

COVER SHEET

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S.E.C. Registration Number

G E O G R A C E R E S O U R C E S P H I L I P P I N E S
 I N C O R P O R A T E D

(Company's Full Name)

2 0 F T H E P E A K T O W E R 1 0 7 L P
 L E V I S T E S T S A L C E D O V I L L M A K A T I

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

D E L F I N C A S T R O J R .

Contact Person

(6 3 2) 8 5 6 2 0 1 1

Company Telephone Number

1 2 3 1

Month Day

Fiscal Year

S E C 1 7 - Q

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring This Doc

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

_____ LCU

Document I.D.

_____ Cashier

S T A M P S

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, 2009
2. Commission identification number 41004 3. BIR Tax Identification No. 000-718-626-000
4. Exact name of issuer as specified in its charter GEOGRACE RESOURCES PHILIPPINES, 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
- Suite 2002, The Peak Tower, 107 L.P. Leviste Street, Legaspi Village, Makati City
8. Issuer's telephone number, including area code (632) 856-2013
9. Former name, former address and former fiscal year, if changed since last report: Not Applicable
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
<u>Common stock, ₱1.00 par value</u>	<u>2,522,105,615</u>

11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No []

If yes, state the name of such Stock Exchange and the class(es) of securities listed therein:

Philippine Stock Exchange Common stock

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 [] No []

(b) has been subject to such filing requirements for the past 90 days.

Yes [] No []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Financial Statements for the second quarter ending June 30, 2009 was presented in conformity with accounting principles generally accepted in the Philippines. The 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.

A. Plan of Operation

The Company will continue to focus on its competitive advantage of being one of the major mining companies in the Philippines with the most access to mining tenements in all major regions across all major mineral resources. On its existing claims, it shall continue to finance exploration efforts to advance its geologic data leading to PMRC compliant resources / reserves. It shall also simultaneously look for joint venture partners similar to the Company's successful farm-in mechanism with VALE with respect to the Masbate tenements.

The Company is currently operating two mines pursuant to Operating Agreements signed with Alfredo San Miguel and heirs of Zayco and Platinum Group Metals Corporation: 1) 505.4626 hectares of gold and copper property located in Ayungon, Negros Oriental with a Mineral Production and Sharing Agreement ("MPSA") denominated as MPSA-218-2005-VII; and 2) 45 hectares of nickel property in Dinapigue, Isabela denominated as MPSA-258-2007.

The Company, as part of its business model, will also continue to identify joint venture partners to co-finance the exploration of its existing claims while ceding a percentage ownership to the joint venture partner. This will free up cash flows for further exploration of its other properties or for acquisition.

On the acquisition side, it shall continue to look for quality claims either by direct application with the MGB or through acquisition of existing claims in the secondary market. With the vast database the Company has built over the years along with its seasoned geologists, it can easily identify unexplored tenements across the country.

Plan of Operation for Isabela Nickel Project

An intensive exploration work program was implemented in the area covered by Mineral Production Sharing Agreement (MPSA) No. 258-2007-II of Platinum Group Metals Corporation (PGMC) located at Dinapigue, Isabela. It was carried out by the Company by virtue of an Operating Agreement entered into by and between PGMC and the Company, then subsequently with Geogen Corporation, with the end in view of placing the project into development and exploitation stage. Likewise, in line with this objective, the necessary documents and/or permits were filed with the concerned offices and government agencies for approval.

The work implemented in the area consists mainly of geological mapping, sampling, in-fill core drilling, construction, repair and maintenance of access roads, civil works and community relation activities.

Geological mapping was done to delineate additional areas of interest while in-fill core drilling within the delineated ore zones was to upgrade ore reserves. New access roads were constructed within the area of interest while repair and maintenance were done on haul roads that connect the project site to specific locations in the area. Bunkhouses for employees were constructed as well as the improvement of power and domestic water supply. Consultations with the local communities as well as the Local Government Units (LGU's) on various industrial and community problems were also undertaken.

While the field activities were implemented, documents and permits were filed and/or evaluated prior to approval. The Project Feasibility Study, which gives the "go signal" for the project to advance to development and utilization, was approved. Likewise, the approval of the Operating Agreement authorizes the Company to conduct development and mining operation.

During the course of earth moving in the construction of haul roads, overburdens was analyzed to contain significant iron which can be marketed to interested buyers. For any eventualities, an Ore Transport Permit (OTP) as well as the Mineral Ore Transport Permit (MOEP) were filed and subsequently approved by the concerned government agency, thus authorizing the Operator to mine and sell the incidental "ore" in the overburden.

Currently, the Company is in the process of assessing the additional operation efficiencies it can achieve by transferring the port and causeway facilities to an area closer to the mine, as well as re-surveying the haul roads to minimize costs of maintenance because of surface run-off. The Company is also assessing the installation of additional environmental mitigating measures while perfecting the ancillary permits related to the operation of the mine.

B. Management's Discussion and Analysis

Financial Performance In Thousand Pesos

Key Financial Indicator	June 2009	%	June 2008	%
		%		%
Gross Revenues	3,853	0%	3,780	0%
Cost and Expenses	<u>93,945</u>	100%	<u>57,898</u>	100%
Net Income (Loss)	<u>(90,092)</u>	-100%	<u>(54,118)</u>	-100%
Current Assets	275,808		415,994	
Unallocated Current Assets	<u>27,495</u>		<u>9,108</u>	
Total Current Assets	<u>303,303</u>	95%	<u>425,102</u>	95%
Assets	293,118		437,408	
Unallocated Assets	<u>27,495</u>		<u>9,108</u>	
Total Assets	<u>320,613</u>	100%	<u>446,516</u>	100%
Current Liabilities	<u>18,543</u>	6%	<u>36,336</u>	8%
Liabilities	21,688		41,250	
Unallocated Liabilities	<u>-</u>		<u>-</u>	
Total Liabilities	<u>21,688</u>	7%	<u>41,250</u>	9%
Total Stockholders' Equity	<u>298,925</u>	93%	<u>405,267</u>	91%
Current Ratio	16.3567		11.6992	
Debt to Equity	0.073		0.102	
Gross Profit Margin	NA		NA	
Net Operating Margin	NA		NA	
Return on Assets	(0.28)		(0.12)	
Return on Equity	NA		NA	

Cost and expenses and net income are computed as a percentage of Gross Revenues.

Current asset, current liabilities, total liabilities and stockholders' equity are computed as a percentage of total assets.

Return on Assets is derived by dividing net income (loss) from total assets.

Financial results showed ₱ 90.1 million operating loss attributable to:

- 1) Mining development costs;
- 1) Professional fees of management and technical consultants, legal counsel and transfer agent;
- 2) Exploration Costs;
- 3) Salaries and salary related expenses;
- 4) Depreciation of property and equipment;
- 5) Rent and Utilities;
- 6) Other overhead expenses

For the period ended June 30, 2009 versus December 31, 2008:

During the six-month period ending June 30, 2009, the Company incurred Php93.9 million in operating expenses. Operating expenses comprise mainly of mine development and incidental costs in the exploration of the Isabela property and general and administrative expenses. This also brought the decrease in Total Current Assets by 21.9% or Php85.1 million from December 31, 2008 to June 30, 2009.

Total Stockholders' Equity stood at Php298.9 million, decreasing from Php389 million in December 2008 due to the Php90.1 million Net Loss reported for the six-month period ending June 30, 2009.

For the period ended June 30, 2009 versus June 30, 2008:

Total Current Assets for the six-month period in 2009 decreased by 28.7% or Php121.8 million as compared to the same period last year. The decrease mainly accounts for the reduced Cash and Cash Equivalents used to finance operating expenses. Total Non-Current Assets decreased by 19.2% or Php4.1 million was primarily due to depreciation of property and equipment.

Total Liabilities in June 2009 reported a decrease by 47.4% or Php19.6 million. The decrease mainly accounts for the reclassification of the payables to JP Morgan Securities Ltd. ("JP Morgan") of Php25.5 million to Equity in 2008 and increase in accrued expenses and other payables in the amount of Php5.9 million. The reclassification of the liability to JP Morgan to equity was made based on the Certificate of Approval of Valuation covering the shares for JP Morgan issued on October 14, 2008.

Total Stockholders' Equity decreased by 26.2% or Php106.3 million due to increase in deficit of Php131.8 million reduced by the increase in subscribed capital stock of Php25.5 million.

The Company reported a net increase in operating expenses by Php36 million. This is mainly due to the mine development costs in the exploration of the Isabela property of Php83 million. The reduction of general and administrative and exploration expenses by Php38.1 million was brought about by the concentration of expenses in the development of the mining property in Isabela and the continued cost-efficiency scheme adopted by the Company to preserve its resources. Other income increased by Php9.3 million, income which was derived from the shipment of the incidental ore in the overburden in the second quarter of 2009.

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.

To date, the management of GEO has inked the following agreements:

1. January 19, 2007 – Memorandum of Agreement with Garnierite Mining, Inc. to acquire 100% of the issued and outstanding capital stock of Garnierite or the latter's mining rights over the 12,957 hectares of nickel property located in the Province of Zambales covered by Exploration Permit Application No. III-16-06.
2. January 24, 2007 – Memorandum of Agreement with Sapolite Mining, Inc to acquire 100% of the issued and outstanding capital stock of Sapolite or the latter's mining rights over 5,503 hectares of nickel property located in the Province of Zambales covered by Exploration Permit Application Nos. AEP-III-17-06 and AEP III-22-06.
3. February 1, 2007 – Memorandum of Agreement with Garnierite Mining, Inc. to acquire 100% of the issued and outstanding capital stock of Garnierite or the latter's mining rights over 6,726 hectares of nickel property located in the municipality of Aborlan, province of Palawan lodged as EPA-B-P120.
4. February 20, 2007 – Memorandum of Agreement with Garnierite Mining, Inc. to acquire 100% of the issued and outstanding capital stock of Garnierite or the latter's mining rights over 6,804 hectares of nickel property located in Malaybalay, Bukidnon covered by EPA-00006-X.
5. March 1, 2007 – The Company engaged the services of J. P. Morgan Securities Asia Private Limited ("JPMorgan") as its financial advisor in connection with possible transactions relating to the Company's mining tenements including joint ventures, partnerships or other business combinations or arranges pursuant to which one or more investors makes a contribution to the development of one or more of the Company's mining assets. JPMorgan is part of JPMorgan Chase & Co., a leading global financial services firm with assets of \$1.4 trillion and operations in more than 50 countries.
6. September 17, 2007- The Company entered into Share Swap Agreements whereby it proposed to acquire one hundred percent (100%) of the issued and outstanding capital stock of Garnierite Mining, Inc. ("Garnierite") and Sapolite Mining, Inc. ("Sapolite") in exchange for the issuance by the Company of 173,736,363 common shares from its authorized but unissued portion at par value of P1.00 per share. The Company still has to secure the necessary approvals from the SEC and the Philippine Stock Exchange, Inc. for the issuance and listing of the aforementioned shares.
7. November 19, 2007 - The Company signed a Management Services Agreement with GEO Management (Hongkong) Limited, a corporation duly organized and existing under the laws of Hong Kong, whereby the latter will provide specialized management and technical services in the field of mining to Geograce and to its affiliated group of mining companies.
8. January 08, 2008 - The Company's Board of Directors authorized the Company to enter into Heads of Agreement (HOAs) with NiHAO Mineral Resources International, Inc. ("NiHAO"), a listed mining exploration company, and with other mining companies such as Negros 745 Philippines, Inc., Orex Mindanao, Inc., Ophiolite Mining, Inc., Nickelodeon Mines, Inc., and Nickeloreon Mining, Inc., which own or control mining tenements that the Company deems compatible with its business interests and under such terms and conditions as may be deemed beneficial to the

Company. The purpose of the HOAs is for the Company to obtain the exclusive right to explore, develop and operate various mining claims throughout the country. The HOAs grant the Company the option to purchase the shares of the mining companies or the mining tenements owned by said companies, subject to the requisite due diligence on the companies and their respective mining tenements, fair valuation of the mining tenements and the approval of the appropriate regulatory agencies. This arrangement allows the Company to expand its potential mineral resource base and mitigate the risks inherent in exploration by diversifying the areas available to it.

(1) Heads of Agreement with NiHAO Mineral Resources International, Inc

Pursuant to the NiHAO Agreement, the Company shall be granted the exclusive right to explore, develop and operate various mining tenements which are controlled by or shall be controlled by NiHAO through Mina Tierra Gracia, Inc. ("Mina Tierra"), Bountiful Geomines, Inc. ("Bountiful Geomines") and Visayas Ore Philippines, Inc. ("Visayas Ore"), which are wholly-owned subsidiaries of NiHAO.

Mina Tierra, Bountiful Geomines and Visayas Ore have valid and subsisting exploration permit applications ("EPAs") over mining tenements as more particularly described below (collectively, the "*Mining Tenements*")

Applicant	Tenement	Location	EPA No.	Hectares
Mina Tierra	"Botolan Tenement"	Botolan, Zambales	EP-001-2008-III	5,081.6408
Bountiful Geomines	"Manticao Tenement"	Opol, Manticao, Misamis Oriental	EPA-000093-X	1,944.0000
Visayas Ore	"Antique Tenement"	Patnongon, Valderama, San Remigio, Antique	EPA-000077-VI	2,374.3125
			Total	9,399.9533

As of the execution date of the NiHAO Agreement, Mina Tierra has acquired 100% of the issued and outstanding capital stock of three (3) mining companies, namely, Minedomain, Inc., ("Minedomain"), Companhia Nube Minerale, Inc. ("Nube Minerale") and Companhia Minerera Tierra, Inc. ("Minera"), which have small-scale mining permits ("SSMPs") or application for small-scale mining permits ("ASSMPs") covering approximately five (5) hectares each, as more particularly described below (collectively, the "Small-Scale Mining Tenements"):

Company Name	Target Tenement	ASSMP No.
Minedomain	Botolan Tenement	ASSMP-Z-346-BT
Nube Minerale		SSMP No. NI-BTZ-061308-000
Minera		SSMP No. NI-BTZ-061308-000
Minedomain	Manticao Tenement	SSMP No. 2008-006

The Company's exclusive right to explore, develop and operate any, some or all of the mining tenements covered by the NiHAO Agreement shall be conditional upon the fulfillment of the following conditions precedent: (a) satisfactory legal and technical due diligence on NiHAO; (b) satisfactory legal and technical due diligence on Mina Tierra, Bountiful Geomines and Visayas

Ore and their respective mining tenements; (c) satisfactory legal and technical due diligence on Minedomain, Nube Minerale and Minera and their respective Small-Scale Mining Tenements; (d) the issuance of Exploration Permits for the Botolan Tenement, the Manticao Tenement and the Antique Tenement and the Small-Scale Mining Permits for each of the Small-Scale Mining Tenements; and (e) the approval of the terms and conditions of the Operating Agreements for any, some or all of the mining tenements by the appropriate regulatory agencies.

Subject to compliance with applicable laws, the parties intend to execute the necessary Operating Agreements within sixty (60) days from the date Exploration Permits and/or Small Scale Mining Permits are secured for the various mining tenements covered by the NiHAO Agreement. Subject to such other terms and conditions as may be agreed upon by the parties in the Operating Agreements, the Company and NiHAO shall share equally in the net profits and operating expenses arising from or relating to the operation of the mining tenements covered by the NiHAO Agreement.

The NiHAO Agreement also granted the Company the option to purchase any, some or all of the Mining Tenements by way of cash or through property-for-share swaps whereby the Company shall issue unissued shares in exchange for the target Mining Tenements. The option to purchase granted to the Company is subject to the completion of satisfactory due diligence, as detailed in the preceding paragraph, the fair valuation of the target Mining Tenements and the approval of said transactions by the appropriate regulatory agencies.

(2) Heads of Agreement with Other Mining Companies

The Company's Board of Directors also approved the execution of separate Heads of Agreement with the following companies: (a) Negros745 Philippines, Inc.; (b) Orex Mindanao, Inc., (c) Nickeloreon Mining, Inc.; (d) Nickeloadeon Mines, Inc.; and (e) Ophiolite Mining, Inc. The Heads of Agreement with each of the aforementioned companies grant the Company the exclusive right to explore, develop and operate the mining tenements of said companies. The mining tenements of the aforementioned companies are more particularly described below:

Applicant	#	EPA #	Location	Area (has)
NEGROS745 PHILIPPINES, INC.	1	EXPA-000074VII	Ayungon, Negros Oriental	3,807
	2	EXPA-000075VII	Ayungon, Negros Oriental	
OREX MINDANAO, INC.	3	EPA-000063-X	Iligan and Lanao del Norte	6,163
	4	EPA-000062-X	Impasugong, Bukidnon	14,483
NICKELOREON MINING, INC.	5	EPA-000065-VIII	Salcedo, Samar	217
	6	EPA-154-XI	Gov. Heneroso, Davao Oriental	2,931
	7	EPA-000066-X	Manolo Fortich, Bukidnon	891
	8	EPA-000064-X	Malitbog, Bukidnon	1,539
NICKELOADEON MINES, INC.	9	EPA-000069-X	Impasugong, Bukidnon	1,863
	10	AEP-III-08-07	Palauig and Tarlac	9,958

	11	EPA-000074-VI	Tangalan, Makato, and Mainao, Aklan	2,389
OPHIOLITE MINING, INC.	12	EPA-000085-X	San Fernando and Malaybalay, Bukidnon	13,142.25
	13	EPA-00001X	Santiago, Agusan del Norte	16,200
Total				73,583.25

As in the case of the NiHAO Agreement, the Company's exclusive right to explore, develop and operate the mining tenements covered by the Heads of Agreement with the aforementioned companies is conditional upon the fulfillment of the following conditions precedent: (a) satisfactory legal and technical due diligence on the aforementioned companies and their respective mining tenements; (b) the issuance of the exploration permits for the mining tenements; and (c) the approval of the terms and conditions of the Operating Agreements by the appropriate regulatory agencies. Subject to such other terms and conditions as the parties may agree upon in the Operating Agreements, the Company shall be entitled to receive at least eighty percent (80%) of the net profits arising from or relating to the operation of the mining tenements.

9. May 21, 2008 – The Company's Board of Directors approved the appointment of ING Bank N.V. and its affiliates as Financial Adviser of the Company in connection with the search of strategic investors for the Company.
10. June 24, 2008 – The Company entered into an Exploration and Option Agreement with Vale Exploration Philippines, Inc., the local subsidiary of Companhia Vale de Rio Doce ("Vale"). Under the said Agreement, Vale and the Company agree to cooperate on the exploration of seven (7) mining claims located in Masbate province ("the Masbate Claims") covering approximately 84,046 hectares of gold and copper properties. On the same date, the Board of Directors of the Company simultaneously approved the execution of an "Exclusive Option Agreement" and "Irrevocable Special Power of Attorney" with the 7 mining companies which own the Masbate Claims. Said agreements grant the Company the exclusive right to purchase all outstanding shares of the 7 mining companies from their current owners under such terms and conditions which the parties may mutually agree upon, and appoints Geograce as their attorney-in-fact to sign, execute and deliver the "Exploration and Option Agreement" with Vale for the exploration of the Masbate Claims.

Under the Exploration and Option Agreement, Vale will conduct preliminary exploration and evaluation of the Masbate Claims while the Company will be responsible for obtaining approvals of the Exploration Permit Applications and maintaining the Masbate Claims with the appropriate government agencies. Vale also has the option to form a joint venture for the development and operation of mining activities on the Masbate Claims. The Company and Vale may also enter into a services agreement where the Company will be responsible for providing services to Vale. These services will include but are not limited to the provision by the Company to Vale of logistics support, community relations liaison, and geological services and other daily activities.

The exploration and evaluation of the Masbate Claims will be solely funded and conducted by Vale, with Geograce providing them exclusive access to its existing data on the claims and facilitating Vale's activities in the local areas. Under Phase 1 and 2 of the "Exploration and Option Agreement", Vale has committed to fund exploration expenditures of up to Six Million U.S. Dollars (US\$6,000,000.00). Phase 1 will comprise reconnaissance geochemical and geological sampling, aeromagnetic-radiometric survey, and detailed ground geophysics. Phase 2 will comprise of drilling and other exploration activities leading towards commencement of a Pre-

Feasibility Study on the project. Phase 1 shall be completed within twelve months following the grant of the Masbate Claims, while Phase 2 shall be completed within two years following the completion of Phase 1.

After completing Phase 2, Vale shall have the option to create a joint venture with Geograce to own, develop and operate the Masbate Claims. The terms and conditions of Vale and Geograce's relationship after the exercise of the option will be governed by a joint venture agreement to be signed at a later date. The joint venture company shall be the vehicle used by Vale and Geograce to conduct its pre-feasibility and bankable feasibility studies for the implementation of a mining project on the Masbate Claims and eventually develop and operate the mine.

Vale is the second-largest metals and mining company in the world and the largest in the Americas, based on market capitalisation. It is the world's largest producer of iron ore and iron ore pellets, the world's second-largest producer of nickel and one of the world's largest producers of manganese ore and ferroalloys. Vale also produces bauxite, alumina, aluminium, copper, coal, cobalt, precious metals, potash and other products. To support its growth strategy, Vale is actively engaged in mineral exploration efforts in 21 countries around the globe. Vale operates large logistics systems in Brazil, including railroads, maritime terminals and a port, which are integrated with its mining operations. Directly and through affiliates and joint ventures, Vale has investments in the energy and steel businesses.

11. July 25, 2008 – The Company entered into a Heads of Agreement with Masbate13 Philippines, Inc. ("M13 Agreement") and Supplements to the Heads of Agreement entered into on 9 January 2008 with NiHAO, Nickelodeon Mines, Inc., and Ophiolite Mining, Inc.:

- (1) Heads of Agreement with Masbate13 Philippines, Inc.

Masbate13 Philippines, Inc. ("M13") is a mining company that has valid and subsisting exploration permit application denominated as EPA-V-13 covering approximately 16,129 hectares of property located in Mandaon, Masbate.

Pursuant to the M13 Agreement, the Company shall be granted the exclusive right to explore, develop and operate its mining tenement in Mandaon, Masbate.

The Company's exclusive right to explore, develop and operate the mining tenement covered by the M13 Agreement shall be conditional upon the fulfillment of the following conditions precedent: (a) satisfactory legal and technical due diligence on M13 and its mining tenement; (b) the issuance of the exploration permit for the mining tenement; and (c) the approval of the terms and conditions of the Operating Agreements by the appropriate regulatory agencies. Subject to such other terms and conditions as the parties may agree upon in the Operating Agreement, the Company shall be entitled to receive at least eighty percent (80%) of the net profits arising from or relating to the operation of the mining tenements.

In addition, the Heads of Agreement grant the Company the option to purchase the shares of M13 or its mining tenement, subject to the requisite due diligence on the companies and their respective mining tenements, fair valuation of the mining tenements and the approval of the appropriate regulatory agencies.

- (2) Supplement to the Heads of Agreement with NiHAO.

The Supplement to the Heads of Agreement executed on 9 January 2008 with NiHAO provides for the inclusion of the mining tenement held by its wholly owned subsidiary, Visayas Ore

Philippines, Inc. covering approximately 11,441.25 hectares of nickel property in Antipas, North Cotabato with a valid and subsisting Exploration Permit Application denominated as EPA-95-XII.

(3) Supplements to the Heads of Agreement with Nickelodeon Mines, Inc. and Ophiolite Mining, Inc.

The Company entered into Supplements to the Heads of Agreement executed on 9 January 2008 with the following companies: (a) Nickelodeon Mines, Inc. ("Nickelodeon"); and (b) Ophiolite Mining, Inc. ("Ophiolite"). The Supplements to the Heads of Agreement with each of the aforementioned companies provide for the inclusion of following mining tenements of Nickelodeon and Ophiolite not covered by the previous Heads of Agreement dated 9 January 2008. The mining tenements are more particularly described below:

Applicant	EPA #	Location	Area (has)
NICKELOADEON MINES, INC.	EPA-000088-X	East of St. Peter, Malaybalay, Bukidnon	4,698
OPHIOLITE MINING, INC.	EPA-106-III	Masinloc, Zambales	1,996

12. August 6, 2008 – The Company executed an Operating Agreement with Mr. Alfredo F. San Miguel, Jr., Ms. Dolores Z. Hassal, Ms. Ma. Cristina Z. Cuenca, Ms. Ma. Trinidad Z. Tan, Heirs of Jose Marino A. Zayco, Heirs of Arturo A. Zayco, Jr. and Ms. Josephine Marie Z. Litares, to explore, develop and operate the latter's gold and copper property represented by a Mineral Production Sharing Agreement ("MPSA") denominated as MPSA-218-2005-VII, which covers an area of approximately 505.4626 hectares situated in Ayungon, Negros Oriental.
13. August 7, 2008 – The Company signed together with NiHAO Mineral Resources International, Inc. ("NiHAO"), a Cooperation Agreement with Jiangxi Rare Earth and Rare Metals Tungsten Group Co. ("Jiangxi"). The agreement is to form a strategic partnership to jointly explore and develop the nickel mining tenements, directly and indirectly, held by NiHAO and GEOGRACE located in the province of Zambales, more particularly described below:

A. GEOGRACE Tenements:

Affiliate Company	EPA No.	Location	Area (has.)
Nickelodeon Mines, Inc.	AEP-III-08-07	Palauig and Tarlac	9,958
Ophiolite Mining, Inc.	EPA-106-III	Masinloc, Zambales	1,996
Garnierite Mining, Inc.	AEP-III-16-06 EPA-000063-III	Botolan and Cabangan	12,957
Saprolite Mining, Inc.	AEP-III-17-06 EPA-000064-III	San Felipe and San Narciso	2,029
Saprolite Mining, Inc.	AEP-III-22-06 EPA-000069-III	Cabangan and San Felipe	3,474
		Total	30,414

B. NiHAO Tenement:

Affiliate Company	EPA No.	Location	Area (has.)
Mina Tierra Gracia, Inc.	EP-001-2008-III	Botolan	5,081.6410

The Cooperation Agreement likewise provided for the following cooperation arrangements among the Parties:

1. the formation of a Joint Venture (JV) company to conduct venture exploration on the nickel mining tenements, directly or indirectly, held by NiHAO or GEOGRACE, subject to such equity ownership and other terms and conditions as may be subsequently agreed upon by the parties;
2. the establishment of a joint venture processing plant for nickel and cobalt in the Philippines, subject to a detailed exploration work program and feasibility study; and
3. the execution of an Offtake Agreement subject to terms and conditions to be agreed upon by the parties.

These proposed cooperation arrangements shall be covered by definitive agreements upon completion by the Parties of their technical and legal due diligence on the respective mining tenement described above.

Jiangxi is one of the major non-ferrous metals producers in China mainly focusing on exploration, mining, beneficiation, smelting, and downstream processing of tungsten, molybdenum, rare earth & rare metals, and other metals.

14. September 23, 2008 – The Company signed an Operating Agreement with Platinum Group Metals Corporation (“PGMC”) whereby the latter grants the Company the exclusive right to operate and develop approximately 45 hectares of mineral property in Dinapigue, Isabela (the “Mineral Property”). The Mineral Property covers a total of approximately 2,391 hectares with a valid and subsisting Mineral Production and Sharing Agreement (“MPSA”) denominated as MPSA No. 258-2007-II. It is currently operational with infrastructure consisting of a motor pool, causeway, haul road, assay laboratory, nursery, pier yard, administration office and airstrip.
15. November 10, 2008 - the Company signed separate Agreements with the following companies: (a) Negros745 Philippines, Inc.; (b) Orex Mindanao, Inc., (c) Nickeloreon Mining, Inc.; (d) Nickelodeon Mines, Inc.; and (e) Ophiolite Mining, Inc. The Agreements with each of the aforementioned companies grant the Company the exclusive right to explore, develop and operate the mining tenements of said companies.

These rights are conditional upon the fulfillment of the following conditions precedent: (a) satisfactory legal and technical due diligence on the aforementioned companies and their respective mining tenements; (b) the issuance of the exploration permits for the mining tenements; and (c) the approval of the terms and conditions of the Operating Agreements by the appropriate regulatory agencies. Subject to such other terms and conditions as the parties may agree upon in the Operating Agreements, the Company shall be entitled to receive at least eighty percent (80%) of the net profits arising from or relating to the operation of the mining tenements.

In addition, the Agreements grant the Company the option to purchase the shares of the aforementioned companies or the mining tenements owned by said companies, subject to the requisite due diligence on the companies and their respective mining tenements, fair valuation of the mining tenements and the approval of the appropriate regulatory agencies.

These Agreements supersede the earlier Heads of Agreement signed on January 9, 2008 and Supplements to the Heads of Agreement signed on July 25, 2008 by and between the Company and the concerned mining companies.

16. February 17, 2009 - the Company signed an Operating Agreement with GEOGEN Corporation ("GEOGEN"). GEOGEN is the successor-in-interest of PGMC with respect to the Isabela Mining Claim. This Operating Agreement supersedes the Operating Agreement entered into by and between the Company and PGMC on 23 September 2008.
 17. March 20, 2009 - the Company and the shareholders of GMI and SMI executed a Cancellation Agreement to formalize the termination of the Share Swap Agreements dated September 17, 2007. The parties agreed to cancel the Share Swap Agreements in view of the prevailing market conditions and the drop in the market price of the Company's shares. As of 23 February 2009, the average market price for the last thirty (30) trading days dropped at P0.46 per share which is lower than the issue price of P1.00 per share
- b. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation. None.
 - c. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period. None except items discussed above.
 - d. Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources and uses of funds for such expenditures. None.
 - e. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. None.
 - f. Any significant elements of income or loss that did not arise from the Company's operations. None.
 - g. The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item.

Balance Sheet items (June 30, 2009 versus December 31, 2008)

71.8% decrease in Cash and Cash Equivalents

Funds primarily used in operating activities of advances to related parties.

19.7% increase in Receivables

Primarily due to the increase in advances for freight cost.

47.6% increase in Advances to Related Parties

Extension of funds to various related parties for working capital requirements.

35.9% increase in Inventory

Recovery in market value of inventory acquired by virtue of the Isabela operating agreement.

157.3% increase in Other Current Assets

Primarily due to the increase in advances to suppliers.

5.1% decrease in Property and Equipment

Primarily due to depreciation reduced by the acquisition of additional equipment for the development of the Isabela claims.

41.2% increase in Accounts Payable and Other Current Liabilities
Accrual of expenses for the development of the Isabela mining property and other administrative expenses.

40.1% decrease in Finance Lease Obligation
Payment of finance lease amortizations.

Income Statement items (six months ended June 2009 versus June 2008)

Service Income
Income from logistics services rendered for Vale Explorations Phils., Inc.

76.9% decrease in Interest Income
Due to decrease in cash equivalents available for money market placements.

63.7% decrease in General and Administrative Expenses
Primarily due to the decrease in professional fees paid during the period.

Mine Development Costs
Costs incidental to the development of the Isabela mining claims.

70.6% decrease in Exploration Costs
Reduced exploration activities on other mining claims.

2050.4% increase in Other Income
Income on the shipment of incidental ore in the overburden.

- h. Any seasonal aspect that will have a material effect on the financial condition or results of operation of the Company. None.

PART II--OTHER INFORMATION

Item 3. Assessment of the financial risk exposures of the Company particularly on currency, interest, credit, market and liquidity risks.

Please refer to Notes to Financial Statements No. 15.

Item 4. Evaluation of Financial Instruments

- a. A description of the financial instruments of the Company and the classification and measurement applied for each. If material in amount, provide detailed explanation on complex securities particularly on derivatives and their impact on the financial condition of the Company. Please refer to Notes to Financial Statements No. 16.
- b. The amount and description of the Company's investments in foreign securities. Not applicable, the Company has no investment in foreign securities.
- c. The significant judgments made in classifying a particular financial instrument in the fair value hierarchy. Please refer to Notes to Financial Statements No. 16.
- d. An explanation of how risk is incorporated and considered in the valuation of assets or liabilities. Please refer to Notes to Financial Statements No. 16.
- e. A comparison of the fair values as of date of the recent interim financial report and as of date of the preceding interim period, and the amount of gain/loss recognized for each of the said periods. Please refer to Notes to Financial Statements No. 16.
- f. The criteria used to determine whether the market for a financial instrument is active or inactive. Not applicable, the Company has no AFS investments.

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:


JERRY C. ANGPING
President / Director
Date signed: 8/4/09


DELFIN S. CASTRO, JR.
Treasurer / Director
Date signed: 8/4/09

**GEOGRACE RESOURCES PHILIPPINES, INC.
INDEX TO FINANCIAL STATEMENTS**

FORM 17-Q, Item 1

Financial Statements

Balance Sheets as of June 30, 2009 and December 31, 2008
Statements of Income for the Second Quarter ending June 30, 2009 and 2008
Statements of Changes in Stockholders Equity
Statements of Cash Flows for the Second Quarter Ending June 30, 2009 and 2008
Notes to Financial Statements

GEOGRACE RESOURCES PHILIPPINES, INC.
BALANCE SHEETS
(in Philippine Pesos)

	Note	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	2, 4	65,087,022	230,872,303
Receivables	2, 5	10,967,975	9,160,348
Advances to related parties	2, 6	159,592,803	108,150,858
Inventory, at cost	2, 3, 7	40,160,255	29,549,595
Other current assets		27,494,995	10,684,034
Total Current Assets		303,303,051	388,417,138
Noncurrent Assets			
Property and Equipment - net	2, 3, 8	15,988,496	16,842,905
Rental Deposits and others		1,321,971	1,305,900
Total Noncurrent Assets		17,310,468	18,148,805
		320,613,519	406,565,943
LIABILITIES & STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	2, 9	17,221,260	12,196,746
Finance lease obligation- current portion	2, 10	1,321,537	2,205,984
Total Current Liabilities		18,542,796	14,402,730
Noncurrent Liabilities			
Finance lease obligation- net of current portion	2, 10	3,145,583	3,145,583
Total Noncurrent Liabilities		3,145,583	3,145,583
Stockholder's Equity			
Capital Stock	11	2,547,581,429	2,547,581,429
Deficit		2,248,656,290	2,158,563,799
Total Stockholders' Equity		298,925,139	389,017,630
		320,613,519	406,565,943

GEOGRACE RESOURCES PHILIPPINES, INC.
INCOME STATEMENTS
Unaudited
(in Philippine Pesos)

	Note	2009		2008	
		April 1 to June 30	January 1 to June 30	April 1 to June 30	January 1 to June 30
REVENUES					
Service income	2	668,687	2,981,194	-	-
Interest income	2	-	872,064	1,187,200	3,780,063
		668,687	3,853,258	1,187,200	3,780,063
EXPENSES					
General and administrative	12	7,116,153	16,427,251	27,227,037	45,282,969
Mine development costs	2, 13	73,185,900	83,021,132	-	-
Exploration costs		1,437,237	3,837,715	10,897,568	13,049,337
Other (income) charges	14	(19,954,357)	(9,340,348)	-	(434,352)
		61,784,933	93,945,749	38,124,605	57,897,954
INCOME (LOSS) BEFORE NET EARNINGS (LOSSES)		(61,116,246)	(90,092,491)	(36,937,405)	(54,117,891)
PROVISION FOR INCOME TAX		-	-	-	-
NET INCOME (LOSS)		(61,116,246)	(90,092,491)	(36,937,405)	(54,117,891)
Weighted Average No. of Shares-Common		2,522,105,615	2,522,105,615	2,522,105,615	2,522,105,615
Income (Loss) Per Share		(0.024)	(0.036)	(0.015)	(0.021)

GEOGRACE RESOURCES PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in Philippine Pesos)

	Unaudited June 30, 2009	Audited December 31, 2008	Unaudited June 30, 2008	Audited December 31, 2007
CAPITAL STOCK - P 1 par value				
Authorized - 3,500,000,000 shares				
Issued - 2,522,105,615 shares	2,522,105,615	2,522,105,615	2,522,105,615	1,961,637,701
Subscribed - 25,475,814 shares	25,475,814	25,475,814		
Issuance via stock rights	-	-	-	560,467,914
	2,547,581,429	2,547,581,429	2,522,105,615	2,522,105,615
DEFICIT				
Balance at beginning of period	2,158,563,799	2,062,720,990	2,062,720,990	1,960,356,038
Net loss	90,092,491	95,842,809	54,117,892	102,364,952
Balance at end of period	2,248,656,290	2,158,563,799	2,116,838,882	2,062,720,990
STOCKHOLDERS' EQUITY, END	298,925,139	389,017,630	405,266,733	459,384,625

GEOGRACE RESOURCES PHILIPPINES, INC.
STATEMENT OF CASH FLOWS
(in Philippine Pesos)

	2009		2008	
	April 1 to June 30	January 1 to June 30	April 1 to June 30	January 1 to June 30
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	(61,116,246)	(90,092,491)	(36,937,405)	(54,117,892)
Adjustment to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	1,542,998	3,052,856	1,441,806	2,485,405
Loss on decline in market value of inventory	(14,391,002)	(10,975,405)		
Interest Income	619,271	(872,064)	(1,187,200)	(3,780,063)
Interest paid	140,950	291,074	384,049	384,049
Changes in operating assets and liabilities				
Decrease (increase) in :				
Receivables	(1,282,641)	(1,807,627)	(157,979,316)	(159,301,710)
Inventory	-	364,745		
Other current assets	(15,808,920)	(16,810,961)	(1,545,240)	(2,041,203)
Increase (decrease) in :				
Accounts payable and accrued expenses	4,841,827	5,024,514	8,709,885	7,512,120
Finance lease obligation	(435,243)	(884,447)	(1,072,762)	(1,155,761)
Net cash used for operations	(85,889,005)	(112,709,808)	(188,186,183)	(210,015,055)
Interest received	(619,271)	872,064	1,187,200	3,780,063
Net cash used in operating activities	(86,508,277)	(111,837,744)	(186,998,983)	(206,234,992)
CASH FLOWS FROM INVESTING ACTIVITIES				
Advances to related parties	(60,609,993)	(51,441,945)	(18,725,971)	(53,651,666)
Disposals (acquisitions) of property and equipment	360,425	(2,198,448)	(2,035,418)	(3,037,586)
Decrease (increase) in other assets	-	(16,071)	-	472,500
Net cash used in investing activities	(60,249,568)	(53,656,464)	(20,761,389)	(56,216,752)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	(140,950)	(291,074)	(384,049)	(384,049)
Payables to stockholders and affiliates	-	-	-	-
Issuance of capital stock	-	-	-	-
Net cash provided by (used in) financing activities	(140,950)	(291,074)	(384,049)	(384,049)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(146,898,795)	(165,785,281)	(208,144,422)	(262,835,793)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	211,985,817	230,872,303	355,698,828	410,390,199
CASH AND CASH EQUIVALENTS AT END OF PERIOD	65,087,022	65,087,022	147,554,406	147,554,406

GEOGRACE RESOURCES PHILIPPINES, INC.
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

1. Corporate Information and Status of Operations

Corporate Information

Geograce Resources Philippines Inc. (the Company) is a stock corporation incorporated under the laws of the Philippines.

Previously, the Company was involved in the purchase, development and sale of real estate properties. On September 14, 2006 and October 27, 2006, the Board of Directors (BOD) and stockholders, respectively, approved the change in the Company's business to engage in exploration, exploitation and development of the Philippine's mineral resources. On November 21, 2006, the Philippine Securities and Exchange Commission (SEC) approved the amended Articles of Incorporation of the Company, including the change in the Company's corporate name from Global Equities, Inc. to Geograce Resources Philippines, Inc.

The registered office address of the Company is Suite 2002 The Peak Tower, 107 L.P. Leviste Street, Salcedo Village, Makati City.

The Company's shares are publicly traded in the Philippine Stock Exchange (PSE).

Status of Operations

On 14 September and 27 October 2006, the Board of Directors and stockholders, respectively, approved the change in the Company's primary purpose to that of a mining company with an aim to explore and develop mineral resources in the Philippines. On 21 November, the SEC approved the amended Articles of Incorporation of the Company, including the change in its corporate name to GEOGRACE Resources Philippines, Inc. To enable the Company build-up its assets for development and/or for appropriate development arrangements with local and/or foreign mining companies, the Board of Directors granted management on 6 December 2006, a general mandate to acquire mining claims/tenements from third parties. Since the start of the year 2007, the Company has taken initiatives to acquire mining tenements from different provinces as discussed in Item 2, Management's Discussion and Results of Operations.

In May 2007, the Company successfully concluded a Stock Rights Offering of 560,467,914 common shares to all its existing shareholders of record date as of 3 May 2007, at a ratio of one (1) rights share for every three and a half (3.5) shares held, with total proceeds amounting to approximately P560 Million. The said offer proceeds were earmarked for the Company's project development program, exploration costs, repayment of shareholder advances and for additional working capital.

On 17 September 2007, the Company entered into Share Swap Agreements whereby it proposed to acquire one hundred percent (100%) of the issued and outstanding capital stock of Garnierite Mining, Inc. ("Garnierite") and Saprolite Mining, Inc. ("Saprolite") in exchange for the issuance by the Company of 173,736,363 common shares from its authorized but unissued portion at par value of P1.00 per share. The Company still has to secure the necessary approvals from the SEC and the Philippine Stock Exchange, Inc. for the issuance and listing of the aforementioned shares.

On 9 January 2008, the Company's Board of Directors authorized the Company to enter into Heads of Agreements (HOAs) with NiHAO Mineral Resources International, Inc. ("NiHAO"), a listed mining exploration company, and with other mining companies such as Negros 745 Philippines, Inc., Ores Mindanao, Inc., Ophiolite Mining, Inc., Nickelodeon Mines, Inc., and Nickeloreon Mining, Inc. which own or control mining tenements that the Company deems compatible with its business interests and under such terms and conditions as may be deemed beneficial to the Company. The purpose of the HOAs is for the Company to obtain the exclusive right to explore, develop and operate various Mining Claims throughout the country. The HOAs grant the Company the option to purchase the shares of the mining companies or the mining tenements owned by said companies, subject to the

required due diligence, fair valuation by independent third party appraisers, and approval of the appropriate regulatory agencies. This arrangement allows the Company to expand its potential mineral resource base and mitigate the risks inherent in exploration by diversifying the areas available to it.

On May 21, 2008, the Company's Board of Directors approved the appointment of ING Bank N.V. and its affiliates as Financial Adviser of the Company in connection with the search of strategic investors for the Company.

On 24 June 2008, the Company entered into an Exploration and Option Agreement with Vale Exploration Philippines, Inc., the local subsidiary of Companhia Vale de Rio Doce ("Vale"). Vale is the second largest metals and mining company in the world and the largest in the Americas, based on market capitalization. Under the said Agreement, Vale and the Company agree to cooperate on the exploration of seven (7) mining claims located in Masbate province ("the Masbate Claims") covering approximately 84,046 hectares of gold and copper properties. On the same date, the Board of Directors of the Company simultaneously approved the execution of an "Exclusive Option Agreement" and "Irrevocable Special Power of Attorney" with the 7 mining companies which own the Masbate Claims namely, Masbate 10 Philippines, Inc., Masbate2145 Philippines, Inc., Masbate109 Philippines, Inc., Richground Philippines, Inc., Minevault, Inc., Ecogeo Mineral Resources, Inc. and Geo8 Resources, Inc. (collectively "the 7 mining companies") Said agreements grant the Company the exclusive right to purchase all outstanding shares of the 7 mining companies from their current owners under such terms and conditions which the parties may mutually agree upon, and appoints Geograce as their attorney-in-fact to sign, execute and deliver the "Exploration and Option Agreement" with Vale for the exploration of the Masbate Claims.

Under the Exploration and Option Agreement, Vale will conduct preliminary exploration and evaluation of the Masbate Claims while the Company will be responsible for obtaining approvals of the Exploration Permit Applications and maintaining the Masbate Claims with the appropriate government agencies. Vale also has the option to form a joint venture for the development and operation of mining activities on the Masbate Claims. The Company and Vale may also enter into a services agreement where the Company will be responsible for providing services to Vale. These services will include but are not limited to the provision by the company to Vale of logistics support, community relations liaison, and geological services and other daily activities.

On July 25, 2008, the Company entered into a Heads of Agreement with Masbate13 Philippines, Inc. ("M13") ("M13 Agreement") and Supplements to the Heads of Agreement entered into on 9 January 2008 with NiHAO, Nickelodeon Mines, Inc., and Ophiolite Mining, Inc. ,

Pursuant to the M13 Agreement, the Company shall be granted the exclusive right to explore, develop and operate its mining tenement covered by an exploration permit application denominated as EPA-V-13 representing approximately 16,129 hectares of property located in Mandaon, Masbate.

The Supplement to the Heads of Agreement executed on 9 January 2008 with NiHAO provides for the inclusion of the mining tenement held by its wholly owned subsidiary, Visayas Ore Philippines, Inc. covering approximately 11,441.25 hectares of nickel property in Antipas, North Cotobato with a valid and subsisting Exploration Permit Application denominated as EPA-95-XII.

The Supplements to the Heads of Agreement with Nickelodeon Mines, Inc. ("Nickelodeon") and Ophiolite Mining, Inc. ("Ophiolite") provide for the inclusion of the mining tenements of Nickelodeon and Ophiolite in East of St. Peter, Malaybalay, Bukidnon and Masinloc, Zambales, respectively. These mining tenements were not covered by the previous Heads of Agreement dated 9 January 2008.

On August 6, 2008, the Company executed an Operating Agreement with Mr. Alfredo F. San Miguel, Jr., Ms. Dolores Z. Hassal, Ms. Ma. Cristina Z. Cuenca, Ms. Ma. Trinidad Z. Tan, Heirs of Jose Marino A. Zayco, Heirs of Arturo A. Zayco, Jr. and Ms. Josephine Marie Z. Litares, to explore, develop and operate the latter's gold and copper property represented by a Mineral Production Sharing Agreement ("MPSA") denominated as MPSA-218-2005-VII, which covers an area of approximately 505.4626 hectares situated in Ayungon, Negros Oriental.

On August 7, 2008, the Company signed together with NiHAO Mineral Resources International, Inc. ("NiHAO"), a Cooperation Agreement with Jiangxi Rare Earth and Rare Metals Tungsten Group Co. ("Jiangxi"). The agreement is to form a strategic partnership to jointly explore and develop the six (6) mining tenements directly and indirectly held by NiHAO and GEOGRACE located in the province of Zambales covering approximately 35,496 hectares.

On September 23, 2008, the Company signed an Operating Agreement with Platinum Group Metals Corporation ("PGMC") whereby the latter grants the Company the exclusive right to operate and develop approximately 45 hectares of mineral property in Dinapigue, Isabela (the "Mineral Property"). The Mineral Property covers a total of approximately 2,391 hectares with a valid and subsisting Mineral Production and Sharing Agreement ("MPSA") denominated as MPSA No. 258-2007-II. It is currently operational with infrastructure consisting of a motor pool, causeway, haul road, assay laboratory, nursery, pier yard, administration office and airstrip.

On 10 November 2008, the Company signed separate Agreements with the following companies: (a) Negros745 Philippines, Inc.; (b) Orex Mindanao, Inc., (c) Nickeloreon Mining, Inc.; (d) Nickelodeon Mines, Inc.; and (e) Ophiolite Mining, Inc. The Agreements with each of the aforementioned companies grant the Company the exclusive right to explore, develop and operate the mining tenements of said companies.

These rights are conditional upon the fulfillment of the following conditions precedent: (a) satisfactory legal and technical due diligence on the aforementioned companies and their respective mining tenements; (b) the issuance of the exploration permits for the mining tenements; and (c) the approval of the terms and conditions of the Operating Agreements by the appropriate regulatory agencies. Subject to such other terms and conditions as the parties may agree upon in the Operating Agreements, the Company shall be entitled to receive at least eighty percent (80%) of the net profits arising from or relating to the operation of the mining tenements.

In addition, the Agreements grant the Company the option to purchase the shares of the aforementioned companies or the mining tenements owned by said companies, subject to the requisite due diligence on the companies and their respective mining tenements, fair valuation of the mining tenements and the approval of the appropriate regulatory agencies.

These Agreements supersede the earlier Heads of Agreement signed on January 9, 2008 and Supplements to the Heads of Agreement signed on July 25, 2008 by and between the Company and the concerned mining companies.

On 17 February 2009, the Company signed an Operating Agreement with GEOGEN Corporation ("GEOGEN"). GEOGEN is the successor-in-interest of PGMC with respect to the Isabela Mining Claim. This Operating Agreement supersedes the Operating Agreement entered into by and between the Company and PGMC on 23 September 2008.

On 20 March 2009 - the Company and the shareholders of GMI and SMI executed a Cancellation Agreement to formalize the termination of the Share Swap Agreements dated September 17, 2007. The parties agreed to cancel the Share Swap Agreements in view of the prevailing market conditions and the drop in the market price of the Company's shares. As of 23 February 2009, the average market price for the last thirty (30) trading days dropped at P0.46 per share which is lower than the issue price of P1.00 per share.

Plan of Operation for Isabela Nickel Project

An intensive exploration work program was implemented in the area covered by Mineral Production Sharing Agreement (MPSA) No. 258-2007-II of Platinum Group Metals Corporation (PGMC) located at Dinapigue, Isabela. It was carried out by the Company by virtue of an Operating Agreement entered into by and between PGMC and the Company, then subsequently with Geogen Corporation, with the end in view of placing the project into development and exploitation stage. Likewise, in line with this objective, the necessary documents and/or permits were filed with the concerned offices and government agencies for approval.

The work implemented in the area consists mainly of geological mapping, sampling, in-fill core drilling, construction, repair and maintenance of access roads, civil works and community relation activities.

Geological mapping was done to delineate additional areas of interest while in-fill core drilling within the delineated ore zones was to upgrade ore reserves. New access roads were constructed within the area of interest while repair and maintenance was done on haul roads that connect the project site to specific locations in the area. Bunkhouses for employees were constructed as well as the improvement of power and domestic water supply.

Consultations with the local communities as well as the Local Government Units (LGU's) on various industrial and community problems were also undertaken.

While the field activities were implemented, documents and permits were filed and/or evaluated prior to approval. The Project Feasibility Study, which gives the "go signal" for the project to advance to development and utilization, was approved. Likewise, the approval of the Operating Agreement authorizes the Company to conduct development and mining operation.

During the course of earth moving in the construction of haul roads, overburdens was analyzed to contain significant iron which can be marketed to interested buyers. For any eventualities, an Ore Transport Permit (OTP) as well as the Mineral Ore Transport Permit (MOEP) was filed and subsequently approved by the concerned government agency, thus authorizing the Operator to mine and sell the incidental "ore" in the overburden.

Currently, the Company is in the process of assessing the additional operation efficiencies it can achieve by transferring the port and causeway facilities to an area closer to the mine, as well as re-surveying the haul roads to minimize costs of maintenance because of surface run-off. The Company is also assessing the installation of additional environmental mitigating measures while perfecting the ancillary permits related to the operation of the mine.

2. Summary of Significant Changes in Accounting Policies and Disclosures

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis. The financial statements are presented in Philippine peso, which is the Company's functional currency under Philippine Financial Reporting Standards (PFRS). Amounts are rounded off to the nearest peso unit, except when otherwise indicated.

Statement of Compliance

The accompanying financial statements have been prepared in compliance with PFRS.

Changes in Accounting Policies

The accounting policies and methods of computation adopted for this report are consistent with those of the most recent annual financial statements.

The Company adopted the following amended PFRS and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Company:

- Philippine Interpretation IFRIC 11, PFRS 2 - Group and Treasury Share Transactions. — This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or (b) the shareholder(s) of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instruments of the parent. The Company currently does not have any stock option plan and therefore, does not expect this interpretation to have a significant impact on its financial statements.
- Philippine Interpretation IFRIC 12, Service Concession Arrangements. — This interpretation will become effective January 1, 2008. This interpretation which covers contractual arrangements arising from entities providing public services, is not relevant to the Company's current operations.
- Philippine Interpretation IFRIC 14 PAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. — This interpretation was issued on July 2007 and will become

effective for annual periods beginning on or after 1 January 1, 2008. This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19 Employee Benefits. The Company expects that this Interpretation will have no significant impact on the financial position or performance of the Company.

Adoption of these revised standards and interpretations did not have any effect on Company's financial statements.

Future Changes in Accounting Policies

The Company did not early adopt the new and amended standards and interpretations that have been approved but are effective in 2009. The Company expects that the adoption of these relevant new and amended standards and interpretations will have no significant impact on the Company's financial statements in the period of initial application.

- Amendments to PFRS 1, "First-Time Adoption of PFRS" — The amendments allow an entity to determine the cost of investments in subsidiaries, jointly controlled entities or associates in its opening PFRS financial statements as one of the following amounts: a) cost determined in accordance with PAS 27; b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or c) previous carrying amount as determined under accounting principles generally accepted in the Philippines of the investment at the date of transition to PFRS.
- Revised PAS 1, "Presentation of Financial Statements" — The revision introduces statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with 'other comprehensive income.' Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. The revised standard also requires additional requirements in the presentation of the balance sheet and owner's equity as well as additional disclosures to be included in the financial statements. Moreover, assets and liabilities classified as held for trading in accordance with PAS 39 are not automatically classified as current in the balance sheet.
- Philippine Interpretation IFRIC 17, "Distributions of Non-cash Assets to Owners" — This interpretation provides guidance on when to recognize a liability, how to measure it and the associated assets, and when to de-recognize the asset and liability and the consequences of doing so; and
- Improvements to PFRSs — In May 2008, the International Accounting Standards Board (IASB) issued its first omnibus of amendments to certain standards consisting of Part I, which contains amendments that result in accounting changes for presentation, recognition or measurement purposes, with the IASB's rationale included in related Bases for Conclusion, and Part II, which contains amendments that are terminology or editorial changes only, which the IASB expects to have no or minimal effect on accounting.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Financial Instruments

Date of Recognition. Financial instruments are recognized in the balance sheet when it becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs.

Categories of Financial Instruments. The Company classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) investments, and loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of June 30, 2009 and December 31, 2008, the Company has no financial assets at FVPL, HTM investments, AFS investments and financial liabilities at FVPL.

Determination of Fair Value. The fair value of financial instruments traded in active markets at balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques and comparison to similar instruments for which market observable prices exist.

Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognized in the statement of income when the loans and receivables are de-recognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within twelve months from the balance sheet date. Otherwise, these are classified as non-current assets.

This category includes receivables and advances to related parties (see Notes 5 and 6).

Other Financial Liabilities. This category pertains 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 non-interest-bearing loans and borrowings.

The 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 current liabilities (see Note 9).

Impairment of Financial Assets

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

Assets Carried at Amortized Cost. If there is an objective evidence that an impairment loss on assets 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 expected 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 is reduced through use of an allowance account. The amount of the loss shall be recognized in statement of income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. The Company uses specific criteria in determining whether the receivables will be assessed on

specific approach such as, continuous default in payment of the customers on their maturing obligations, customers' bankruptcy and status of receivables under litigation. 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 the group of financial assets is collectively assessed for impairment. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as historical collection experiences, past-due status and term. 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 no longer 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, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the statement of income.

Assets Carried at Cost. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument 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 discounted at the current market rate of return for a similar financial asset.

De-recognition of Financial Assets and Liabilities

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

- the rights 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 has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When 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 de-recognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition 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.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to

settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

Inventories

Ore stockpiles are physically measured or estimated and valued at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product. Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs.

Materials and supplies are valued at the lower of cost or NRV. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

Mine Development Costs

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to the statement of income as incurred, unless there is a future economic benefit that is more likely to be realized than not. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating if expenditures meet the criteria to be capitalized, several different sources of information are utilized. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

Depreciation is calculated on a straight-line basis over the useful lives of the property and equipment. The useful life of each of the Company's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The property and equipment's residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each financial year-end.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the item is de-recognized.

Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that the property and equipment may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Any impairment loss is recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss

was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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. The following specific recognition criteria must also be met before revenue is recognized:

Service income. Revenue is recognized upon rendering of service.

Interest income. Revenue is recognized as the interest accrues (taking into account the effective yield on the asset).

Leases

The determination of whether an arrangement is, or contains a lease at inception date is based on the substance of the arrangement of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. There is substantial change in the asset.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the statement of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term, if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Operating lease payments are recognized as an expense in the statements of income on a straight-line basis over the lease term.

Income Tax

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

Deferred Tax. Deferred 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 tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences and carry-forward benefits of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward benefits of unused NOLCO can be utilized.

The carrying amount of deferred 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 tax asset to be utilized. Unrecognized deferred 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 tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

Provisions

Provisions, if any, are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingencies

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

Earnings Per Share

Basic earnings per common share is computed by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during each year after giving retroactive effect to stock dividends declared during the year.

Diluted earnings per common share is computed in the same manner, adjusted for the effect of the any potential dilutive shares.

Where the effect of the exercise of stock options is anti-dilutive, basic and diluted earnings per share are stated at the same amount.

Events after the Balance Sheet Date

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

3. Significant Accounting Judgment and Estimates

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

- Legal Contingencies

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results.

- Leases

The Company has entered into commercial property leases related to its office spaces. The Company has determined that it does not retain the significant risks and rewards of ownership of these properties which are being leased by the Company under operating lease arrangements. For the finance lease arrangements entered into by the Company on certain transportation equipment, the Company has determined that it retains the significant risks and rewards of ownership of the transportation equipment.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Allowance for Doubtful Accounts

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 doubtful accounts is estimated using two methods namely, the specific and collective assessment. The total of the amounts calculated using the two methods determine the total allowance to be maintained as of the reporting period.

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

The carrying amount of the asset shall be reduced through the use of allowance account. The allowance is established by charges to income in the form of provision for doubtful accounts. 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 doubtful accounts would increase the Company's recorded expenses and decrease current assets.

The carrying values of receivables amounted to ₱11 million and ₱9.2 million as of June 30, 2009 and December 31, 2008, respectively (see Note 5). Advances to related parties amounted to ₱159.6 million and ₱108.2 million as of June 30, 2009 and December 31, 2008, respectively (see Note 6).

- Net Realizable Value of Inventory

The Company estimates NRV of its ore inventory by calculating the net selling price less all costs still to be incurred in converting the relevant inventory to saleable product, and delivering it to the customer.

Management determines the grade of the material as well as the physical quantities. Grade is determined using x-ray fluorescence results, confirmed thru colorimetric and current wet analyses. Quantity is measured using volumetric survey. Net selling price is computed based on the spot price of the commodity at balance sheet date.

The NRV of ore inventory as of June 30, 2009 amounted to P43.4 million.

- Estimated Useful Lives of Property and Equipment

The useful life of each item of the Company's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

The carrying values of the Company's property and equipment as of June 30, 2009 and December 31, 2008 amounted to P16 million and P16.8 million, respectively (see Note 8).

- Impairment of Non-financial Assets

An impairment review is performed when certain impairment indicators are present.

Determining the value in use of property and equipment, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property and equipment and other assets associated with an acquired business are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations.

The preparation of estimated future cash flows involves significant judgment and estimations. While the Company believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.

There were no provision for impairment losses recognized as of June 30, 2009 and December 31, 2008. The carrying values of the Company's property and equipment as of June 30, 2009 and December 31, 2008 amounted to P16 million and P16.8 million, respectively (see Note 8).

- Deferred tax assets

The Company's assessment on the recognition of deferred tax assets on nondeductible temporary differences is based on the forecasted taxable income of the following reporting period. This forecast is based on the Company's past results and future expectations on revenues and expenses.

4. Cash and Cash Equivalents

This account consists of:

	June 30, 2009	December 31, 2008
Cash on hand and in banks	P 12,571,791	P 6,276,104
Cash equivalents	52,515,231	224,596,199
	P 65,087,022	P230,872,303

Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term investments, which are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the prevailing short-term investment rates. The carrying value of cash and cash equivalents approximates its fair value as of balance sheet date.

Interest income as of June 30, 2009 and December 31, 2008 is ₱872,064 and ₱6,253,186, respectively.

5. Receivables

This account consists of:

	June 30, 2009	December 31, 2008
Trade	₱1,793,258	₱1,908,633
Advances to:		
Employees	6,132,265	7,201,715
Others	3,042,452	50,000
	₱10,967,975	₱9,160,348
Less allowance for doubtful accounts	-	-
	₱10,967,975	₱9,160,348

Trade receivables are generally settled on 30-days' term. Advances are non-interest bearing and are settled throughout the financial year.

Aging of Receivables:

	Current	0-30 days	31-60 days	61-90 days	90 days over
Trade	₱1,793,258				
Officers and employees	5,762,635	-	-	₱6,188	₱363,442
Others	3,042,452	-	-	-	-
	₱10,598,345	₱-	₱-	₱6,188	₱363,442

6. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

Terms and Conditions of Transactions with Related Parties

Settlements of balances of transactions with related parties are made in cash. For the year ended June 30, 2009 and December 31, 2008, the Company has not impaired advances relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

In the normal course of business, transactions with related parties include the following:

- a. The Company entered into HOA with NiHao where the Company shall be granted exclusive right to various mining tenements controlled by NiHao. The Company, together with NiHao, also signed a Cooperation Agreement with Jiangxi. The Company and NiHao have common stockholders.
- b. The Company grants non-interest bearing advances to OYEZ!!! Corporation (OYEZ!!!). As of June 30, 2009 and December 31, 2008, total outstanding advances to OYEZ!!! amounted to ₱122.5 million and ₱84.0 million, respectively. OYEZ!!! and the Company have common directors and stockholders.
- c. On June 24, 2008, the Company entered into an Exclusive Option Agreement and Irrevocable Special Power of Attorney with the 7 mining companies which own Masbate Claims. The 7 mining companies appointed the Company as their attorney-in-fact to sign, execute and deliver the Exploration and Option Agreement with Companhia Vale de Rio Doce for the exploration of the Masbate Claims (see Note 1). As of June 30, 2009 and December 31, 2008, outstanding advances to the Masbate Claims amounted to ₱13.6 million and ₱14.1 million, respectively. The 7 mining companies and the Company have common directors and stockholders.
- d. The Company also granted noninterest bearing advances to AC & D Corporate Partners, Inc. (AC&D), a related party, for working capital requirements. As of June 30, 2009 and December 31, 2008, the outstanding advances to AC & D amounted to ₱20.3 million and ₱10.1 million, respectively. AC&D and the Company have common directors and stockholders.
- e. On November 16, 2007, the Company executed a Management Services Agreement with Geo Management (Hongkong), Limited (GMHK), whereby GMHK shall provide the Company with specialized management services and technical assistance, particularly in the field of mining. GMHK is a private limited company, incorporated in Hongkong. The Company and GMHK have common management personnel. Management fees amounted to ₱8.1 million in 2008.

In 2008, GMHK- Philippine Branch was established, to which, the contract with GMHK has been transferred.
- f. The Company leases office spaces from companies owned by a stockholder. The related rent expense amounted to ₱0.9 million as of June 2009 and ₱1.9 million in 2008.
- g. As of June 30, 2009 and December 31, 2008, the advances from officers and a stockholder amounted to ₱2.7 million and ₱2.9 million, respectively.

7. Inventory

As of June 30, 2009, this account consists of:

	June 30, 2009	December 31, 2008
Nickel ore – at cost	₱40,000,000	₱29,024,595
Supplies	160,255	-
Fuel – at cost		525,000
	₱40,160,255	₱29,549,595

In 2008, the Company entered into an Operating Agreement with PGMC. As part of the undertakings in the Operating Agreement, the Company acquired for ₱40.0 million the nickel ore stockpile of PGMC. From December 31, 2008 to June 30, 2009, there was an increase in selling price of nickel ore in the market. Thus, the Company recorded a recovery in value of inventories amounting to ₱11 million for the six-month period ended June 30, 2009.

Current selling price based on London Metal Exchange is \$16,005 per metric ton.

8. Property and Equipment

This account consists of:

June 30, 2009					
	Project Site Equipment	Office Equipment, Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Total
Cost:					
Balance at beginning of year	P3,851,710	P5,249,138	P13,453,066	P1,402,802	P23,956,716
Additions for the year	2,122,179	8,929	666,790	-	2,797,898
Disposals	-	(7,589)	(904,500)	-	(912,089)
Balance at end of year	5,973,889	5,250,478	13,215,356	1,402,802	25,842,525
Less accumulated depreciation and amortization					
Balance at beginning	694,071	2,321,467	3,181,329	916,944	7,113,811
Depreciation and amortization for the year	374,291	854,342	1,473,522	350,702	3,052,857
Disposals	-	(1,897)	(310,742)	-	(312,639)
Balance at end of year	1,068,362	3,173,912	4,344,109	1,267,646	9,854,029
Net book value	P4,905,527	P2,076,566	P8,871,247	P135,156	P15,988,496

December 31, 2008					
	Project Site Equipment	Office Equipment, Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Total
Cost:					
Balance at beginning of year	P3,851,710	P3,956,129	P6,386,250	P1,350,123	P15,544,212
Additions for the year	-	1,293,009	7,546,816	52,679	8,892,504
Disposals	-	-	(480,000)	-	(480,000)
Balance at end of year	3,851,710	5,249,138	13,453,066	1,402,802	23,956,716
Less accumulated depreciation and amortization					
Balance at beginning	245,756	626,904	692,650	215,544	1,780,854
Depreciation and amortization for the year	448,315	1,694,563	2,600,679	701,400	5,444,957
Disposals	-	-	(112,000)	-	(112,000)
Balance at end of year	694,071	2,321,467	3,181,329	916,944	7,113,811
Net book value	P3,157,639	P2,927,671	P10,271,737	P485,858	P16,842,905

The estimated useful lives of the property and equipment are as follows:

Project site equipment	7 – 21 years
Office equipment, furniture and fixtures	6 years
Transportation equipment	5 years
Leasehold improvements	6 years or the term of the lease, whichever is shorter

Laboratory equipment with carrying value of P1.7 million was purchased during the period for use in exploration.

9. Accounts Payable and Accrued Expenses

This account consists of:

	June 30, 2009	December 31, 2008
Accrued expenses:		
Salaries and wages	P3,229,326	P3,229,326
Rent and utilities	5,882,644	882,000
Professional fees payable (see Note 14)	3,936,000	3,207,800
Advances from officers and a stockholder (see Note 13)	2,665,013	2,889,710
Withholding taxes payable	160,111	476,008
Others	1,348,166	1,511,902
	P17,221,260	P12,196,746

Accrued expenses and other liabilities are normally settled on a 30-day term.

10. Finance Lease Obligation

The Company entered into finance lease arrangements with local banks for the acquisition of certain transportation equipment. These leases have been capitalized using a 6.0% to 12.31% interest rate.

Future minimum payments under the finance lease arrangement are as follows:

	June 30, 2009	December 31, 2008
Within one year	P1,602,544	P2,890,478
After one year to four year	3,590,120	3,590,120
Total minimum lease obligation	5,192,664	6,480,598
Less interest	725,544	1,129,031
Finance lease obligation	P4,467,120	P5,351,567
Non-current portion of finance lease obligation	P3,145,583	P3,145,583
Current portion of finance lease obligation	1,321,537	2,205,984
	P4,467,120	P5,351,567

Interest expense for the period ended June 30, 2009 and December 31, 2009 amounted to P291,074 and P916,580, respectively.

11. Equity

Authorized and issued shares as of June 30, 2009 and December 31, 2008 are as follows:

	June 30, 2009		December 31, 2008	
	Shares	Amount	Shares	Amount
Authorized - P1 par value	3,500,000,000	P3,500,000,000	3,500,000,000	P3,500,000,000
Issued				
Balance at beginning of year	2,522,105,615	P2,522,105,615	2,522,105,615	P1,961,637,701
Issuances	-	-	-	-
	2,522,105,615	2,522,105,615	2,522,105,615	2,522,105,615
Subscribed				
Balance at beginning of year	25,475,814	25,475,814	-	-
Subscribed during the period/year	-	-	25,475,814	25,475,814
	25,475,814	25,475,814	25,475,814	25,475,814
	2,547,581,429	P2,547,581,429	2,547,581,429	P2,547,581,429

In 2008, the SEC certified the valuation of the liability to J.P. Morgan in the amount of P25.5 million as payment for the additional shares of 25,475,814 with a par value of P1 per share. To date, the Company is still in the process of completing the documentary requirements of the PSE for the listing of the shares to be issued to J.P. Morgan.

12. General and Administrative Expenses

This account consists of:

	June 30, 2009	December 31, 2008
Professional fees	P5,847,547	P33,284,758
Travel and transportation	511,286	14,921,481
Salaries and employee benefits	2,087,585	14,779,793
Management fees	1,200,000	8,098,006
Rent (see Note 6)	1,666,800	5,575,155
Depreciation and amortization (see Note 8)	3,052,856	5,444,957
Entertainment, amusement and recreation	238,107	3,347,953
Outside services	327,774	2,005,864
Repairs and maintenance	214,824	1,396,470
Advertising	-	1,317,898
Communication and utilities	490,553	1,208,963
Membership association and dues	230,996	736,104
Office supplies	116,604	567,317
Insurance	37,334	326,825
Taxes and licenses	52,038	144,554
Others	352,947	2,362,045
	P16,427,251	P95,518,143

13. Mine Development Costs

An intensive exploration work program on Mine Development was implemented in the area covered by Mineral Production Sharing Agreement (MPSA) No. 258-2007-II of Platinum Group Metals Corporation (PGMC) located at Dinapigue, Isabela. It was carried out by the Company by virtue of an Operating

Agreement entered into by and between PGMC and Geograce, then subsequently with Geogen Corporation, with the end in view of placing the project into development and exploitation stage. Likewise, in line with this objective, the necessary documents and/or permits were filed with the concerned offices and government agencies for approval.

Mine Development Costs consists mainly of geological mapping, sampling, in-fill core drilling, construction, repair and maintenance of access roads, civil works and community relation activities.

14. Other Income (Expenses)

This account consists of:

	June 30 2009	December 31, 2008
Recovery in market value of ore inventory (note 7)	P10,975,405	P--
Income from shipment of overburden	8,024,911	--
Shipment cost of overburden	(9,265,052)	
Foreign exchange gain (loss)	(229,729)	864,879
Gain (loss) on disposal of asset	(165,187)	(68,000)
Rent		94,000
Miscellaneous		398,424
	P9,340,348	P1,289,303

During the course of earth moving in the construction of haul roads, overburdens was analyzed to contain significant iron which can be marketed to interested buyers. An Ore Transport Permit (OTP) as well as the Mineral Ore Transport Permit (MOEP) were filed and subsequently approved by the concerned government agency, thus authorizing the Operator to mine and sell the incidental "ore" in the overburden. Costs to transport these overburdens are classified in this account.

15. Financial Risk Management Objectives and Policies

The Company's principal financial instruments are comprise of cash and finance lease obligation. The main purpose of these financial instruments is to finance the Company's operations. The Company has other financial assets and liabilities such as receivables, advances to related parties, and accrued expenses and other current liabilities, which arise directly from its operations.

The main risk risks arising from the Company's financial instruments are liquidity risk and credit risk. The Company has no significant financial instruments that are exposed to interest rate risk and foreign currency rate risk as of June 30, 2009 and December 31, 2008. The BOD reviews and approves policies for managing each of these risks and they are summarized below:

Liquidity Risk

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

As part of its liquidity risk management, the Company 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 table below summarizes the maturity profile of the Company's financial liabilities as of June 30, 2009 and December 31, 2008 based on undiscounted payments:

June 30, 2009

	On Demand	30 Days	60 Days	90 Days	120 Days and More	Total
Accrued expenses	P5,882,644	P3,229,326	P-	P-	P-	P9,111,970
Finance lease obligations		183,832	183,832	183,832	3,915,624	4,467,120
Advances from officers and a stockholder	2,665,013					2,665,013
Professional fees payable	3,936,000					3,936,000
Others	517,848	990,428				1,508,276
	P13,001,505	P4,403,586	P183,832	P183,832	P3,915,624	P21,688,379

December 31, 2008

	On Demand	30 Days	60 Days	90 Days	120 Days and More	Total
Accrued expenses	P882,000	P3,229,326	P-			P4,111,326
Finance lease obligations		183,832	183,832	183,832	4,800,071	5,351,567
Advances from officers and a stockholder	2,889,710		-			2,889,710
Professional fees payable		3,207,800	-			3,207,800
Others	-	1,511,902	-			1,511,902
	P3,771,710	P8,132,860	P183,832	P183,832	P4,800,071	P17,072,305

Credit Risk

The Company's credit risk relates to other financial assets of the Company, which comprise cash in banks and cash equivalents, receivable and advances to related parties. The exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as stated in the following table. Given that the Company has no significant outstanding trade receivables, it is not exposed to large concentrations of credit risk.

	June 30, 2009	December 31, 2008
Cash in banks and cash equivalents	P65,087,022	P230,872,303
Receivables	10,967,975	9,160,348
Advances to related parties	159,592,803	108,150,858

The Company's advances to related parties and receivables are neither past due nor impaired. There were no provisions for impairment as of June 30, 2009 and December 31, 2008.

Cash and cash equivalents are considered good quality as these pertain to deposits in reputable banks. Receivables pertain to advances to employees and suppliers which can be offset directly against their claims and thus, these are also considered good quality. Advances to related parties are fully guaranteed by the owners of the parties involved who have sufficient assets to back up settlement in case of default, which make them good quality.

The Company continuously reviews credit policies and processes and implements various credit actions, depending on assessed risks, to minimize credit exposure.

Capital Management

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

The Company monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as total debt divided by equity. Total debt is the sum of accounts payable and other current liabilities and finance lease obligations. Equity comprises all components of equity.

The Company's debt-to-equity ratio as of June 30, 2009 and December 31, 2008 are as follows:

	June 30, 2009	December 31, 2008
Accrued expenses and other current liabilities	P17,221,260	P12,196,746
Finance lease obligation	4,467,120	5,351,567
Total Liabilities	P21,688,380	P17,548,313
Equity	P298,925,139	P389,017,630
Debt to Equity Ratio	0	0

16. Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of all the Company's financial instruments that are carried in the financial statements as of June 30, 2009 and December 31, 2008:

	June 30, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans and receivables:				
Cash and cash equivalents	P65,087,022	P65,087,022	P230,872,303	P230,872,303
Receivables	10,967,975	10,967,975	9,160,348	9,160,348
Advances to related parties	159,592,803	159,592,803	108,150,858	108,150,858
Refundable rental deposits	1,321,971	1,181,577	1,305,900	1,135,860
	P236,969,771	P236,829,377	P349,489,409	P349,319,369
Other financial liabilities:				
Accrued expenses and other current liabilities (excluding withholding tax)	P17,221,260	P17,221,260	P11,720,738	P11,720,738
Finance lease obligation	4,467,120	4,646,767	5,351,567	5,688,290
	P21,688,380	P21,868,027	P17,072,305	P17,409,028

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

Rental Deposit and Finance Lease Obligation. The fair values are determined based on discounted cash flows using the risk free rates of 5.7% for rental deposits and 4.2% to 6.0% for finance lease obligation.