Global Ferronickel Holdings, Inc.

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Thank you and good afternoon everybody. Welcome to our call for the year-ended 2017.

Just a quick review of our outline today, we have generally divided this presentation into 3 parts. The Part 1 looks back on 2017 and shows our achievements both operationally and financially. In the Part 2, you will see our initiatives to increase our resources and competitiveness. And in the last part we share with you our global view on demand and supply as well as our shipment guidance.

SUMMARY

Now let's start the presentation.

Without a doubt, 2017 was a mixed story that was full of surprises. Recall that it was only last year that regulatory changes happened in Indonesia and political headlines struck here at home. That's all behind us now, but it's worth a review so I'll talk a little bit about that in a minute.

Despite these distractions, we've worked very hard to stay on track. And we did.

Here are a few highlights.

- Revenues were up +54% year-over-year to ₱5.8 billion
- Net income reached ₱780 million from just over ₱37 million in 2016; and
- Margins improved across the board – EBITDA to 27%, net margin to 13% and ROE to 12%

2017 MARKET REVIEW

Ore prices staged recovery as stocks slide

Turning to slide 5, we see what has changed in 2017 from a global supply perspective.

There were two major policy shifts that shook the market in 2017 – one from Indonesia and the other here at home. At the start of the year, Indonesia announced that it would relax restrictions on the export of unprocessed ores subject to certain conditions. This created uncertainties around supply and temporary weakness in prices. Shortly after, Philippines' former DENR Secretary Gina Lopez made pronouncements on mine closures and suspensions for half of the country's nickel producers, which sent prices higher on speculation. Her eventual dismissal in June dragged down the prices.

Going over to the right, we have the inventory at LME and major ports in China. With China being the largest consumer of nickel, let's focus on some of the trends that are taking place there. In particular, nickel laterite ore inventory is down -39% on a year-on-year basis, which is an improvement from where we were in 2016 and 2015. We also looked at total China Customs import for Nickel Pig Iron (NPI) and found that it rose over +30% in 2017. This is good news because China has been, and still is, the leader in the NPI industry.

End-demand in China looks stable

Next slide. To my earlier point, we continue to look closely at how China is doing with consumption and infrastructure investments.

Among the key highlights:

- Fixed Assets Investment was up by +7.2% year-over-year, but slightly lower than the +8.1% growth in 2016
- Overall Industrial Production has consistently remained above +6% growth throughout 2017
- Retail Consumption has also grown over +10% for nine months since April
- Sales of New Energy Vehicles (NEVs) hit 168,000 units in December—the highest in 2017, while total sales reached 777,000 units for the year.

We also studied various statistics on real estate development, power, transport, and water infrastructure and automobile, which we have provided in the appendix.

Operations review

Volume growth highly linked to operational strength

If we go to slide 8, we are taking a look at our main accomplishments in increasing our operational competitiveness.

First, we have increased production by +35% year-on-year to 6.1 million WMT. You can see this reflected in the graph on the right side.

At the same time, we managed to ship 109 vessels, up from 80 vessels in 2016, with total volume shipped higher by +39%.

Second, we improved organizational structure and processes within our teams, which increased our connectivity and efficiency. This allowed us to act upon day-to-day weather conditions and on other business information. To put this in context, let’s see the graph on operating hours. Compared to 2016, we experienced more rain in 2017, both in terms of intensity as measured by depth and frequency as measured by number of rainy days. Yet, we still registered higher operating hours because we kept tight control over operations.

Third, we reduced our waste-stripping ratio by 95%, which resulted to better productivity. We were able to maximize operating hours and fixed assets by allocating equipment into mining marketable ore instead of moving waste.

Overall, these improvements are important in making sure we have the right strategy in place to grow shareholder value.

This brings us to the next slide where I'll take us through the financial highlights.

Financial Highlights

Flexible product offering addresses customer needs

Slide 10 summarizes what I wanted to highlight about the quality of our products.

Our nickel ore has various grades and iron adjustments that are priced differently based on customer specifications. We use this flexibility to help us decide on our product mix.

In 2017, we ended the year with a sales mix of 61% low-grade and 39% medium-grade.

Price recovery, cost-effectiveness and FX boost financial performance

Our performance remained robust throughout the year – in both revenues and margins.

Revenues totaled ₱5.8 billion, up by +54% from the previous year. This reflects higher volumes shipped, better selling prices, and favorable exchange rates.

In terms of cost, we have come a long way. In 2015, our operating cash cost per unit was ₱693. That has come down to ₱590 in 2017, translating to cost savings of as much as 15% despite increases in volume and inflationary pressures.

For 2017, the increases in costs and expenses were primarily due to higher tonnage produced and volume shipped compared to the prior year. Excise taxes and royalties, as you know, are computed and paid based on the percentage of the revenues, so that increase is expected. Shipping and distribution are also a function of tonnage produced and volume shipped, so that increase is also normal.

With that, let's move on to our balance sheet.

Financial position remains strong

Our financial position remains strong with balance sheet assets of ₱9 billion and a net cash of ₱137 million.

Total liabilities relative total equity is at 0.41 and bank loans are lower by -25% from last year.

2018 Exploration Program

New exploration areas to raise existing resource base

If you look at our historical exploration, we have previously interpreted the deposits for CAGA 1 to 5 so our mineral resources estimates are based on those five areas. And starting 2014, when we engaged our current independent geologist, we have successfully increased our resource inventory. This transpired despite active ore extraction in two of the mines.

And yet, we still haven't surveyed CAGA 6 and 7. These areas have laterite development similar in features and size to the CAGA 3 and 5 deposits. There may also be other areas of moderate, isolated laterite profiles that may become feasible if mined in conjunction with the existing deposits.

So, our 2018 exploration program will focus on CAGA 1, 6, and 7, with further confirmatory drilling for CAGA 2 and 4. Based on this scope, we expect to release partial results by June and around October to November.

MARKET PREVIEW

On the right is an interesting comparison if you look at the potential impact of operating leverage on our margins. As we are in a business with high degree of operating leverage, FNI can swing to higher earnings even in moderate changes in volume or ore price.

Let me draw your attention to our shipment guidance, we are targeting shipment of 6 million WMT for 2018 –the same as last year. But should markets surprise us on the upside, a small increment price increase can actually translate into a significant increase in our EBITDA generation. We will have some short-term volatility but we are prepared to withstand that as we enhance our operational strategy and diversify our portfolio.

So walking into 2018, about 20 million WMT export quotas have been awarded in Indonesia but these are contingent on each company's progress in investing in smelting capacity—one of the conditions of the partial-lifting of the ban. There is also expectation of increased NPI supply from China and Indonesia.

Looking beyond the immediate picture, laterite ores are expected to be the main source of pure nickel and new nickel units, as discovery and development of sulphide ores remain underinvested. This is because higher nickel prices are required to incentivize producers to expand existing facilities or look for new additional supply.

With that, I would now like to open the call to questions.