



# Global Ferronickel Holdings, Inc.



2017  
ANNUAL REPORT

## ABOUT THE COVER

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Change flutters and challenges float.  
The world is dramatically different  
from when we began operations in 2006.  
Tradition has given way to innovation.  
Modernity to sustainability.  
Opportunities abound in the emergent market  
of green and clean mobility.  
As interest in electric vehicles has increased,  
our entire transport paradigm will  
transform the need for nickel.

At FNI, we choose to effectively adapt to  
these technological breakthroughs.  
We reshape our business models  
without cost to our core values.  
We ensure that our approaches and resources  
protect our environmental concerns  
and uplift the lives of the communities we serve.  
These are changing times.  
We expand our wings.

## TRANSFORMATION

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## OUR MISSION

To deliver value by carrying out our activities in an environmentally, socially, and financially responsible manner for the benefit of the nation, the communities where we operate, our employees, customers and other stakeholders.

## OUR VISION

To be a leading Filipino company engaged in the mining of metals and related businesses.

## OUR VALUES

- Integrity
- Meritocracy
- Accountability
- Fiscal responsibility
- Social responsibility
- Teamwork and synergy
- Taking care of our people
- Caring for the environment



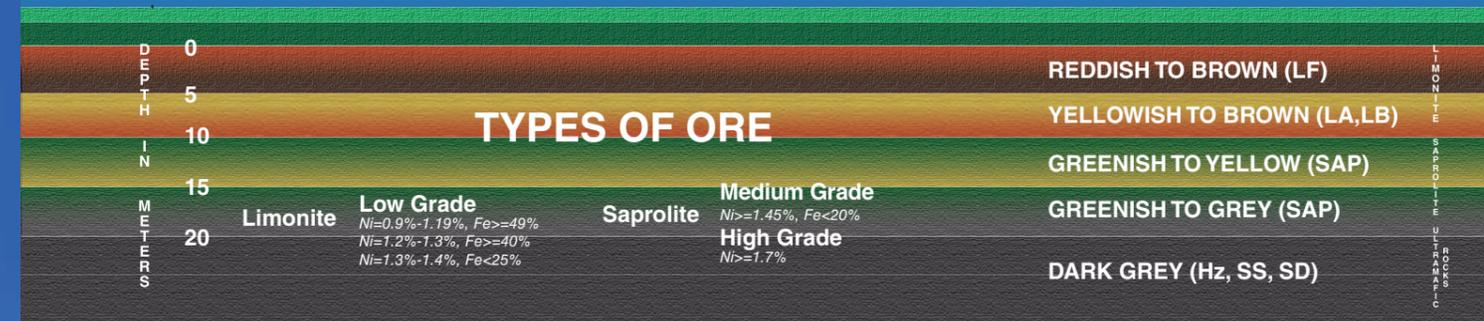
# OUR STORY

Over the past decade, the extractive industry has weathered historic highs and lows. Shifts in regulatory environments have led to volatile global commodity prices while social pressures on sustainability have altered the fundamentals of operational realities. Indeed, nothing has been constant except change - where regulations continue to be uncertain and expectations are more complex.

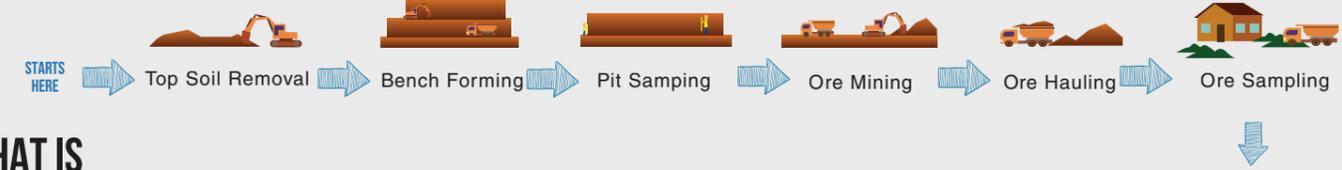
But some changes should come faster. Emerging on the horizon is a new world of technological breakthroughs in light of green car revolution. This is why we have positioned ourselves to expand our capabilities as the industry evolves. Our diligence and discipline have equipped us to triumph against the challenges of the previous years. And our many efficiency improvements are a visible sign of our transformation. Our recent actions such as changes to organizational structure and processes, early preparation for stripping activities and better scheduling of shipment loading will make us a more valuable partner to our stakeholders, and ultimately, a more successful company.

As we look ahead to a 2018 filled with more challenges and opportunities, we draw strength from our innovative spirit and resilience along with our inspired workforce. We also find motivation from valued partnerships with our customers and communities, renewed commitment with government and other stakeholders who keep us socially accountable and relevant. With their trust, we are determined to learn more and prosper together, whatever the weather, as we continue to supply the resources needed by our constantly changing world.

# AT A GLANCE

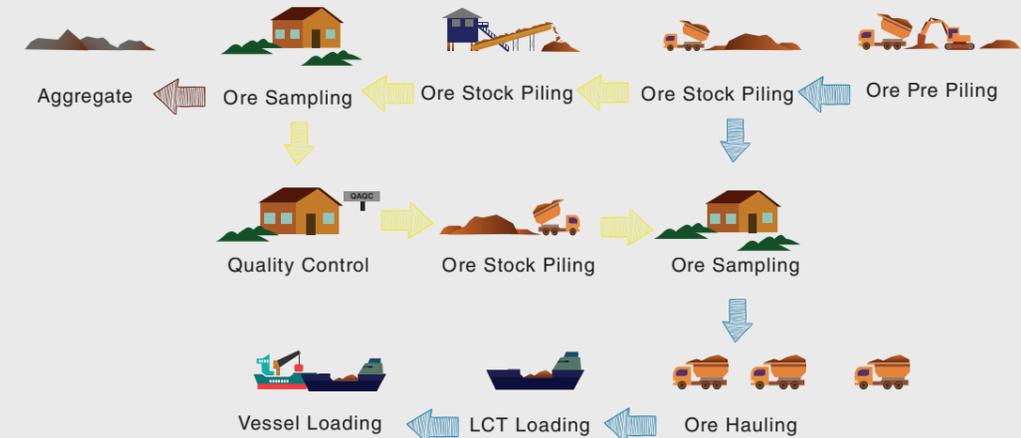


## CAGDIANAO NICKEL EXPANSION PROJECT



## WHAT IS SURFACE MINING?

Our lateritic nickel deposits in Cagdianao mine are near-surface, blanket-like layered deposits with minimal overburden and generally five to 30 meters thick. The soft nature of the topsoil and overburden allows us to conduct simple surface mining using trucks and excavators without drilling, blasting, the use of chemicals, or complex waste handling. Because our nickel deposits are shallow, we are able to progressively rehabilitate during the mining operation cycle.



<b>MINERAL PRODUCTION SHARING AGREEMENT</b>	MPSA No. 007-92-X (dated January 13, 1992)	<b>CONTRACT AREA</b>	4,376 hectares Additional mine site of 843 hectares (covered by EPA-000101-XIII) adjacent to our existing mine site	<b>MINE SITE</b>	Claver, Surigao del Norte Cagdianao Mine located in Sitio Kinalablaban Brgy. Cagdianao
<b>TERM</b>	Valid until June 20, 2041	<b>MINING METHOD</b>	Surface mining	<b>ANNUAL MAXIMUM PRODUCTION VOLUME</b>	5.0 million DMT or 7.7 million WMT
<b>BUSINESS MODEL</b>	<p><b>Mining Process:</b></p> <ul style="list-style-type: none"> <li>From topsoil removal to LCT loading outsourced to contractors</li> <li>Quality, grade control, port management and other key processes are maintained in-house</li> </ul>	<b>DISTANCE</b>	2-8 km inland between the active mining blocks and the loading causeways	<b>RESOURCES AND RESERVES</b>	<p><b>Resources:</b> Measured and indicated: 54.2 million DMT Inferred: 18.1 million DMT</p> <p><b>Reserves:</b> 24 million DMT or 36.3 million WMT</p> <p><b>Exploration method:</b> Stage-Approach Strategy</p>
<b>CERTIFICATION</b>	<p><b>Scope of the audit and certification:</b></p> <ul style="list-style-type: none"> <li>Environmental Management System - Surigao mine site operations</li> <li>Management of Mining Operation of Nickeliferous Laterite Ore and Other Associated Minerals</li> </ul>	<b>CUSTOMERS</b>	<ul style="list-style-type: none"> <li>Large and well-established stainless steel producers</li> <li>International trading companies</li> <li>Independent ferronickel smelters</li> </ul>		





## Overcoming challenges and growing from strength to strength

2017 was a year of challenges and surprises, but more importantly, of transformation. We overcame regulatory pressures here and abroad, which allowed us to come out stronger and more resilient than ever.

Looking back, it is worth noting the two major policy shifts that shook the market in 2017. At the beginning of the year, Indonesia announced that it would relax restrictions on the export of unprocessed ores subject to certain conditions – a move that created uncertainties around supply and temporary weakness in nickel prices. Shortly after, former Secretary Gina Lopez of the Department of Environment and Natural Resources made pronouncements on mine closures and suspensions for half of the country's nickel ore producers, which sent prices higher on speculation. However, Ms. Lopez's eventual dismissal in June dragged down the prices, with three-month contracts sliding to US\$8,795 per metric tonne at the London Metal Exchange (LME).

By the third quarter of 2017, China implemented regulatory measures for environmental management and financial markets in line with its supply-side structural reform. Specifically, a new round of environmental inspections was announced in August to enforce more stringent environmental standards while also removing excess capacity, particularly for steel. In September, Shanghai Futures Exchange tripled transaction fees on nickel futures contracts and imposed stricter position limits. These regulatory adjustments led to spikes in global nickel prices to as high as US\$12,250.

During these changing times, perhaps the most important driver of our success is culture. Ours is founded in a collaborative mindset. It starts with a belief that each person is responsible for one's own actions and that we must look at every problem as our own and take an active role to be part of the solution. We believe that the best outcomes are achieved by maximizing the talents of everyone working in unity, and putting the well-being of the organization above individual interest. This work environment where all employees can do their best work has produced significant improvements in our processes and cost structure as well as operational efficiency which helped us withstand nickel price volatility and increase our productivity despite unfavorable weather conditions.

Through our subsidiary—Platinum Group Metals Corporation (PGMC), we have achieved a 52% increase in nickel ore production to 6.2 million wet metric tonnes (WMT) in 2017 and we have shipped 109 vessels with a total volume of 5.971 million WMT—about 39% higher than in 2016. This higher volume combined with nickel ore price recovery resulted in revenues of P5.8 billion, up 54% from a year ago. And together with productivity measures, cost-effectiveness and

favorable foreign exchange rate, our net income reached P779.7 million, far exceeding the P37.5 million we registered in 2016.

We were also busy with our ongoing survey and exploration at Cagdianao areas 1 to 5 which have confirmed our historical findings, allowing us to successfully increase our resource inventory. The results we have gathered serve as the basis for a robust and reliable geological model and mine planning as well as resource and reserve statements that are Joint Ore Reserves Committee (JORC) and Philippine Mineral Reporting Code (PMRC) compliant.

Another significant milestone took place on November 13 when we signed an agreement with Vi Holding LLC to launch joint business projects in the processing of lateritic ores. Vi Holding LLC is a member of an international investment and industrial group of companies from Russia with interests in mineral exploration and processing, real estate, energy and innovative solutions. The momentous signing event was witnessed by none other than His Excellency Rodrigo Roa Duterte, President of the Republic of the Philippines and by His Excellency Dmitry Medvedev, Prime Minister of the Federation of Russia. We are now working on a feasibility study for the proposed processing plant and both teams are in the process of forming a Joint Working Group to undertake initial testing of ore.

Beyond these operations and financial results, we are particularly proud that our environmental and social development programs have become ever more inclusive. This year, we have surpassed 1 million seedlings planted since we started our tree planting program in 2007. We have also completed all committed environmental control measures and research initiatives, promoted a unified Information, Education and Communication (IEC) program and pursued educational assistance for young people with disabilities.

We are working hard to build on our achievements in the past year and we are committed to playing our part towards becoming a bigger and more dynamic organization. We would like to thank our shareholders and customers, who together with our employees and community partners, help define who we are. We thank you for putting your trust in us as we continue on this journey of prosperity together.



  
Joseph C. Sy  
Chairman

  
Dante R. Bravo  
President

*“Times of change call for fresh, collaborative ways – for transformation.”*

*To create impact means to think and work outside the box and to learn lessons from the past in order to forge progressive, meaningful paths.”*



## PRESIDENT'S REPORT

1.668 million WMT of waste has been extracted in 2016 as we had implemented road developments, clearing and grubbing at Cagdianao area 4 blocks 42, 48, 49, 50, 1 and the main road to Cagdianao area 3. Accordingly, these steps prepared the ore deposit for extraction in 2017—making it easier and faster to access. Waste-to-ore ratio dropped to 0.04:1 for 2017 from 0.30:1 in 2016.

By the end of the year, we have shipped a total of 5.971 million WMT or 39% more than we did last year. We are very pleased that our average daily load rate increased by 32% to 27,388 WMT in 2017 as against 18,517 WMT in 2016. Plus, we reached a record high of 58,768 WMT ore loaded in one day on July 30 from our previous high of 48,068 WMT. About 66% of the total number of shipments were dispatch—meaning loading

operations were completed earlier than the agreed time and the ship was released for early sail. As this scenario benefits the ship-owner, we have received some compensation in consideration of the time we have saved. There were 72 vessels or 66% on dispatch and 37 vessels or 34% on demurrage.

All of these improvements translated into year-end achievements. Revenues totaled P5.8 billion, up by 54% from the previous year on higher volumes shipped, better selling prices, and favorable exchange rates. Operating cash cost per unit declined by as much as 10% to P554.83 per WMT from P619.97 in 2016 despite increases in volume and inflationary pressures. Net income reached P780 million from just over P37 million in 2016 and margins improved across the board – EBITDA to 31%, net profit margin to 13% and ROE to 12%.

The true test of growth is the internal change we make that brings out the best in us as individuals and as an organization.

There is no doubt that the growth we have experienced in 2017 reflects the wide range of approaches and practices that increased our operational competitiveness. Through our productivity agenda, we took conscientious steps to address the challenges we had in the past.

By improving our organizational structure and processes within our teams, we have effectively increased our connectivity and efficiency, which enabled us to act swiftly upon day-to-day weather conditions and on other business information. To put this in context, we experienced more rain in 2017 compared to 2016, 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 a tight control over operations. We did this by improving the



### GETTING BACK TO BALANCED GROWTH

monitoring and supervision of the port operations and grade control departments, the scheduling of LCT loading and the cooperation among contractors. It also helped that we have been disciplined in maintaining adequate stockpile which meant that we were able to drawdown from it during rainfall and continue our loading operations.

Nickel ore production significantly increased by 36% year-on-year, hitting 6.154 million WMT in 2017. In terms of product mix, we have produced 55% low-grade ores, 41%

medium-grade ores, and 1% high-grade ores, with rest being non-marketable grade ores and waste. The increase in ore production can be attributed to several factors, including increases in operating days (182 operating days, as compared to 158 operating days in 2016) and number of contractors (12 vs. 10 in 2016). Moreover, the implementation of advance developments and stripping activities in the previous year have facilitated the exposure of the ore body suitable for two-year mine production. Approximately

Investment opportunity in mining is largely dependent on two factors: the geological potential of the area and the favorable exploration climate.

Looking at our historical exploration, we have long established that the seven areas in our Cagdianao mine share a similar geological setting. These areas have rich nickel ore resources and some packets of other commodities such as limestone and chromite.

Armed with this baseline assessment, we have carried out an ongoing exploration program that started in 2014. Our resource estimates have evolved quite markedly since, despite



### BUILDING A PATHWAY TO THE FUTURE

our continuous ore extraction in two of the mine areas.

In 2017, we have drilled a total of 1,695 holes were at Cagdianao areas 1 to 4 with an aggregate meterage of 16,690 meters at 95.4% average core recovery at 9.85m average depth. In-fill and confirmatory drilling operations continued at Cagdianao 2 from January to May while drilling resumed at Cagdianao 3 by mid-February and continued until its completion by June. Drilling

recommenced at Cagdianao 4 by October for its in-fill, sanitation, and reconnaissance targets.

## 2017 CONTRIBUTIONS

**Php 102.4M**  
Excise Tax on Minerals

**Php 255.9M**  
Royalties (Mineral Reservation)

**Php 59M**  
IP Royalty Share

**Php 38M**  
Social Development and Management Program

**Php 104.6M**  
Environmental Protection and Enhancement Program

These exploration activities have increased our combined measured and indicated mineral resources at Cagdianao areas 1 to 5 by 3.846 million dry metric tons (DMT). As at 23 June 2017, mineral resources rose to 54.160 million DMT from 50.314 million DMT as at 30 June 2016. Average grade stood at 1.1% nickel and 31.4% iron. We have also expanded our reserves despite having shipped over 5 million WMT since June 2016. As at 23 June 2017, our combined proven and probable ore reserves were 36.3 million WMT with an average grade of 1.22% nickel and 31.7% iron.

These estimates are very encouraging as there are still four deposit areas where we need to advance our exploration campaign. These include Cagdianao areas 1 and 5 which we have yet to restart drilling activities and Cagdianao areas 6 and 7 which we have not surveyed yet. In view of this, our 2018 exploration program will focus on Cagdianao areas 1, 6, and 7, with further confirmatory drilling for Cagdianao 2 and 4 in order to raise our existing resource base and keep us firmly in a position of growth and strength.



Statement of Mineral Resources for Total Nickel as of 23 June 2017  
(Measured and Indicated)

Deposit	PMRC Classification	Quantity (Tonnes)	%Ni	%Fe	Dry Bulk Density
CAGA4 (as of 23 Jun 2017)	Measured	9,121,000	1.1	43.8	1.0
	Indicated	7,811,000	1.3	23.3	1.1
	<b>Subtotal</b>	<b>16,932,000</b>	<b>1.2</b>	<b>34.4</b>	<b>1.1</b>
CAGA2 (as of 23 Jun 2017)	Measured	8,209,000	1.2	25.8	1.3
	Indicated	5,326,000	1.1	29.3	1.3
	<b>Subtotal</b>	<b>13,535,000</b>	<b>1.1</b>	<b>27.1</b>	<b>1.3</b>
CAGA3 (as of 23 Jun 2017)	Measured	9,687,000	1.2	28.9	1.2
	Indicated	3,122,000	1.1	23.3	1.2
	<b>Subtotal</b>	<b>12,809,000</b>	<b>1.2</b>	<b>27.5</b>	<b>1.2</b>
CAGA1 (unmined)*	Measured	4,349,000	1.0	45.3	1.2
	Indicated	3,470,000	1.0	28.5	1.2
	<b>Subtotal</b>	<b>7,819,000</b>	<b>1.0</b>	<b>37.9</b>	<b>1.2</b>
CAGA5 (unmined)*	Measured	1,409,000	1.0	46	1.2
	Indicated	1,656,000	1.0	23.5	1.2
	<b>Subtotal</b>	<b>3,065,000</b>	<b>1.0</b>	<b>33.8</b>	<b>1.2</b>
<b>Total</b>	Measured	32,775,000	1.1	35.2	1.2
	Indicated	21,385,000	1.2	25.7	1.2
	<b>Total</b>	<b>54,160,000</b>	<b>1.1</b>	<b>31.4</b>	<b>1.2</b>

Statement of Ore Reserves of CAGA1 to CAGA5 as of 23 June 2017

Classification	Proven			Probable			Total		
	Material	WMT	%Ni %Fe	WMT	%Ni %Fe	WMT	%Ni %Fe	%Fe	
LGHF	12,701,968	0.92	49.08	2,941,272	0.92	48.98	15,643,240	0.92	49.07
LGMF	2,404,740	1.23	46.40	439,605	1.22	46.50	2,844,346	1.23	46.41
LGLF	3,091,363	1.27	14.34	2,547,974	1.26	12.01	5,639,337	1.26	13.29
MGMF	619,423	1.44	42.98	64,319	1.43	43.77	683,741	1.44	43.05
MGLF	4,487,540	1.48	13.08	3,193,322	1.48	12.24	7,680,862	1.48	12.73
HG	1,776,569	1.81	13.96	2,074,576	1.85	12.60	3,851,145	1.83	13.23
<b>Total</b>	<b>25,081,603</b>	<b>1.17</b>	<b>35.46</b>	<b>11,261,068</b>	<b>1.34</b>	<b>23.37</b>	<b>36,342,670</b>	<b>1.22</b>	<b>31.72</b>

## PRESIDENT'S REPORT

Mining is a temporary land use. As a company that recognizes the potential adverse impact that our activities have on the environment, we have continuously prioritized the installation of control measures alongside the rehabilitation of mining areas as part of our responsible mining ethos.

Since 2015, we have defined six sustainability measures that demonstrate how we are structured to reduce the environmental impact of our operations and contribute to sustainable development. These



measures are based upon the standards set out in International Organization for Standardization (ISO) 14001:2015 including energy, fuel, water, paper, used oil and waste.

In 2017, our approach has been centered on bringing awareness to our stakeholders. We have increasingly practiced conservation reminder campaigns such as water-saving signage, two-sided printing or copying and waste segregation at source.

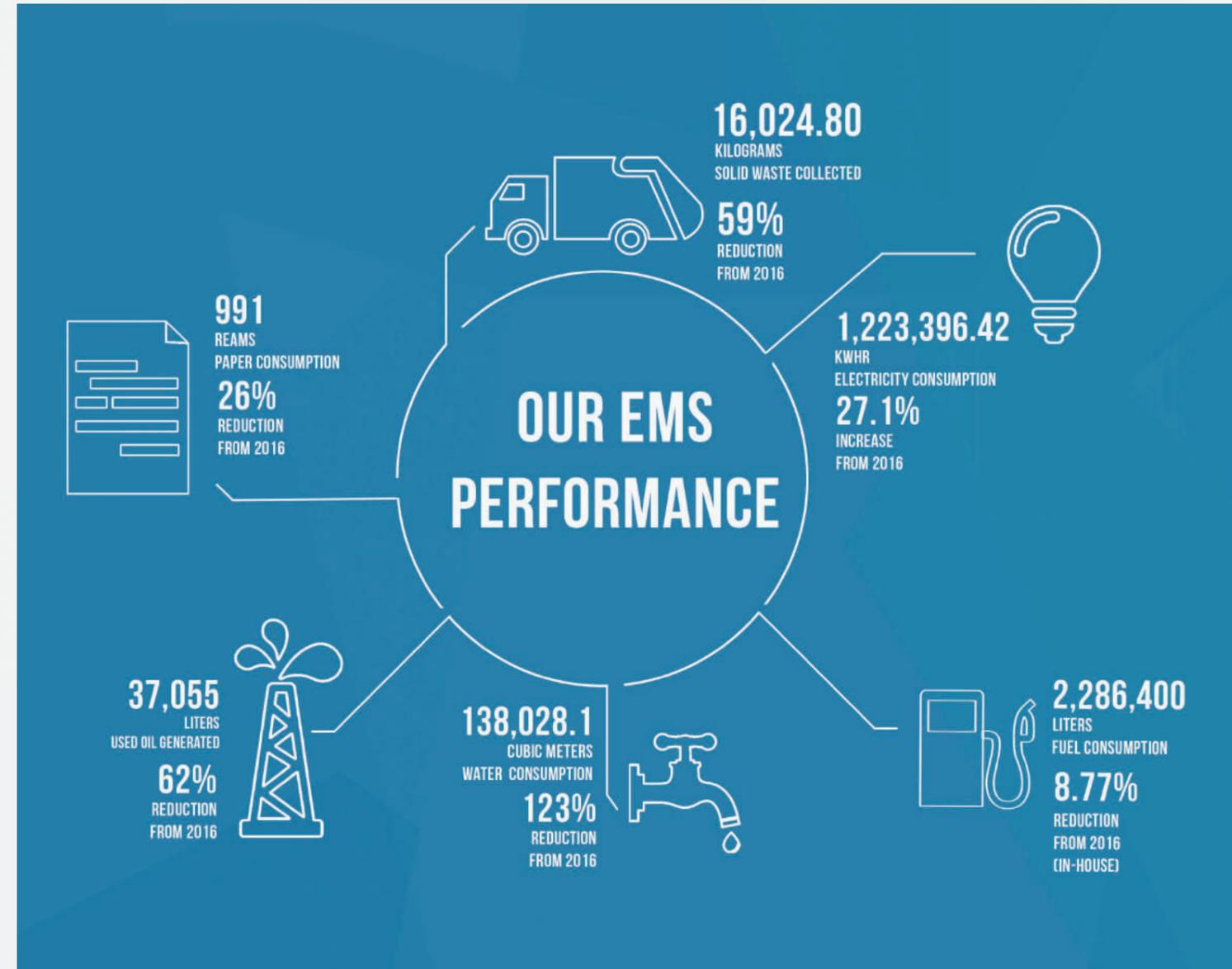
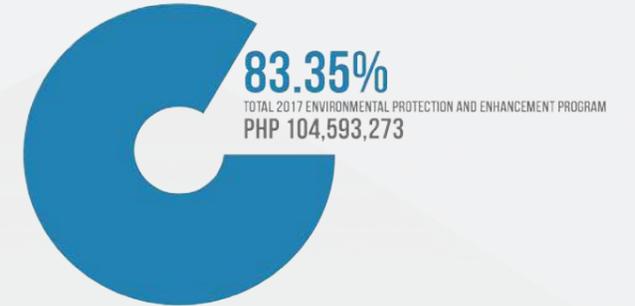
Some examples include:

- To tackle water usage, signage have been placed in sinks, toilets, car wash areas, and other applicable sites. Moreover, impounded water in siltation ponds has been recycled for use in watering/spraying road networks to suppress dust.
- For used oil generation, preventive maintenance service activities including periodic change of engine oils were closely monitored according to the set guidelines. All contractors have also been required to deposit generated waste engine oil our central waste storage facility for proper monitoring, transport, and treatment.
- For domestic waste generation, solid waste management program has been reinforced through recycling and segregation of waste at source, composting of biodegradable waste, and weekly inspection at the contractor's facilities;
- For paper consumption, technology has helped us migrate from paper- and manual-based processes to electronic format. This includes the roll-out of our human resource information system, and electronic submission of select government reports including Adopt-a-river Program, Self-monitoring Report, and Compliance Monitoring Report). Advocacy campaigns also included reuse of paper for printing of memos and draft letters.



## PRESIDENT'S REPORT

These mechanisms are well underway and have already produced tangible results. More importantly, we are seeing improvements towards behavioral goal achievement among employees and contractors. We report the results of our Environmental Management System (EMS) performance on this page.



Another way in which we have challenged ourselves on environmental matters is by aligning our Annual Environmental Protection and Enhancement Program (AEPEP) to the priority areas of local authorities. Mines and Geosciences Bureau (MGB) reported that some of the most common lapses of mining companies include:

- Inappropriate species selection for reforestation;
- Minimal/improper progressive rehabilitation of disturbed areas;
- Failure to implement effective topsoil management;
- Excessive dust generation in the active mining area and during hauling

Over the past year, we have spent P104.6 million on our AEPEP to address not only these observed gaps but also our commitments on land and water resources, and noise and air quality. Similarly, we have instituted programs focused on environmental monitoring, waste management, and research and trainings. As a result, we have achieved 98.3% of our physical targets and 83.3% of the total financial budget.

Of all the initiatives undertaken in 2017, land rehabilitation has been prioritized, receiving about P20.9 million or 20% of total planned expenses for environmental programs. Meanwhile, backfilling or re-shaping of mined-out areas was the single biggest activity at P12.2 million, as a large portion within Cagdianao area 2 has been declared mined-out and should undergo progressive rehabilitation.



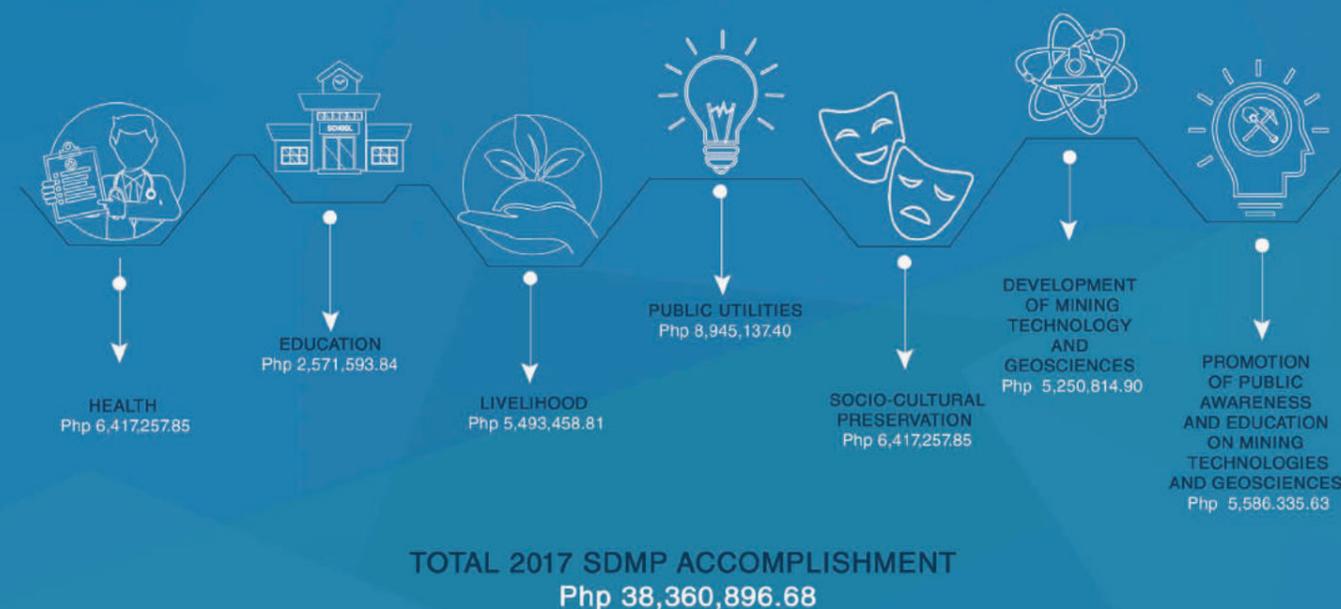
We remain committed to our shared value approach which enables us to operate as a trusted partner to our host communities in Claver, Surigao del Norte—supporting them to reach their own development goals.

For 2017, we have continued to implement programs to improve the health, education and livelihood status of the local residents of Cagdianao and Hayanggabon barangay communities, as well as improve public utilities and services and assist in socio-cultural



preservation. We have likewise maintained our activities aimed at promoting public awareness and education on mining technology and geosciences and advancing mining technology and geosciences by organizing training workshops and seminars. Overall, we have utilized a total of P38.4 million for the different programs, projects and activities – a sum that represents an 88% utilization of the annual budget for Social Development and Management Program (SDMP).

## SOCIAL DEVELOPMENT AND MANAGEMENT PROGRAM



**Health**

A healthy community is a productive community. When children and the youth are healthy, they can attend school and other activities that develop their skills and self-confidence. When adults are healthy, they can participate in and contribute to the local economy. Indeed, the positive impact in a community when the health needs of its members are met transcends provision of immediate relief and comfort.

In 2017, we have assisted a total of 190 families of our host and neighboring communities to gain access to PhilHealth insurance coverage, ensuring they can get the proper medical treatment they need when they need it. We have also ensured that medicines and vitamins were provided

to some 2,800 patients through our bi-weekly medical missions. During these missions, we have covered the incentives for community physician, midwives, and barangay health workers. And to secure the availability of ambulances in times of medical emergencies, we have supported the fuel and maintenance costs for ambulance vehicles of Barangay Cagdianao as well as the payment of incentives for ambulance drivers.

In preventing communicable diseases, it also makes the case for rethinking the communities' solid waste management programs. To this end, we have funded income- and employment-generation opportunities for garbage truck drivers and collectors to ensure that household garbage is regularly collected and properly disposed of.

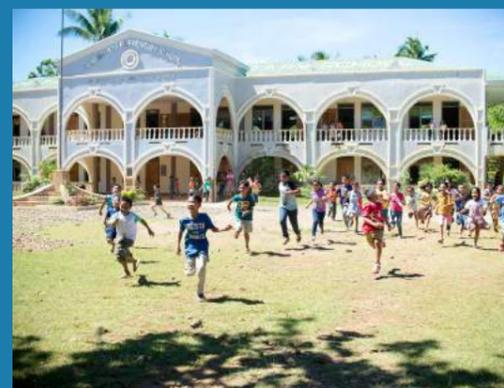


**Education**

Raising educational levels present unprecedented opportunities for achieving the future we want—a more productive, more educated workforce. That is why we have made education a cornerstone of our social development program.

We have made great strides in supporting the educational aspirations of the youth, especially those who are furthest behind. Each of the 89 college students with disabilities from barangay Hayanggabon has received P25,000 per semester to cover their tuition, board and lodging and other miscellaneous fees as well as some 24 college students from Barangay Cagdianao. We have coordinated with barangay officials to validate that all the recipients are deserving of the grants and we have closely monitored the scholars' progress to ensure that they have the best chance of completing their tertiary education.

In addition to scholarships and grants, we have maintained a holistic approach to supporting early child care and development and basic education services in our host communities. In 2017, in response to the needs identified by officials and community members, we have provided supplies and materials for Cagdianao Daycare Center and GK Sibol Day Care Center, both of which cater to a total of 125 pupils. We have also handed subsidies for five volunteer teachers in day care, high school and elementary school. In Barangay Cagdianao, we have distributed school bags to at least 380 elementary school students and provided subsidies for the school bus driver and covered the maintenance and fuel costs of the school bus to ensure that at least 210 students are safely transported from their homes to school and back.



**Skills**

Our partnership with the Technical Education and Skills Development Authority (TESDA) remains active with a total of 114 students in 2017 receiving specialized training courses that would enable them to gain critical skills to secure jobs or advance their careers. These young individuals have been trained on automotive mechanics, shielded metals arc welding, agriculture and livestock management, food processing and catering services.

We have also provided financial assistance to Barangay Cagdianao's Samahang Magsasaka for the establishment of their Agricultural and Livestock demonstration farm, to Gawad Kalinga's Association livelihood training program that benefited 60 households, and to designated fish wardens of the Cagdianao Fishermen Organization (CFO).

**Safety**

In addition to safeguarding our employees, we also extend our assistance to the communities we call home.

The PGMC Mine Rescue Team was created to be of service in cases of calamities and disasters. In 2017, the team has responded to rescue and relief operations after a 6.7 intensity earthquake struck the city and province of Surigao on February 10 and after a 6.5 intensity earthquake hit Ormoc City, Leyte on July 6.

The teams deployed to Surigao and Leyte coordinated with respective local governments and helped assess damages in affected areas, deliver and distribute relief goods to affected communities, deliver water to residents, and in Surigao, implement crowd control measures during the visit of President Rodrigo Duterte. Their efforts are a source of pride for the entire PGMC as they continue to live our mission of being a socially responsible company for the benefit of the nation.



No two employees are the same, but they are shaped by the values and culture that fuel an organization.

Towards the middle of 2017, we formally launched our core values to ensure we create a workplace that pushes us all to row in the same direction. Value workshops were held which provided useful context and insights on our conduct agenda. We also started conversations about taking these values as key factors in individual performance management and development programs. We intend to continue informal value formation activities in 2018.

As we outline a way forward that focuses on annual and long-term goals and metrics, we took the necessary steps to enhance our reward strategy, and retain and motivate key employees and top leadership.



On May 9, the Board of Directors and the Compensation Committee approved the Employee Stock Option Master Plan, a share-based compensation plan. They also authorized the First Tranche grant—comprised of 20 million option grants to be vested over three years at a strike price of P2.00 per share and 20 million stock grants to be granted over two years.

On December 27, the stock grant agreement in relation to the Employee Stock Option Master Plan was executed between the company and the grantees. A total of 10.1 million treasury FNI shares were granted to PGMC, then subsequently issued and awarded by PGMC to its employees as recognition for their past services. The stock grant has a lock-in period of two years from the date of grant where such shares may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of.



Looking into 2018, about 20 million WMT export quotas of nickel ore 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 export ban in Indonesia. There is also expectation of increased NPI supply from China and Indonesia.



MARKET  
OUTLOOK

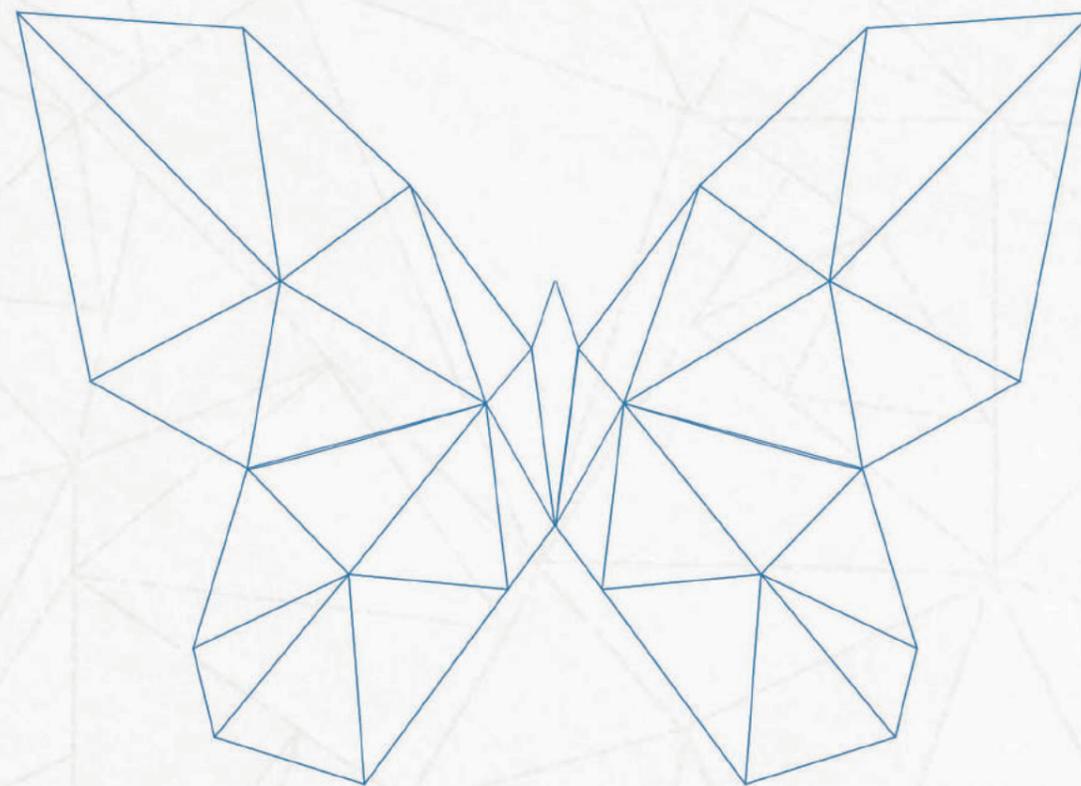
Recent trends concerning sanctions could also dramatically disrupt supply. Should U.S. sanctions extend to Russian metals producers which account for 9% of global nickel production, it could trigger supply tightness and sharp movement in prices.

In this context, World Bank forecasts nickel prices to remain an uptrend, rising by another 30% from 2017 to US\$13,500. This higher expectation reflects the risk of Russian sanctions

as well as growth in electric vehicle demand. Meanwhile, the International Nickel Study Group (INSG) has revised its 2018 deficit forecast to 117,000 tonnes from its previous assessment of 53,000 tonnes in October 2017.

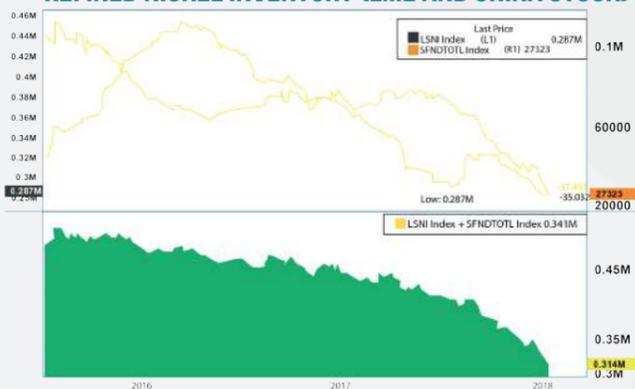
In medium- to long-term, laterite ores are expected to be the main source of pure nickel and new nickel units, as discovery and development of sulphide ores remain underinvested. This is because higher nickel prices are required to incentivize producers to expand existing facilities or look for new additional investments in nickel suitable for battery use.

Yet, there are other key factors affecting the supply. The impact there is to see what will be the result of the declining inventory of combined stocks at London and Shanghai markets. Total stocks at these two exchanges continued to fall to around 340,000 tonnes sometime in the second quarter of 2018 from a high of 500,000 tonnes in the first quarter of 2016. And, in particular, nickel stocks at LME have dropped every month since August 2017 and are now at their lowest level since June 2014.



**BOARD OF DIRECTORS  
AND  
MANAGEMENT TEAM**

REFINED NICKEL INVENTORY (LME AND CHINA STOCK)



CHINA LATERITE ORE INVENTORY



SOURCE: Bloomberg June 2018

# BOARD OF DIRECTORS



**JOSEPH C. SY**  
CHAIRMAN



**DAVID CHUA**  
VICE CHAIRMAN



**DANTE R. BRAVO**  
PRESIDENT

## Joseph C. Sy Chairman

Joseph Sy became Chairman of both the Company and PGMC on 6 August 2015 and 10 August 2015, respectively. Prior to this, he was appointed President of the Company on 29 August 2014 and had served as President of PGMC since 2011. Joseph is also a Director of the Ipilán Nickel Corporation, former Treasurer of the Philippine Nickel Industry Association (PNIA), and the Director of Mining for the Philippine Chamber of Commerce and Industry (PCCI). He has more than 16 years of experience in managing companies engaged in mining and mineral exploration and development. Mr. Sy studied management at the Far Eastern University Manila.

College; Lecturer for the Mandatory Continuing Legal Education Program of the Supreme Court; and Chief Political Affairs Officer of Congressman Narciso R. Bravo, Jr. He is currently the President of the Philippine Nickel Industry Association (PNIA). He is a Certified Public Accountant. He completed his Bachelor of Laws from San Beda College and his Bachelor of Accountancy from the University of Santo Tomas. He placed 10th in the 2001 Philippine Bar Examinations.

## Mary Belle D. Bituin Chief Finance Officer and Treasurer

Mary Belle Bituin became a Director of the Company on 22 October 2014, and Treasurer and CFO in January 2015. She was Vice President for Business Transformation at Globe Telecom where she worked since 1998. Ms. Bituin was an International Auditor at the Cooperative for Assistance and Relief Everywhere (CARE) in Atlanta, Georgia, USA, and prior to that was a Senior Auditor at SGV & Co. She is a Certified Public Accountant. Ms. Bituin completed her Bachelor of Science in Business Administration, major in Accounting, from the Philippine School of Business Administration, Manila, in 1988.



**MARY BELLE D. BITUIN**  
CHIEF FINANCE OFFICER  
TREASURER



**GU ZHI FANG**  
DIRECTOR



**DENNIS ALLAN T. ANG**  
DIRECTOR



**FRANCIS C. CHUA**  
DIRECTOR

## David Chua Vice Chairman

David Chua is the owner and chairman of Summit Investment Partners (SIP) whose principal activity is to invest proprietary capital in growth companies that are seeking to expand. He is also the Chairman of Travellers International Hotel Group, the developer and operator of Resorts World Manila. Previously, he was the President of Genting Hong Kong from 2007 to 2014 and held key management positions in various international securities companies in Malaysia, Singapore, and Hong Kong. Mr. Chua completed his Bachelor of Arts in Political Science & Economics from Carleton University in Canada.

## Gu Zhi Fang Director

Gu Zhi Fang became a Director of the Company on 22 October 2014. She has also been a Director and General Manager of Jiangsu Lianhua Paper of Wujiang, Jiangsu Province in China. Ms. Gu completed her degree in International Trade from Suzhou University in 1992.

## Dennis Allan T. Ang Director

Dennis Allan Ang became a Director of the Company on 10 August 2015. He is the Founder and President of Engagement, Inc., as well as the Founder of Full Metro Gear Corp. and is the Corporate Secretary of

## Dante R. Bravo President

Dante Bravo became President of both the Company and PGMC on 6 August 2015 and 10 August 2015, respectively. Previously, he held various positions of increasing authority in PGMC, including Corporate Secretary, Chief Finance Officer, and, ultimately, Executive Vice President from 2011 to 2014. He has more than 10 years of corporate management experience. Mr. Bravo served as Senior Associate and Director at SGV & Co.; Professor of Law at San Beda



**LUIS N. YU, JR.**  
DIRECTOR



**ROBERTO C. AMORES**  
INDEPENDENT DIRECTOR



**EDGARDO G. LACSON**  
INDEPENDENT DIRECTOR

# MANAGEMENT TEAM

Maxima Machineries. Mr. Ang occupied several key positions at the Asian Institute of Management from 2001 to 2006. He completed his Bachelor of Science in Management Information Systems from the Ateneo de Manila University in 1997 and obtained his Masters in Business Administration from the Asian Institute of Management in 2001.

## Francis C. Chua Director

Francis Chua became a Director of the Company on 22 October 2014. He is the Chairman of the Board of Negros Navigation/2Go and a Board of Director/Governor of the Philippine Stock Exchange. He is also the Founding Chairman of the International Chamber of Commerce Philippines (ICCP), Chairman Emeritus of the Philippine Chamber of Commerce and Industry, Inc. (PCCI), Chairman Emeritus of the Employers Confederation of the Philippines (ECOP), Honorary President of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. (FCCCII) and Honorary Consul General of the Republic of Peru in Manila. Mr. Chua also served as Special Envoy on Trade and Investments in China. He completed his Bachelor of Science in Industrial Engineering from the University of the Philippines in 1972 and received doctorate degrees in Humanities and Business Technology from the Central Luzon State University and the Eulogio Amang Rodriguez Institute of Science and Technology, respectively.

## Luis N. Yu, Jr. Director

Luis Yu is the Chairman Emeritus of 8990 Holdings, Inc. He was voted the 2016 Entrepreneur of the Year by the Cebu Chamber of Commerce and Industry (CCCI). Mr. Yu completed his Bachelor of Arts in Social Science from Velez College, Cebu City, in 1974 and obtained his Masters in Business Management from the Asian Institute of Management in 1977.

## Roberto C. Amores Independent Director

Roberto Amores became a Director of the Company on 17 March 2015. He has more than 30 years of corporate management experience. He is the Director for SME and Export Services and Committee Chairman for Agriculture at the Philippine Chamber of Commerce & Industry (PCCI), and a member of the Technical Advisory Group for the Agribusiness Office of Secretary Arthur C. Yap in the Department of Agriculture. Mr. Amores is also President of the Philippine Food Processors and Exporters Organization and is a Council Member and Trustee of the Export Development Council in the Philippine Department of Trade and Industry. He completed his Bachelor of Arts from the University of the Philippines in 1976.

## Edgardo G. Lacson Independent Director

Edgardo Lacson became a Director of the Company on 29 June 2016. Mr. Lacson is a Director of the Puregold Price Club, Inc. He is also a Trustee of De La Salle University, ADR Institute for Strategic and International Studies, and the Philippine Disaster Recovery Foundation. He is Chairman of the Employers Confederation of the Philippines. Mr. Lacson is the President of MIS Maritime Corporation, Safe Seas Shipping Agency, and Marine Industrial Supply Corporation. He is also a Trustee, Past President, and Honorary Chairman of the Philippine Chamber of Commerce and Industry. He was a Director of the Philippine Stock Exchange from 2011 to May 2018. He completed his Bachelor of Science in Commerce, major in Accountancy, from the De La Salle College.



**Dante R. Bravo**  
President

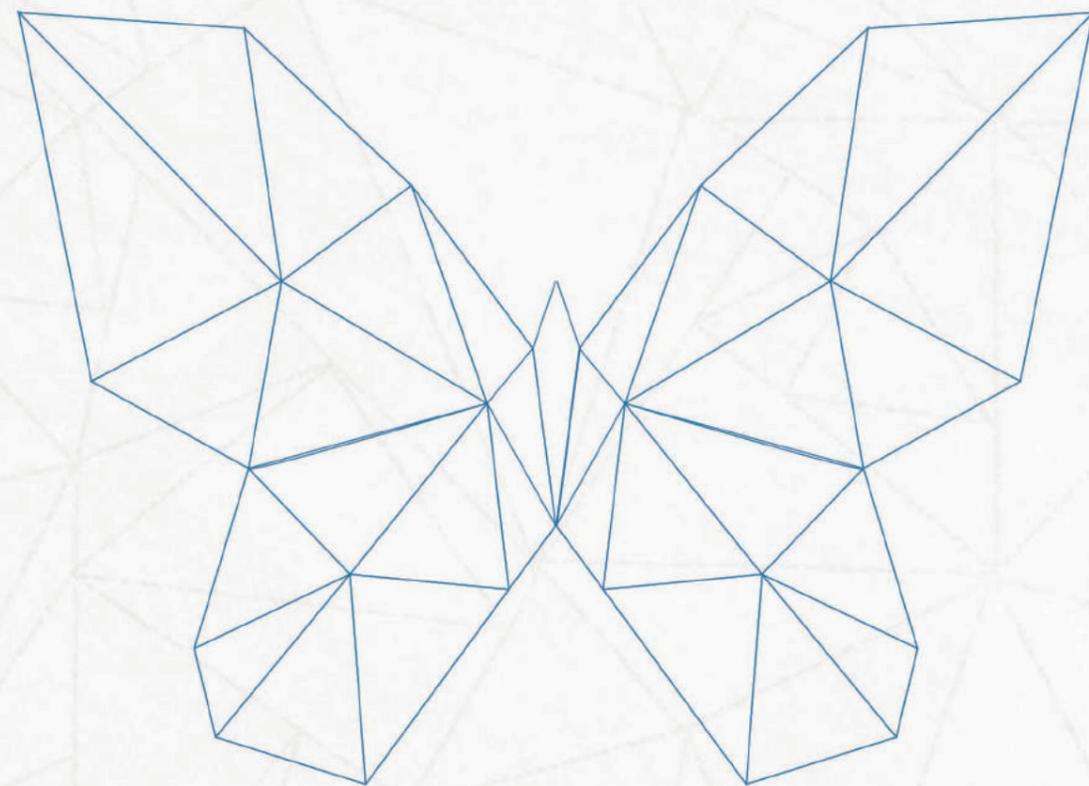
**Joseph C. Sy**  
Chairman

**Carlo A. Matilac**  
Senior Vice President  
for Operations

**Mary Belle D. Bituin**  
Chief Finance Officer

**Eveart Grace Pomarin-Claro**  
Assistant Corporate Secretary

**Noel B. Lazaro**  
Corporate Secretary/  
Senior Vice President for Legal  
and Regulatory Affairs



## FINANCIAL PERFORMANCE

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## FINANCIAL HIGHLIGHTS

	2017	2016	2015
Volume ('000 WMT)	5,970.6	4,308.6	5,351.8
Average realized price (US\$/WMT)	17.0	17.9	26.7
(in PHP millions, except per share amounts and ratios)			
Sale of Ore	5,815.6	3,773.7	6,533.2
Operating Income	1,110.8	210.9	1,256.0
Net Income	779.7	37.5	1,111.8
Earnings per Share	0.14	0.01	0.22
Current Ratio	2.04	1.63	1.50
Debt-to-Equity Ratio	0.41	0.44	0.39

Global Ferronickel Holdings, Inc. and  
Subsidiaries

Consolidated Financial Statements  
as at December 31, 2017 and 2016  
and for the Years Ended December 31, 2017,  
2016 and 2015

and

Independent Auditor's Report



A member firm of Ernst & Young Global Limited

Against the sea of change,  
we reflect on the ebb and flow  
of the challenges confronting  
the mineral industry —  
how and why they came about  
and what their consequences are.

Our fundamentals remain robust and  
our best practices are world-class.  
Industrialization continues,  
especially in emerging economies, and  
technological advances in  
sustainable transport are on the rise.  
The shift in the focus of  
mineral demand encourages  
stakeholders to now look at mining as a  
growth-oriented industry that can best  
serve social and environmental  
needs rather than a passive  
margin-based activity.

Our abiding faith as stewards  
of generations yet unborn, and  
our commitment to making  
mines work for men  
will continue to have a critical role  
in addressing climate change and  
improving standards of living.

We look on the bright side of things.

**Our future is our choice.**





## Global Ferronickel Holdings, Inc.

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