profit and loss as incurred, unless there is a future economic benefit that is more likely than not to be realized. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

2.19 Income Taxes

Current Income Tax. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred Income Tax. Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where 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 profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest 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 and carryforward benefits of the net operating loss carryover (NOLCO) to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and carryforward benefits of NOLCO can be utilized except:

- where 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 profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and 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 taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit 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 balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred 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 subsequently enacted by the end of financial reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transactions either in OCI or directly in equity.

2.20 Loss Per Share

Basic loss per share is computed by dividing the net loss attributable to equity holders of the Parent Company 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 loss per share, if applicable, is calculated by dividing the net loss 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.

2.21 Capital Stock

The Group issues capital stock that is classified as equity. Capital stock is measured at the par value of all shares issued.

2.22 Additional Paid-in Capital

Additional paid-in capital is the amount of contribution in excess of par value of shares. Additional paid-in capital also arises from additional capital contribution from the stockholders and the excess of treasury shares reissued over its cost.

2.23 Deficit

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

2.24 Estimates and Judgments

The preparation of the financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.25 Comparatives

When necessary, comparative figures have been restated to conform to the changes in presentation in the current year, or to reflect retroactive adjustments of prior period error.

2.26 Events after the End of Reporting Period

Post year-end events that provide additional information about the Company's position at the end of the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are adjusting events, if any, are disclosed in the notes to the financial statements, when material.

Note 3 – Accounting Estimates and Judgments

The Group's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the Group's financial statements and related notes.

3.1 Estimates

The estimates and assumptions used in the Group's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Group's financial statements. Actual results could differ from such.

Estimating Allowances for Impairment Losses 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 date.

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 Company groups 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.

There were no provisions for impairment losses on receivables in 2018 and 2017. The carrying values of receivables amounted to ₱8.26 million as at June 30, 2018 and December 31, 2017, respectively (Note 5).

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 Group's 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 provisions for impairment losses recognized in 2018 and 2017.

Estimating Useful Lives of Property and Equipment. The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are 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 assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded expenses and decrease noncurrent assets.

Property and equipment, net of accumulated depreciation, amounted to ₽603.59 million as of June 30, 2018 and December 31, 2017, respectively. (Note 8)

Estimating Realizability of Deferred Tax Asset. The Company reviews its deferred tax assets at each balance sheet date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary difference is based on the forecasted future profits. This forecast is based on the Group's past results and future expectations on revenues and expenses.

Note 4 - Cash and Cash Equivalents

This account consists of:

	June 30, 2018	Dec. 31, 2017
Cash in bank	**114,208,686**	117,141,800
Cash on hand	**10,000**	10,000
Total	**₽ 114,218,686**	₽ 117,151,800

Cash in bank pertains to aggregate balance of savings and current accounts maintained by the Group which generally earns interest at bank rates. Short-term investments are made for varying periods of up to three (3) months, depending on the immediate cash requirements of the Company, and earn interest at the prevailing short-term deposit rates.

Note 5 – Receivables

This account consists of:

	June 30, 2018	Dec. 31, 2017
Advances to officers and employees	**97,247**	93,035

Others	**8,193,358**	8,193,358
Total	**8,290,605**	8,286,393
Less: Allowance for impairment loss	**32,216**	32,216
Net	**₱ 8,258,389**	₱ 8,254,177

Others represent the expected reimbursements as agreed with Capital Gold Pty Ltd.

Note 6 – Other Current Assets

As at June 30, 2018 and December 31, 2017, the Group has Creditable withholding tax (CWT) amounting to ₱ 5.54 million. These are withheld from sale of services which the Group can utilize as payment for income taxes.

Note 7 – Mining Rights

Mining rights represent the Group's intangible assets for its right to mine certain areas. The details as at June 30, 2018 and December 31, 2017 are presented below:

Oregalore Inc. (OI)	152,136,833
Mina Tierra Gracia Inc. (MTGI)	49,496,586
	₱ 201,633,419

Acquisition of MTGI
On October 16, 2007, the Group acquired all of the outstanding shares of MTGI pursuant to the Deed of Absolute Sale between the Group 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 P108.0 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 period ended June 30, 2018 and December 31, 2017.

Note 8 - Property and Equipment - net

The movement of the Property and equipment which are stated at cost consist of the following:

	June 30, 2018				
	Office and Laboratory Equipment		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 and amortization:					
Beginning balances	1,744,237	–	81,288	2,274,880	4,100,405
Depreciation, depletion and amortization	1,776	–	–	–	1,776
Ending balances	1,746,013	–	81,288	2,274,880	4,102,181
Net book values	₱-	₱–	₱–	₱603,592,817	₱603,592,817

	December 31, 2017				
	Office and Laboratory Equipment		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 and amortization:					
Beginning balances	1,733,195	–	81,288	2,274,880	4,089,363
Depreciation, depletion and amortization	11,042	–	–	–	11,042
Ending balances	1,744,237	–	81,288	2,274,880	4,100,405
Net book values	₱1,776	₱–	₱–	₱603,592,817	₱603,594,593

No impairment loss was recognized in its property and equipment for the period ended June 30, 2018 and December 31, 2017.

Management believes that the Mine development cost amounting to ₱ 603,592,817 as at June 30, 2018 and December 31, 2017 is fully recoverable.

Note 9 – Other Non-Current Assets

This account consists of:

	June 30, 2018	Dec. 31, 2017
Input VAT	**111,025,405**	110,956,747
Advances to suppliers and operators	**26,290,070**	26,310,069
Deposits	**5,803,571**	5,803,571
Leasehold rights	**3,783,333**	3,883,333
Total	**146,902,379**	146,953,720
Less: allowance for impairment losses on:		
Input VAT	**85,938,011**	85,938,011
Advances to suppliers and operators	**26,290,069**	26,290,069
Deposits	**5,803,571**	5,803,571
	118,031,651	118,031,651
Net	**28,870,728**	28,922,069

Input VAT represents taxes paid on purchases of applicable goods and services which can be recovered as tax credit against future VAT liability of the Company.

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

On June 1, 2012, the Group purchased a right to use a 10 hectare land located in Brgy. Dicabasan, Dilasag, Aurora for ₱5 million for use 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, 2018	Dec. 31, 2017
Cost	**5,000,000**	5,000,000
Accumulated amortization:		
Beginning balance	**1,116,667**	916,667
Amortization for the year	**100,000**	200,000
Ending balance	**1,216,667**	1,116,667
Net Book Value	**3,783,333**	3,883,333

Note 10 – Accrued Expenses and Other Liabilities

This account consists of the following:

	June 30, 2018	Dec. 31, 2017
Accrued expenses	**24,374,004**	25,408,992
Taxes payable	**880,168**	896,942
Others	**65,822**	65,760
Total	**25,319,994**	26,371,694

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

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

Taxes payable includes deferred output tax and withholding taxes on compensation and expanded withholding taxes which are payable to the government within ten (10) 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.

Note 11 – Share Capital

a. Capital Stock

The capital stock of the Company as of June 30, 2018 and December 31, 2017 follow:

	June 30, 2018	Dec. 31, 2017	Dec. 31, 2016
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	₱1,010,000,000
Issuance during the year	–	-	-
Balance at end of year	**₱1,010,000,000**	₱1,010,000,000	₱1,010,000,000

Note 12 – Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence.

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

a) In the normal course of business, the Group has transactions with its subsidiaries, consisting of cash advances extended for working capital purposes. The cash advances are unsecured, non-interest bearing and payable on demand.

b) The management and accounting functions of the subsidiaries are being handled by the Group.

The following are the intercompany transactions eliminated for consolidated financial statements purposes:

- The investment stake of NiHAO Mineral Resources International, Inc., the parent company, to subsidiaries.
- The advances to/from related parties amounting to ₱163,423,900 and ₱163,373,094 in June 30, 2018 and 2017, respectively.

Note 13 – Financial Risk Management

The Group's principal financial instruments comprise cash and cash equivalents and due from related parties. The Parent Company has other financial instruments and liabilities such as receivables and accrued expenses and other liability which arise directly from its operations.

The main risks arising from the Parent Company's financial instruments are credit risk and liquidity risk. The Parent Company's management is responsible for the comprehensive monitoring, evaluation and analysis of the Parent Company's risk in line with the policies and limits set by the BOD. The Parent Company's management reviews and approves policies for managing each of these risks and they are summarized below.

Credit Risk
Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equivalent to the carrying amount of cash, receivables and advances to related parties.

The BOD reviews and agrees policies for managing its credit risk. The Group trades only with a related party and recognized creditworthy third parties and receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The table below shows the gross maximum exposure on and off credit risk exposures of the Group, without considering the effects of collateral, credit enhancements and other credit mitigation techniques.

	June 30, 2018	Dec. 31, 2017
Cash and cash equivalents	**114,208,686**	117,141,800
Receivables	**8,193,358**	8,193,358
	₱122,402,044	₱125,335,158

**excluding cash on hand*

The table below show the aging analysis of past due but nor impaired financial assets per class that the Group held as at June 30, 2018 and December 31, 2017. A financial asset is past due when a counterparty has failed to make payment when contractually due.

For the period June 30, 2018:

	Neither Past Due nor Impaired		Past due but not impaired (More than 90 days)	Impaired	Total
	High Grade	Standard Grade			
Cash in banks	114,208,686	-	-	-	**114,208,686**
Receivables	-	-	8,193,358	-	**8,193,358**
	114,208,686	**-**	**8,193,358**	**-**	**122,402,044**

For the Year 2017:

	Neither Past Due nor Impaired		Past due but not impaired (More than 90 days)	Impaired	Total
	High Grade	Standard Grade			
Cash in banks	117,141,800	-	-	-	**117,141,800**
Receivables			8,193,358	**-**	**8,193,358**
	117,141,800	**-**	**8,193,358**	**-**	**125,335,158**

Cash were classified as high grade since these are deposited and invested with a reputable bank that was duly approved by BOD and have low probability of insolvency. Cash in banks can be withdrawn anytime.

Receivables are classified as high grade since the Group trades only with a related party and there is no requirement for collateral. These receivables are collectible on demand.

Overall, the Group considered its high grade and standard grade accounts of good quality and it expects to collect all its receivables except for impaired accounts where credit losses may be incurred.

Liquidity Risk
Liquidity risk is the risk that the Group could not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management.

The Group's exposure to liquidity risk related 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.

The following table summarizes the maturity profile of the Group's financial liability as at June 30, 2018 and December 31, 2017, based on contractual undiscounted cash flows. The table also analyzes the maturity profile of the Group's financial liability in order to provide a complete view of the Group's contractual commitments. The analysis into relevant maturity groupings is based on the remaining term at the end of the reporting period to the contractual maturity dates.

For June 30, 2018:

	On Demand	Within 1 Year	Total
Accrued expenses and other liabilities	-	24,437,745	**24,437,745**

For December 31, 2017:

	On Demand	Within 1 Year	Total
Accrued expenses and other liabilities	-	25,471,768	**25,471,768**

Fair Value of Financial Assets and Liabilities

The following table sets forth the carrying values and estimated fair values of the Company's financial assets and liabilities recognized as of June 30, 2018 and December 31, 2017.

	June 30, 2018		December 31, 2017	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets:				
Cash and cash equivalents	**114,208,686**	**114,208,686**	117,141,800	117,141,800
Receivables	**8,193,358**	**8,193,358**	8,193,358	8,193,358
Financial Liabilities:				
Accrued expenses and other liabilities	**24,269,745**	**24,269,745**	25,471,768	25,471,768

Carrying values of cash and cash equivalents, receivables, accrued expenses and other liabilities approximate their fair values due to the short-term nature of the transactions.