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**PROSPECTUS
PART 1 OF 2**



Global Ferronickel Holdings, Inc.

(Incorporated with limited liability in the Republic of the Philippines)

Primary Offer of **250,000,000** Common Shares at an
Offer Price of **₱2.07** per Offer Share

**To be listed and traded on the Main Board of
The Philippine Stock Exchange, Inc.**

Sole Underwriter and Issue Manager



Abacus Capital & Investment Corporation

The date of this Prospectus is June 26, 2018

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.



Global Ferronickel Holdings, Inc.

**7th Floor, Corporate Business Center
151 Paseo De Roxas corner Arnaiz St.
Makati City, Metro Manila, Philippines
Telephone Number: (632) 519 7888
Corporate Website: www.gfni.com.ph**

This Prospectus relates to the offer and sale of 250,000,000 common shares at an Offer Price¹ of ₱2.07, with a par value of ₱1.05 per share, of FNI. The Offer Shares will comprise 250,000,000 new Shares to be issued and offered by the Company by way of a primary offer.

Pursuant to its latest amended articles of incorporation, approved by the SEC on November 07, 2016, the Company has an authorized capital stock of ₱12,555,020,001.30 divided into 11,957,161,906 Shares with a par value of ₱1.05 per share, of which 5,368,778,399 Shares are outstanding as of June 25, 2018. The Offer Period will be from July 09, 2018 to July 13, 2018.

The Offer Shares will be offered at a price of ₱2.07 per Offer Share. The determination of the Offer Price is further discussed on page 78 of this Prospectus. A total of 5,618,778,399 common shares will be outstanding after the Offer. The Offer Shares will comprise 4.66% of the outstanding Shares after the Offer.

The total proceeds to be raised by the Company from the sale of the Offer Shares will be ₱517.5 million. The estimated net proceeds to be raised by the Company from the sale of the Offer Shares (after deducting fees and expenses payable by the Company of approximately ₱36.9 million) will be approximately ₱480.6 million. The Company intends to use the proceeds it receives from the Offer for the partial payment of the outstanding loan of its subsidiary, PGMC, from the TCB. For a detailed discussion on the proceeds from the Offer and the Company's proposed use of proceeds, please see "Use of Proceeds" beginning on page 74 of this Prospectus.

The Sole Underwriter will receive a transaction fee from the Company equivalent to 1.5% of the gross proceeds from the sale of the Offer Shares (as defined below), inclusive of the amounts to be paid to the PSE Trading Participants. For a more detailed discussion on the fees to be received by the Sole Underwriter, see "Plan of Distribution" beginning on page 275 of this Prospectus.

¹ All succeeding capitalized terms are defined in the Glossary of Terms of this Prospectus.

Each holder of the Shares will be entitled to such dividends as may be declared by the Company's Board of Directors (the "Board"), provided that any stock dividend declaration requires the approval of shareholders holding at least two-thirds (2/3) of the Company's total outstanding capital stock. *Batas Pambansa Blg. 68*, otherwise known as the Corporation Code of the Philippines (the "Philippine Corporation Code"), has defined "outstanding capital stock" as the total shares of stock issued, whether paid in full or not, except treasury shares. Dividends may be declared only from the Company's Unrestricted Retained Earnings. Both the Company's and PGMC's current dividend policies provide that at least 20.0% of the Unrestricted Retained Earnings of the Company and PGMC, respectively, for the preceding fiscal year will be declared as dividends. See "Dividends and Dividend Policy."

The Offer Shares are being offered and sold by the Company at the Offer Price in the Philippines. The Sole Underwriter will distribute 200,000,000 Offer Shares (or 80.0% of the Total Offer Shares) to its institutional or retail clients and the general investing public.

Pursuant to the rules of The Philippine Stock Exchange, Inc. ("PSE"), the Company will make available 50,000,000 Offer Shares (or 20.0% of the total Offer Shares) for distribution to the Trading Participants of the PSE. Any Offer Shares allocated to the PSE Trading Participants but not taken up by them, will be distributed by the Sole Underwriter to its institutional or retail clients or the general public. Any Offer Shares not taken up by the Sole Underwriter's institutional or retail clients or the general public shall be purchased by the Sole Underwriter.

All of the Shares issued and to be issued or sold pursuant to the Offer have identical rights and privileges. The Shares may be owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits under Philippine law. The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in certain activities. Because the Company is engaged in resource exploitation and mining activities, its foreign shareholdings may not exceed 40.0% of its issued and outstanding capital stock entitled to vote, and 40.0% of its total issued and outstanding capital stock, whether or not entitled to vote. See "Philippine Foreign Exchange and Foreign Ownership Controls."

The Sole Underwriter will underwrite, on a firm commitment basis, the Offer Shares relating to the Offer in the Philippines.

As of the date of this Prospectus, the Company and its subsidiary, PGMC, possess all required permits and licenses for its current businesses and/or have applied for the renewal of said permits and licenses. Neither the Company nor PGMC has received any decision or order from the Government for the cessation or suspension of its businesses as of the date of this Prospectus.

The information contained in this Prospectus relating to the Company and its operations has been supplied by the Company, unless otherwise stated herein. To the best of its knowledge and belief, the Company, which has taken reasonable care to ensure that such is the case, confirms that, as of the date of this Prospectus, the information contained in this Prospectus relating to it and its operations is correct, and that there is no material misstatement or omission of fact that will make any statement in this Prospectus misleading in any material respect and that the Company hereby accepts full and sole responsibility for the accuracy of the information contained in this Prospectus with respect to the same.

The Company and the Sole Underwriter have exercised due diligence in ascertaining that all material representations contained in this Prospectus are true and correct and that no material information was omitted that was necessary in order to make the statements contained in said documents not misleading.

Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date.

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Shares. These risks include:

- risks relating to the Company's existing business and industry;
- risks relating to the INC Mine (as defined in "Glossaries of Terms – Glossary of Other Terms and Abbreviations");
- risks relating to the Philippines; and
- risks relating to the Offer and the Offer Shares.

Please refer to the section entitled "Risk Factors" beginning on page 31 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares.

The Shares are (and, upon close of the Offer, the Offer Shares will be) listed on the PSE under the trading symbol "FNI." On June 25, 2018, the closing price of the Shares on the PSE was ₱2.24. The Offer Price was determined by the Company and the Sole Underwriter through a book-building process and not by reference to the historical trading price of the Shares on the PSE. Investors should not rely on the historical market price of the Shares on the PSE as an indicator of the value of the Shares. See "Determination of the Offer Price."

The SEC and the PSE assume no responsibility for the correctness of any statements made or opinions expressed in this Prospectus. The SEC and the PSE make no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Prospectus. Such approval for listing is permissive only and does not constitute a recommendation or endorsement of the Offer Shares by the PSE or SEC.

An application has been made to the SEC to register the Offer Shares under the provisions of the SRC.

The Offer Shares are offered subject to receipt and acceptance of any order by the Company and subject to its right to reject any order in whole or in part. It is expected that the Offer Shares will be delivered in book-entry form against payment to the PDTC on or about July 20, 2018.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CURRENT.

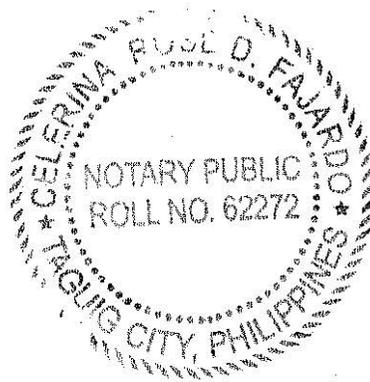
GLOBAL FERRONICKEL HOLDINGS, INC.

By:


ATTY. DANTE R. BRAVO
President

SUBSCRIBED AND SWORN to before me this 26th day of June 2018, affiant exhibiting to me his PUSPOT FC0013468 issued on _____ at _____ and _____ issued on _____ at _____.

Doc. No. 128
Book No. 27
Page No. 11
Series of 2018




CELERINA ROSE D. FAJARDO
Notary Public for Taguig City
Until December 31, 2018
PTR No. A-3695153; 01/05/2018 – TAGUIG CITY
IBF Lifetime Member No. 011760 – Quezon City Chapter
Appointment / Commission No. 48 (2017-2018)
Roll No. 62272
Angara Abello Concepcion Regala & Cruz Law Offices
22/F ACCRALAW Tower
Second Avenue corner 30th St., Crescent Park West,
Bonifacio Global City, 1635 Taguig, Metro Manila
MCLB Compliance No. V-0019760; 03/14/2016

THE OFFER SHARES ARE BEING OFFERED IN THE PHILIPPINES ON THE BASIS OF THIS PROSPECTUS ONLY. ANY DECISION TO PURCHASE THE OFFER SHARES IN THE PHILIPPINES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.

The Offer Shares have not been and will not be registered under the U.S. Securities Act. The Offer Shares may be subject to certain transfer restrictions as described herein.

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company and the Sole Underwriter. This Prospectus does not constitute an offer to sell or the solicitation of an offer to purchase any securities other than the Offer Shares or an offer to sell or the solicitation of an offer to purchase such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale of the Offer Shares offered hereby shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

The operating information used throughout this Prospectus has been calculated by the Company on the basis of certain assumptions made by it. As a result, this operating information may not be comparable to similar operating information reported by other companies.

The distribution of this Prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. The Company and the Sole Underwriter require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. Each prospective purchaser of the Offer Shares must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or resells the Offer Shares or possesses and distributes this Prospectus and must obtain any consents, approvals or permissions required for the purchase, offer, sale or resale by it of the Offer Shares under the laws, rules and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales, or resales, and none of the Company and the Sole Underwriter shall have any responsibility therefor.

The Company reserves the right to withdraw the offer and sale of the Offer Shares at any time, and the Sole Underwriter reserves the right to reject any commitment to subscribe for the Offer Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, the Company shall subsequently notify the SEC and the PSE. The Sole Underwriter and certain related entities may acquire for their own account a portion of the Offer Shares.

Each offeree of the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing.

Conventions that Apply to this Prospectus

In this Prospectus, unless otherwise specified or the context otherwise requires, all references to the “Group,” “we,” “our,” or “us” are to the Issuer and its subsidiaries (or the Issuer and any one or more of its subsidiaries, as the context may require). All references to the “Philippines” are references to the Republic of the Philippines. All references to the “Government” are to the national government of the Philippines. All references to the “BSP” are references to *Bangko Sentral ng Pilipinas*, the central bank of the Philippines. All references to “United States” or “U.S.” are to the United States of America. All references to “Philippine Peso,” “Pesos” and “₱” are to the lawful currency of the Philippines, and all references to “U.S. dollars” and “US\$” are to the lawful currency of the United States. The Company publishes its financial statements in Pesos.

This Prospectus contains translations of certain Peso amounts into U.S. dollar amounts at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Peso amounts represent such U.S. dollar amounts or could be, or could have been, converted into U.S. dollars at the rates indicated or at all. Unless otherwise indicated, all translations from Pesos to U.S. dollars have been made at a rate of ₱49.813 = US\$1.00 for December 29, 2016 amounts and ₱49.923= US\$1.00 for December 29, 2017 amounts, the rates obtained from the BSP. See “Exchange Rates” for further information regarding the rates of exchange between the Peso and the U.S. dollar.

The items expressed in the Glossary of Terms may be defined otherwise by appropriate government agencies or regulations from time to time, or by conventional or industry usage.

Cautionary Note Regarding Reserves and Resources

Information contained in this Prospectus relating to estimates of our ore reserves and mineral resources at the Cagdianao nickel project was prepared by the competent persons identified as such in the PMRC CAGA Report. For more information on these estimates, see the PMRC CAGA Report attached hereto as Annex “A”. Information contained in this Prospectus relating to estimates of ore reserves and mineral resources at the INC Mine was also prepared by the competent persons identified as such in the PMRC INC Report. Unless otherwise stated herein, our nickel ore reserves and mineral resources reported in this Prospectus, have been estimated in accordance with the PMRC. Our nickel ore reserves and mineral resources reported under the heading “Business—Ore Reserves and Mineral Resources—PMRC,” in the PMRC CAGA Report and PMRC INC Report have been estimated in accordance with the PMRC. The PMRC has been adopted by the PSE as the minimum reporting standard for listed mining companies in the Philippines. See “Risk Factors—Risks Related to Our Existing Business and Industry.” Our reserve and resource estimates may not accurately reflect our nickel deposits, and inaccuracies or future reductions in our reserve or resource estimates could have an adverse impact on our business, results of operations, and financial condition, see “Business —Mineral Resources and Ore Reserves”

The differences between reserves and resources are more fully described under “Business — Mineral Resources and Ore Reserves.” However, you should be aware that the reserves we declare are estimates of the ore that we believe we will be able to profitably mine taking into

account the economic, legal, and technical factors in its extraction and sale, while the resources classification is primarily based on geological factors (although such a declaration implies that there are reasonable prospects for the eventual economic extraction of the resource). However, such classifications are not forecasts of future profitability and you should not assume that we will in fact be able to profitably extract the reserves and resources estimated in this Prospectus, particularly that portion of the estimated resources identified as “inferred resources”. When reserves and resources are reported under the PMRC, the ore reserve figures (tonnage and grade) are included within the mineral resource figures (tonnage and grade).

Estimates of ore reserves and mineral resources depend significantly on the interpretation of geological data obtained from drill holes and other sampling techniques, which is extrapolated to produce estimates of the size, shape, depth and grade of ore bodies. In addition, to calculate our reserves, we make estimates and assumptions regarding a number of economic and technical factors, such as production rates, grades, production and transport costs and prices. These economic and technical estimates and assumptions may change in the future in ways that affect the quality and quantity of our reserves. We generate additional geological data as we mine, which may not be consistent with the data on which we based our reserves and resources estimates, resulting in changes to those estimates. No assurance can be given that the reserves and resources presented in this Prospectus will be recovered at the quality or yield presented.

Basis for Certain Industry Data

Certain statistical information and forecasts in this Prospectus relating to the Philippines and other data used in this Prospectus has been extracted from various sources, most of which are publicly available. The industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, industry forecasts, market research, governmental data, publicly available information, and/or industry publications, while believed to be reliable, have not been independently verified, and neither the Company nor the Sole Underwriter make any representation as to the accuracy of such information.

Certain other market data and certain other industry forecasts used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts, and market research, while believed to be reliable, have not been independently verified, and neither the Company nor the Sole Underwriter make any representation as to the accuracy of such information.

Metric Equivalent Table

This Prospectus presents measurements in metric units. The table below shows the applicable calculations for converting imperial measurement units to metric units.

Imperial Measurement	Multiply by	To Metric Measurement
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Units

Tons

1.1023

Units

Tonnes

Presentation of Financial Information

The Company's financial statements are reported in Pesos and are prepared based on its accounting policies, which are in accordance with the PFRS issued by the Financial Reporting Standards Council of the Philippines.

The financial information of the Company for the years ended December 31, 2015, 2016, and 2017 represent the historical accounts of the Company on a consolidated basis. Unless otherwise stated, all financial information relating to the Company contained herein is stated in accordance with PFRS.

SGV, a member firm of Ernst & Young Global Limited, has audited and rendered an unqualified audit report on the Company's audited financial statements for the years December 31, 2015, 2016, and 2017.

Certain production and shipment data shown in this Prospectus is shown using a calendar year ended December 31, which is in line with the Company's mine plan and the mining season, which runs from April to October of each year.

In this Prospectus, references to "EBITDA" are to gross profit less operating expenses plus depreciation, depletion, and amortization. EBITDA is not a measure of performance under IFRS or PFRS, and investors should not consider EBITDA in isolation or as alternatives to net profit as an indicator of the Company's operating performance or to cash flow from operating, investing, and financing activities as a measure of liquidity or any other measures of performance under PFRS. Because there are various EBITDA calculation methods, the Company's presentation of these measures may not be comparable to similarly titled measures used by other companies.

Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures that totals may not be an arithmetic aggregate of their components.

Forward-Looking Statements

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- business prospects (including the timing and development of new deposits and the success of exploration activities);
- uncertainties and other factors that may cause the Company's actual results, performance, or achievements to be materially different from expected future results; and
- performance or achievements expressed or implied by forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance, or achievements to differ materially from those in the forward-looking statements include, among other things:

- changes in policies and guidelines of the National Government of the Philippines and other regulators which may affect the mining industry in general;
- erroneous interpretation and implementation of the laws by the regulators;
- nickel prices and fluctuations in supply and demand for nickel;
- disruption of the weather cycle when it is viable to conduct mining operations; the Company's ability to obtain, sustain or renew agreements, permits, licenses and approvals necessary for our operations;
- cancellation of MPSA and land access agreements; declaration of one of our mining sites as sacred ground by the NCIP;
- lack of a spot market for nickel ore; our largest shareholder, being subjected to various complaints questioning his Filipino citizenship;
- reserve and resource estimates, production estimates, and replacement of our reserves through acquisitions and exploration and development activities;
- competition in acquiring additional mineral resources and in selling nickel ore;
- new mining activities that we may engage in;
- the Company's ability to successfully complete the acquisition and operation of INC;
- the Company's ability to successfully integrate the INC Mine into its operations;
- political and other risks associated with our operations in the Philippines;
- operational and environmental risks and opposition from environmental advocates;
- decommissioning and rehabilitation estimates;
- the Company's ability to successfully implement its current and future strategies, including project design, customer targeting, expansion plans, operations, or other capital expenditure plans;
- the Company's ability to anticipate and respond to local and regional trends, including demand for minerals the Company may offer;
- the Company's ability to successfully manage its future business, financial condition, results of operations, and cash flow;
- the Company's ability to secure additional financing and manage its capital structure and dividend policy;
- unscheduled shut-downs of our customers' processing plants;
- our ability to attract and retain qualified personnel;
- fluctuations in commodity prices;
- general political, social, and economic conditions in the Philippines;
- regional geopolitical dynamics involving the Philippines and/or its neighbors;
- the total lifting of the export ban on nickel ore by the Indonesian government;
- the condition of and changes in the Philippine, Asian, or global economies;
- changes in interest rates, inflation rates, and the value of the Peso against the U.S. dollar and other currencies;
- changes to the laws, regulations, and policies applicable to or affecting the Company, including changes to laws, regulations, and policies relating to the mining industry (such as, but not limited to nationality restrictions on mining) and taxation of mining revenues and/or profits;
- legal or regulatory proceedings in which the Company is or may become involved;

- uncontrollable events, such as war, civil unrest, or acts of international or domestic terrorism, the outbreak of contagious diseases, accidents, and natural disasters;
- price volatility of our Shares; and
- development of an active market for our Shares.

Additional factors that could cause the Company's actual results, performance, or achievements to differ materially from forward-looking statements include, but are not limited to, those disclosed under "Risk Factors" and elsewhere in this Prospectus. These forward-looking statements speak only as of the date of this Prospectus. The Company and the Sole Underwriter expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based.

This Prospectus includes statements regarding the Company's expectations and projections for future operating performance and business prospects. The words "believe," "plan," "expect," "anticipate," "estimate," "project," "intend," "seek," "target," "aim," "may," "might," "will," "would," "could," and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. Statements in this Prospectus as to the opinions, beliefs and intentions of the Company accurately reflect in all material respects the opinions, beliefs and intentions of its management as to such matters as of the date of this Prospectus, although the Company gives no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section "Risk Factors" and elsewhere, important factors that could cause actual results to differ materially from the Company's expectations.

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GLOSSARIES OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms have the meanings set out below.

Glossary of Terms Related to the Offer

Application.....	An application to subscribe for Offer Shares pursuant to the Offer
Banking Day.....	A day, other than a Saturday or Sunday, on which banks are open for business in Makati City, Metro Manila
BI.....	Bureau of Immigration
BIR.....	Philippine Bureau of Internal Revenue
Board.....	Our Board of Directors
BSP.....	<i>Bangko Sentral ng Pilipinas</i> , the central bank of the Philippines
BSP Rate.....	The weighted average rate for a specific date for the purchase of U.S. dollars with Pesos
Company or FNI or Issuer.....	Global Ferronickel Holdings, Inc.
DOJ.....	Department of Justice
DOLE.....	Department of Labor and Employment
EMB.....	Environmental Management Bureau
Financial Advisor to the Issuer or SCCM.....	Soochow Securities Capital Markets (SEA) Private Limited
Group or We or Us.....	The Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
Government.....	The Government of the Republic of the Philippines
IFRS.....	International Financial Reporting Standards
IPRA.....	Indigenous People's Rights Act
Issue Manager.....	Abacus Capital and Investment Corporation

Listing Date.....	The date, expected to be on or about July 20, 2018, on which the Offer Shares are listed and from which dealings therein are permitted to take place on the PSE
Main Board.....	The Main Board of The Philippine Stock Exchange
MPO.....	Minimum Public Ownership
NBI.....	National Bureau of Investigation
NCIP.....	National Commission on Indigenous People
Offer.....	The offer and sale of 250,000,000 common shares by the Company
Offer Period.....	The period commencing at 9:00 a.m., Manila time, on July 09, 2018 and ending at 12:00 p.m., Manila time, on July 13, 2018, unless extended by agreement between the Company and the Sole Underwriter with the approval of the SEC and the PSE.
Offer Shares.....	250,000,000 common shares
PCD.....	Philippine Central Depository
PCNC.....	PCD Nominee Corporation
PCSD.....	Palawan Council for Sustainable Development
PDS.....	The Philippine Dealing System
PDTC.....	The Philippine Depository & Trust Corp., the central securities depository of, among others, securities listed, and traded on the PSE
Peso, Pesos, or ₱.....	The lawful currency of the Philippines
PFRS.....	Philippine Financial Reporting Standards
Philippine Constitution or Constitution.....	The 1987 Constitution of the Republic of the Philippines
Philippine Corporation Code.....	Batas Pambansa Blg. 68, otherwise known as “The Corporation Code of the Philippines”
Philippine National.....	As defined under Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of the Philippines, means a citizen of the Philippines, or a domestic partnership or association wholly owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which

at least 60.0% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Philippine Corporation Code, of which 100.0% of the capital stock outstanding and entitled to vote is wholly owned by citizens of the Philippines or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60.0% of the funds will accrue to the benefit of Philippine Nationals.

Philippines.....	Republic of the Philippines
PMRC.....	The Philippine Mineral Reporting Code
PMRC CAGA Report.....	Technical report on the Cagdianao Mine as of June 23, 2017, prepared by Mr. Edgardo G. Garcia (Competent Person) dated October 15, 2017 in accordance with the PMRC
PMRC INC Report.....	Technical report on the INC Mine as of October 03, 2014, prepared by Mr. Edgardo G. Garcia (Competent Person) dated October 14, 2014 in accordance with the PMRC
PSE.....	The Philippine Stock Exchange, Inc.
PSE Trading Participants.....	The trading participants of the PSE in the Philippines
Receiving Agent.....	Stock Transfer Service, Inc.
SCCP	Securities Clearing Corporation of the Philippines
SEC.....	The Securities and Exchange Commission of the Philippines
SGV.....	SyCip Gorres Velayo & Co., a member firm of Ernst & Young Global Limited
Shares.....	Our shares of common stock, with a par value ₱1.05 per share
Sole Underwriter.....	Abacus Capital and Investment Corporation
SRC.....	Republic Act No. 8799, otherwise known as “The Securities Regulation Code of the Philippines,” as amended from time to time, and including the rules and regulations issued thereunder

Subsidiary.....	A company in which the Company owns, directly or indirectly, at least a majority of the outstanding capital stock
TRAIN Act.....	Republic Act No. 10963, otherwise known as the “Tax Reform for Acceleration and Inclusion, which envisions to correct a number of deficiencies in the tax system to make it simpler, fairer, and more efficient, characterized by low rates on a broader base.
Underwriting Agreement.....	Agreement dated June 25, 2018 between the Company and the Sole Underwriter
United States or U.S.....	The United States of America
US\$ or U.S. dollar.....	The lawful currency of the United States of America
USGS.....	U.S. Geological Survey, a scientific agency of the United States government. It is a fact finding research organization with no regulatory responsibility. Its major science disciplines include biology, geography, geology, and hydrology.
Unrestricted Retained Earnings.....	The amount of accumulated profits and gains realized out of the normal and continuous operations of the Company after deducting therefrom distributions to stockholders and transfers to capital stock or other accounts, and which is: (a) not appropriated by the Board of Directors for corporate expansion projects or programs; (b) not covered by a restriction for dividend declaration under a loan agreement; and (c) not required to be retained under special circumstances obtaining in the corporation such as when there is a need for a special reserve for probable contingencies.
VAT.....	Value-added tax

Glossary of Other Terms and Abbreviations

200 Series, 300 Series.....	Categories of stainless steel products
4K.....	4K Development Corporation, a corporation organized under the laws of the Philippines
AAB.....	Authorized Agent Bank
Aguilo.....	Aguilo Builders
Anseca.....	Anseca Development Corporation
assay.....	The chemical analysis of mineral samples to

	determine their metal content
ATB.....	Amsterdam Trade Bank N.V.
basalt.....	A dark brown or green igneous rock, formed by the cooling and solidification of molten lava on or near the Earth's surface
Baiyin.....	Baiyin Nonferrous Group Company Limited
BDO.....	BDO Unibank, Inc.
beneficiate.....	A process whereby extracted ore from mining is reduced to particles that can be separated into mineral and waste, the former being suitable for further processing or direct use.
BTTPI.....	Best Trucking and Transport Phil., Inc.
BNVI.....	Brooks Nickel Ventures, Inc.
CAFGU.....	Citizen Armed Force Geographical Unit
CAGA Mine or Cagdianao Mine.....	A mine located at Cagdianao, Claver, Surigao del Norte, the Philippines
CCCS.....	Central Clearing and Central Settlement
CEO.....	Chief Executive Officer
CIDG.....	Criminal Investigation and Detection Group
CKDI.....	Cagdianao Konstruct Development, Incorporated
CLNMI.....	Cagdianao Lateritic Nickel Mining, Inc.
CME.....	China Media Express Holdings, Inc.
CMDC.....	Case Mining and Development Corporation, a corporation organized under the laws of the Philippines (formerly known as Case Construction and Development Corporation)
CNMEC.....	Celestial Nickel Mining Exploration Corporation
Co.....	Cobalt
contained nickel.....	The amount of nickel contained in a given quantity of nickel ore
Cretaceous.....	Of or relating to the last period of the Mesozoic era of geologic time, lasting from approximately 144 to 66

	million years ago
CTB.....	CTB Engineering Construction
CTPCMC.....	CTP Construction and Mining Corporation
DENR.....	Department of Environment and Natural Resources of the Philippines
dilution.....	Waste, which is unavoidably mined with ore
DMT.....	Dry metric ton
DSO.....	Direct shipped ore
DSRA.....	Debt service reserve account
ECAN.....	Environmentally-Critical Areas Network
ECC.....	Environmental Compliance Certificate
EPEP.....	The Environmental Protection and Enhancement Program
ETF.....	Exchange Traded Funds
fault.....	The surface of a fracture along which movement has occurred
Fe.....	Iron
FeNi.....	Ferronickel - alloy containing nickel and iron—approximately 35.0% nickel and 65.0% iron
FMRDF	Final Mine Rehabilitation and/or Decommissioning Fund
FMRDP.....	Final Mine Rehabilitation and/or Decommissioning Plan
FOB.....	Free on board
FRASEC.....	Frasec Ventures Corporation
FRI.....	Ferrochrome Resources, Inc.
FTAA.....	Financial or technical assistance agreement
gabbro.....	A coarse-grained intrusive igneous rock composed of greenish- white feldspar and pyroxene
GMORI.....	GHGC Metallic Ore Resources, Inc.

grade.....	The measure of concentration of metal within mineralized rock
GSP.....	Geological Society of the Philippines
HG.....	High grade
igneous rock.....	Primary crystalline rock formed by the solidification of magma
INC.....	Ipilan Nickel Corporation
INC Mine.....	Ipilan Nickel Project in Palawan
IPM.....	IPM Construction and Development Corporation
JLEC.....	JL Earthmoving Corporation
JLI.....	JSY6677 Landholdings Inc.
kT.....	Kiloton, equal to 1,000 tons
Landstar.....	Landstar Earthmoving Corporation
laterite.....	A red-colored soil rich in iron and clay, originally formed by the deep weathering of bedrock in tropical and subtropical regions and containing a mixture of hydrated iron and aluminum oxides. As used in this Prospectus, the term includes both limonite and saprolite.
LCT.....	Landing Craft Transport. A welded steel vessel designed for direct on-the-beach loading and unloading. Equipped with a bow ramp, the bottom is especially designed for beaching—docking facilities are not required.
LGHF.....	Low grade high iron
LGLF.....	Low grade low iron
LGMF.....	Low grade medium iron
limonite.....	Limonite is a widespread and common hydrated iron oxide mineral having no crystalline form, containing variable amounts of water and representing the product of a very advanced alteration process. As used in this Prospectus, limonite generally has 20.0% or greater iron content. We classify our limonite ore as high grade limonite ore, containing 1.4% to 1.5% nickel and low grade limonite ore, containing 0.9% to

	1.3% nickel.
LME.....	London Metal Exchange, a futures exchange having the world's largest market in options and futures contracts on base and other metals, including nickel.
Loufran.....	Loufran Minerals and Development
m.....	Meter
MacroAsia.....	MacroAsia Corporation
MCIT.....	Minimum Corporate Income Tax
MEMR.....	The Indonesian Minister of Energy and Mineral Resources
MGB.....	The Mines and Geosciences Bureau of the DENR
MGLF.....	Medium grade low iron
MGMF.....	Medium grade medium iron
mineral resource.....	A concentration or occurrence of natural solid inorganic material or natural solid fossilized organic material including base and precious metals, coal and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.
MMT.....	Multipartite Monitoring Team is a multi-sector group headed by a representative from the Regional MGB and representatives of local government units, other government agencies, non-government organizations, people's organizations, the church sector and us. Funds for mine rehabilitation and other environmental guarantee funds are established and deposited in trust funds, as required by the Philippine Mining Act of 1995.
MPO.....	Minimum Public Ownership
MPSA.....	Mineral Production Sharing Agreement
MRMJ.....	MRMJ Earth Movers Corporation

NASDAQ.....	The National Association of Securities Dealers Automated Quotations stock market
Ni.....	Nickel
nickel ore.....	As used in this Prospectus, saprolite ore and limonite ore
Nickelbase.....	Nickelbase Incorporated
NLRI.....	Nickel Laterite Resources, Inc.
NPI.....	Nickel pig iron, a low grade FeNi invented in China as a cheaper alternative to pure nickel for the production of stainless steel. The production process of NPI utilizes laterite nickel ores instead of pure nickel sold on the world market.
olivine.....	A group of minerals, the composition of which is a magnesium iron silicate
ophiolite.....	A sequence of rock that is interpreted as representing oceanic lithosphere (the ocean portion of a tectonic plate). The ophiolite sequence, from bottom to top, includes peridotite, gabbro (often layered), mafic dikes, and pillow basalt.
ore.....	A mineral or an aggregate of minerals from which a valuable constituent, especially a metal, can be profitably mined or extracted
ore reserve.....	<p>The economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. An ore reserve includes diluting materials and allowances for losses that may occur when the material is mined.</p> <p>A “<i>probable reserve</i>” is the economically mineable part of an indicated, and in some circumstances a measured, mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.</p>

A “*proved reserve*” is the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

OSD	Optional Standard Deduction
payable nickel	The portion of nickel metal contained in the nickel ore that is shipped or delivered to a customer and recognized as sales. The amount varies depending on the customer, the ore type, the nickel grade and the prevailing SMM nickel price
PCSSC	PGMC-CNEP Shipping Services Corporation, a subsidiary of PGMC
peridotite	A coarse-grained ultramafic rock formed mainly of olivine and pyroxene
PGMC	Platinum Group Metals Corporation, a subsidiary of the Company
PhilEXIM	Trade and Investment Development Corporation (formerly Philippine Export-Import Credit Agency)
PIL	PGMC International Limited
PSEM	Philippine Society of Mining Engineers
PVTSI	Pazifik Ventures Trucking Services, Incorporated
P&A	Punongbayan & Araullo, the Philippine member firm within Grant Thornton International, an accounting and consulting firm
QNI	Queensland Nickel (Philippines), Inc.
RKEF	rotary kiln electric furnaces
RMB	Chinese Yuan, the official currency of the People's Republic of China.
RPM	Runge Pincock Minarco

saprolite.....	Located below the limonite, saprolite is the product of a less advanced alteration process than limonite. It maintains part of the original rock fabric and is characterized by a low magnesium grade and an enrichment in nickel. As used in this Prospectus, saprolite generally has less than 20.0% iron content, but may have more than 20.0% iron content provided the nickel content is greater than or equal to 1.8%. The Company classifies its saprolite ore as high grade saprolite ore, containing 1.8% or more nickel and medium grade saprolite ore, containing approximately 1.5% nickel.
SCAA.....	Special Civilian Armed Auxiliary
SEP.....	Strategic Environmental Plan
SMM.....	Shanghai Metals Market, a non-profit, self-regulation corporation created for trading in non-ferrous metals and currently contracts non-ferrous metals including copper, aluminum, lead, zinc, tin, and nickel.
SIRC.....	Surigao Integrated Resources Corporation, a subsidiary of PGMC, a corporation organized under the laws of the Philippines
SMEP.....	Society of Metallurgical Engineers of the Philippines
Southeast Palawan or SPNVI.....	Southeast Palawan Nickel Ventures, Inc.
tailings.....	Finely ground waste rock from which minerals or metals have been extracted
TCB.....	Taiwan Cooperative Bank Manila Offshore Banking Branch
TEPO.....	Temporary Environmental Protection Order
Thirteen Shareholders.....	Huatai Investment Holding Pty. Ltd., Regulus Best Nickel Holdings, Inc., Bellatrix Star, Inc., Alpha Centauri Fortune Group, Inc., Antares Nickel Capital, Inc., Blue Eagle Elite Ventures, Inc., Ultimate Horizon Capital, Inc., Sohoton Synergy, Inc., Great South Group Ventures, Inc., Red Lion Fortune Group, Inc., Seng Gay Chan, Dante R. Bravo and Wei Ting, collectively
TMC.....	Toledo Mining Corporation

ultramafic rock..... A rock with ferromagnesium content; used to describe a dark igneous rock over 90.0% of whose content consists of ferromagnesium minerals, including olivine and pyroxenes

volcanic rock..... Igneous rock that cools and solidifies at or very near the Earth's surface

WMT..... Wet metric ton (unless stated otherwise, all conversion from dry metric ton to wet metric ton will assume a moisture content of 35.0%)

SUMMARY

This summary highlights information contained elsewhere in this Prospectus. This summary is qualified in its entirety by more detailed information and consolidated financial statements, including notes thereto, appearing elsewhere in this Prospectus. For a discussion of certain matters that should be considered in evaluating an investment in the Offer Shares, see "Risk Factors." Investors are advised to read this entire Prospectus carefully, including our financial statements and related notes contained herein.

Overview

FNI is a holding company with a 99.98% interest in PGMC. As of December 31, 2017, PGMC is the third largest nickel ore producer in the Philippines by volume of nickel ore shipped and the second largest nickel ore producer in the Philippines by value of shipment, one of the largest single-mine lateritic exporters in the world and one of the largest global suppliers of nickel ore, accounting for 12.0% of the country's nickel ore production as per MGB statistics. We currently operate two deposit sites known as CAGA 2 and CAGA 4 within our lateritic nickel mine in Cagdianao, Claver, Surigao del Norte, Philippines, known as the Cagdianao Mine under a MPSA No. 007-92-X between SIRC and the Government, which was last renewed on June 21, 2016 for another 25 years from its initial term ending in 2017, or until February 14, 2042. The Government approved the appointment by SIRC of PGMC as the operator on July 15, 2011. SIRC and PGMC are both subsidiaries of the Company. We have further identified five (5) additional deposit sites at Cagdianao that have not yet been exploited. We employ a surface mining method that has relatively lower cost compared with other mining methods. We also carry out our mining activities without the need for explosives, chemicals, or complex waste handling. Almost all of PGMC's products sold in the Asia-Pacific region go to the production of stainless steel products, NPI, and nickel cathodes. Low grade ore can be mined from the upper layer of the deposit and generally consists of lower nickel and higher iron content and medium and high grade ore is generally found beneath the low-grade layer and typically consists of higher nickel and lower iron content. Since 2012, we have a low waste to ore ratio of 0.05:1, which means that about 95.0% of what we mine is ore. This shows that PGMC conducts its operations in an efficient manner. Our CAGA 2 and CAGA 4 deposit sites are located approximately two (2) to eight (8) kilometers inland from our loading piers. The short hauling distance from our mine to the piers and the inherent advantage of our mine's location results in greater accessibility and enables us to economically market our ore to a variety of customers in the Asia-Pacific region. Our piers are located within a naturally protected cove with calm waters, which allow for consistent loading. In addition, our piers are relatively large, which helps to minimize congestion and stimulate competition among the barge operators. We believe that having two (2) piers helps minimize delivery risk by not being reliant on only one (1) pier that can become damaged or congested. Our mine is also in relative proximity to our customers in China, as compared to other international mining companies such as those in New Caledonia, Russia and Canada, which we believe minimizes the shipping costs for our customers and the related risks involved with long transit.

As of the date of this Prospectus, we possess all required permits and licenses in our current mining operations in CAGA 2 and CAGA 4 and/or have applied for the renewal of said permits and licenses. We have not received any decision or order from the Government for the cessation or suspension of our mining operations in CAGA 2 and CAGA 4, as of the date

of this Prospectus. On March 15, 2018, the MGB confirmed that MPSA No. 007-92-X and the Memorandum of Agreement between SIRC as “Claim Owner” and PGMC as “Operator” is valid and existing as of the date of this Prospectus. For details, please see “Risk Factors”, “Business”, and “Industry.”

For CAGA 3, additional confirmation drilling was completed on June 15, 2017. Documents pertaining to the renewal of Special Tree Cutting and Earth-Balling Permit for CAGA 3 was already endorsed and forwarded by the DENR Caraga Regional Office to the DENR Undersecretary for Field Operations for evaluation and the management expects to obtain this in 2018. Development and production in CAGA 3 are expected to happen in 2018 mining season once the related Revised EPEP and FMRDP have been submitted and subsequently approved by the MGB.

For CAGA 1, drilling has already started on October 01, 2017. Development and mine production will take place in the year 2019 mid-mining season to support CAGA 2 production.

We expect to start the exploration in CAGA 6 and 7 in 2018.

For CAGA 5, this is currently evaluated by the NCIP as this area was recently identified as a sacred ground of the indigenous people. We are expecting that the result of the evaluation of the NCIP would be favorable to us. Also, further exploration activities will be conducted in the future for this area.

Since we began commercial operations in 2007 through to December 31, 2017, we have delivered an aggregate of over 43.0 million WMT of nickel ore to our customers. As of June 23, 2017, our Cagdianao Mine had measured and indicated mineral resources of 54.2 million DMT with an average grade of 1.1% nickel and inferred mineral resources of 24.0 million DMT with an average grade of 1.2% nickel, and have an estimated remaining mine life of about eight (8) years. Our proved and our probable ore reserves are at 36.3 million WMT with an average grade of 1.2% nickel, as estimated in accordance with the PMRC Report dated October 15, 2017. We had sale of ore of ₱5,815.6 million, ₱3,773.7 million, and ₱6,533.2 million and net income of ₱779.7 million, ₱37.5 million, and ₱1,111.8 million for years ended December 31, 2017, 2016 and 2015, respectively. In the year ended December 31, 2017, we delivered 3.641 million WMT, 2.330 million WMT and nil WMT, of low, medium and high-grade ore, respectively.

Since we began commercial operations in 2007 through December 31, 2017, we have shipped the following from each CAGA mine site per year:

Total Volume Shipped from 2007 to December 31, 2017 (in WMT)

	CAGA 2	CAGA 4	TOTAL
2007	–	470,207	470,207
2008	–	506,477	506,477
2009	–	1,954,343	1,954,343
2010	–	3,406,802	3,406,802
2011	–	4,353,698	4,353,698
2012	–	5,928,637	5,928,637
2013	–	4,501,229	4,501,229

	CAGA 2	CAGA 4	TOTAL
2014	2,724,513	3,578,479	6,302,992
2015	2,263,814	3,088,009	5,351,823
2016	738,154	3,570,485	4,308,639
2017	1,216,021	4,754,592	5,970,613
Total	6,942,502	36,112,958	43,055,460

On November 27, 2014, we entered into a Memorandum of Agreement with the shareholders of GMORI and eight (8) individuals for the purchase of 100.0% of the outstanding capital stock of FRI. However, the Company's Board of Directors approved the termination of the Memorandum of Agreement for the acquisition of FRI on March 16, 2015 due to non-fulfillment of pre-conditions.

On November 27, 2014, we also entered into a Memorandum of Agreement with the shareholders of Southeast Palawan to purchase 100.0% of the outstanding capital stock of Southeast Palawan, which owns directly and indirectly 97.6% of the outstanding capital stock of INC as well as the control of CNMEC, the holder of the MPSA No. 017-93-IV over the mineral production rights at the INC Mine. INC was granted the right to operate the INC Mine under an operating agreement with CNMEC. The MGB's approval for this operating agreement was issued in April 20, 2015. Currently, both CNMEC and INC are our affiliated companies that are beneficially wholly-owned by our Chairman, Mr. Joseph C. Sy. On February 26, 2015, during a special stockholders' meeting of the Company, the stockholders representing at least two-thirds (2/3) of the outstanding capital stock approved the acquisition of 100.0% of the outstanding shares of Southeast Palawan for US\$50.0 million, or its Philippine Peso equivalent approximately in the amount of ₱2.2 billion. On August 06, 2015, the Company and the shareholders of Southeast Palawan signed the Contract to Sell and Subscription Contract for the acquisition of Southeast Palawan. As of December 31, 2016 and 2017, the Company has made various cash advances for the acquisition of Southeast Palawan and treated these advances for the future acquisition of Southeast Palawan amounting to ₱2,217.4 million. We believe that our expanded portfolio of mines will reduce the risks of our single operating mine, extend our overall mining season and extend the life of our mining operations. The INC Mine contains an estimated proved and probable ore reserve of 28.6 million WMT with an average grade on 1.4% nickel, in accordance with the PMRC. See "Business—Mine to be acquired."

We supply different grades of saprolite ore and limonite ore to multiple customers, primarily comprising a combination of trading companies and end users. Our customers mainly use the ore we provide to produce intermediate products for the manufacture of stainless steel, NPI and for the production of nickel cathodes. High grade nickel ore are purchased by our customers for the production of higher grade stainless steel such as the 300 Series, and low grade nickel ore is used by our customers for the production of lower grade stainless steel such as the 200 Series. Our margins on sales of nickel ore vary depending on the type and grade of nickel ore that we sell, with high grade saprolite ore providing higher margins than medium grade saprolite ore and limonite ore. See "Business—Further Exploration and Development—Production Data" and "Business—Sales and Marketing." In terms of volume, we sold approximately 80.7%, 79.4%, and 80.0% of our nickel ore to our five (5) largest customers, comprising of Chinese and Australian companies, in the years ended December 31, 2017, 2016 and 2015, respectively. . In the years ended December 31, 2017, 2016, and

2015, 100.0% of sales were from China contributing ₱5,581.6 million, ₱3,773.7 million and ₱6,533.2 million of sale of ore, respectively.

In the year ended December 31, 2015, we delivered 0.6 million WMT, 4.4 million WMT, and 0.4 million WMT, of low, medium, and high-grade ore, respectively, and generated ₱6,533.2 million in total sales of ore for the year then ended. In the year ended December 31, 2016, we delivered 2.4 million WMT, 1.9 million WMT, and 0.1 million WMT, of low, medium, and high-grade ore, respectively, and generated ₱3,773.7 million in total sales of ore for the period. In the year ended December 31, 2017, we delivered 3.64 million WMT, 2.33 million WMT, and nil WMT, of low, medium, and high-grade ore, respectively, and generated ₱5,581.6 million in total sales of ore for the year. Our production target for the Cagdianao Mine is 6.0 million WMT of nickel ore each for the years 2018, 2019, and 2020. After the completion of the acquisition of the INC Mine and completion of infrastructure development and obtaining all necessary government approvals, permits, and licenses, the INC Mine is planned or projected to produce 0.5 million WMT for 2018 and 1.5 million WMT of nickel ore each for the years 2019 and 2020, after the completion of the acquisition for the INC Mine and completion of infrastructure development and obtaining all necessary government approvals, permits, and licenses. See “Business—Further Exploration and Development—Production Plans” and “Business—Mine to be acquired.”

The final selling price of our nickel ore is determined through an internal evaluation process including an assessment of nickel ore prices in the Chinese market and international mineral price indicators such as the SMM and LME, as well as prices set by our local competitors. We set our fixed prices each month after careful consideration of the market demand for our products. The greater the demand for our products, the higher the fixed price we set for that particular month. Because of the high demand for our products in the Chinese market, we believe that there is limited room for negotiation from our customers. This is especially evident after the implementation of the mineral export ban by the Indonesian government in January 2014, which, we believe, is advantageous for the demand of our ore. See “Business—Sales and Marketing - Market developments: Export ban of nickel ore by the Indonesian government.” However, our average realized nickel price has decreased from US\$26.69 for the year ended December 31, 2015 to US\$18.36 for the year ended December 31, 2016 and increase to US\$19.29 for the year ended December 31, 2017 following the trend in world nickel prices. The lower nickel prices are a main factor in deciding whether we will sell, or we wait for the prices to improve. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Key Strengths

We believe that our key strengths include the following:

Leading nickel ore producer with significant resources and reserves and high exploration potential

As of December 31, 2017, PGMC is the third largest nickel ore producer in the Philippines by volume of nickel ore shipped and the second largest nickel ore producer in the Philippines by value of shipment, one of the largest single-mine lateritic exporters in the world and one of the largest global suppliers of nickel ore, accounting for 12.0% of the country’s nickel ore production as per MGB statistics. As of June 23, 2017, our Cagdianao Mine had PMRC

compliant measured and indicated mineral resources of 54.2 million DMT with an average grade of 1.1% nickel and additional inferred mineral resources of 24.0 million DMT with an average grade of 1.2% nickel. Our proved and probable ore reserves are at 36.3 million WMT with an average grade of 1.2% nickel, as estimated in accordance with the PMRC Report dated October 15, 2017. See “Business —Mineral Resources and Ore Reserves” for further details. The current resources and reserves are contained in mining areas CAGA 1 to 5. We believe that the mining areas have further ore resource potential; we have yet to conduct exploration in CAGA 6 and 7 areas, which have similarities to the CAGA 3 and 5 deposits, and there is further resource potential from peripheral and infill extension drilling in existing CAGA 1 to 5 deposits. We have a defined drilling program in place which, we believe, will over time increase the overall mineral resource and ore reserve inventory at Cagdianao and significantly extend the mine life of the project.

Flexible ore supply to optimize revenues and profitability while serving our customer base

We believe our ore supply is highly flexible in terms of the quality and nickel content we can mine, giving us a natural competitive advantage compared to other mining companies with more uniform ore resources. We are able to mine a range of low grade ore (with high iron and low nickel content), which accounted for a majority of our sales by volume in the past three (3) years. At the same time, our Cagdianao Mine produces a significant supply of high and medium grade ore, which accounted for 57.0% of our ore sales volume in the last three (3) fiscal years. The flexibility in the ore that we can supply is important for our core customers in China, many of whom require a range of nickel grades and iron contents in their specific products. Sales of high and medium grade ore provide us with higher margins, and we aim to optimize our production schedule over time in light of relative market prices and relative demand from our customers. During the year ended December 31, 2016, our average realized price for low grade ore was US\$12.58 per WMT, for medium grade ore it was US\$25.33 per WMT, and for high grade ore it was US\$34.50 per WMT. In the year ended December 31, 2016, revenues from sale of ore were ₱3,773.7 million, a decline of 42.2% over the same period in 2015. This decrease was due to the decline of nickel ore price and the reduction in shipments brought about by intermittent rainfall, which was three times (3.0x) higher than the same period in 2015. For the year ended December 31, 2017, revenues from sale of ore were ₱5,815.6 million, an increase of 54.1% over the same period in 2016. This increase was a result of the increase in volumes shipped for both the low-grade and medium-grade ores, registering growths of 52.0% and 25.4%, respectively, with a combined growth of 40.4%. In addition to the growth in volume, low-grade ore price also increased from an average realized price of \$12.58 per WMT to \$15.83 in 2017, equivalent to a 25.9% increase, albeit the 2.5% decline in the average realized price per WMT of medium-grade ores from \$25.33 per WMT in 2016 to \$24.70 per WMT in 2017 and the non-sale of high-grade ore versus the 55,516 WMT shipment in 2016 with an average realized price of \$34.50 per WMT.

Cost efficient operations with relatively low operational risk

We benefit from favorable geologic conditions at our Cagdianao Mine. Our lateritic nickel deposits are near-surface, blanket-like layered deposits with minimal overburden and generally five (5.0) to thirty (30.0) meters thick. This allows us to conduct simple surface mining using trucks and excavators without blasting, the use of chemicals or complex waste handling. Since 2012, we have a low waste to ore ratio of 0.05:1, which means that about 95.0% of what we mine is ore. The nickel deposits at our Cagdianao Mine are located within two (2) to eight (8) kilometers from the applicable tidewater loading area, enabling easy

hauling and transportation by barges and LCTs to our customers' ships. The short hauling distance from our mining operations to our loading facilities substantially contributes to our favorable cost position. Because our lateritic nickel deposits are relatively shallow, we also expect the progressive rehabilitation of our mining areas to be relatively low cost. Going forward, upon completion of the acquisition of the INC Mine, the two (2) mines will have complementary mining season patterns, with INC production expected during the months that CAGA is not in operation due to wet weather. Hence, we expect to enjoy a steady ore supply throughout the year.

Starting 2016, our operating expenses have been reduced to make our mining operations as efficient as it has ever been. We have appointed a total of 11 different service contractors to do different facets of the mining operations in the CAGA Mine. We continuously review the performance of our service contractors to ensure that our operations will continue to be cost-efficient. The service contractors are evaluated annually based on the following factors: (a) minimum production per day; (b) stockpile inventory; (c) volume of ore shipped; (d) equipment efficiency; (e) environment policies; and (f) safety policies.

Experienced management and technical team

Our management and technical teams have many years of relevant experience. On average, our senior management team has approximately 17 years of experience in the mining industry, which we believe is a key asset for our operations, marketing and strategic development. The management is led by our Chairman, Mr. Joseph C. Sy, who is a Filipino-Chinese entrepreneur with long-standing experience in nickel and commodity trading, and who has developed trusted relationships with key nickel customers in China.

Our technical team comprises experienced mining engineers, geologists, and mechanics with significant experience in their respective fields, including leading technical positions at international mining companies. Given our long history of mining in the Philippines, we have steadily hired individuals into our team who possess relevant skills and have been exposed to other types of mining operations that we believe enhances our operations framework. As an example of this, our environmental compliance team has effectively utilized their experience to improve our environmental protection and rehabilitation programs.

Established partnerships with service contractors to optimize capital investment

We have entered into arrangements with numerous Philippine service contractors: three (3) contractors for operations at our CAGA 2 deposit, and eight (8) contractors for operations at our CAGA 4 deposit. Each of these contractors is well-established in the Philippines and brings experience, manpower and expertise to conduct our operations in an efficient manner. These contractors have further added value through proactively participating in the continuing refinement of our operations, as well as providing expertise in ancillary aspects of the business. We believe that by utilizing these contractors rather than operating all aspects of the mines ourselves, we have more flexibility in our operations and reduce our overall capital outlay and operational risk. We believe that this flexibility has led to cost savings and reductions in asset intensity, increased mining efficiency and an increase in overall production

Key Strategies

Our strategy is designed to maximize the profitability of our existing base of operations while driving growth through the acquisition of the INC Mine and potentially other suitable properties, continued exploration and development of the Cagdianao Mine, expansion of our customer base, and ongoing monitoring of value-added opportunities, particularly in downstream processing. The key elements of our strategy are:

Maintain compliance with all applicable environmental laws

As far as the Company is concerned, the Company is compliant with all laws, rules and regulations applicable to its mining operations, including environmental laws.

On August 3 to 11, 2016, a multi-sectoral team formed by DENR conducted a mine audit for PGMC's Nickel Project under its MPSA No. 007-92-X covering 4,376 hectares located in Brgy. Cagdianao, Claver, Surigao del Norte, which covers CAGA 1 to 5. On October 28, 2016, PGMC received the "DENR Mine Audit Team 10 Report for Platinum Group Metals Corporation," (the "Audit Team Report") that contains a "final" recommendation stating that the "company should continue to operate" because: "(a) The company is ISO 14001 certified; (b) The company is compliant with the policies, environmental laws, rules and regulations of the Philippine Mining Act and on the issued ECC particularly on the establishment of adequate environmental protection and enhancement measures including safety and housekeeping, and implementation of progressive rehabilitation of mined-out areas; and (c) Social acceptability of the mine operation is high with several social development projects in place, which are all well implemented. In addition, PGMC was awarded in July 13, 2016 with an ISO 14001 certification showing that its operations are environmentally compliant even based on international standards.

Furthermore, the Company won three (3) Presidential Mineral Industry Environmental Awards from the DENR in November 2016 further proving that the Company is compliant with all environmental laws.

The Company will continue to maintain its compliance with all laws, including environmental laws, so that its operations in the CAGA Mine will not be cancelled or suspended by any valid order from the Government after observance of the required due process.

Complete the acquisition of INC Mine and commence production and development

In November 2014, we entered into a Memorandum of Agreement for the acquisition of Southeast Palawan and control of CNMEC, the shareholder and MPSA holder of the INC Mine in south-eastern Palawan. We expect to complete the acquisition after the closing of this Offer. As of October 14, 2014, the INC Mine had PMRC-compliant measured and indicated mineral resources of 50.0 million DMT with an average grade of 1.23% nickel, which includes PMRC proved and probable ore reserves of 28.6 million WMT with an average grade of 1.43% nickel. In addition, the INC Mine has inferred mineral resources of 7.0 million DMT with an average grade of 1.09% nickel.

We believe that the INC Mine will be a critical part of our future growth trajectory. We plan to mine the INC Mine using the same surface mining method at the Cagdianao Mine during the mining season in Palawan, which is between November and July. The mining season of the INC Mine very well complements the mining season of the Cagdianao Mine, i.e. the INC Mine is expected to produce when the Cagdianao Mine is in off-season. This will provide FNI with a steady supply of nickel ore all year around, which is expected to increase and stabilize our revenue streams throughout the year.

As of date of this Prospectus, the Group has not completed the acquisition of the INC Mine because there are still pending conditions precedent that must be complied with under the Contract to Sell.

Develop and upgrade existing resources and reserves within, and adjacent to, the Cagdianao Mine site

Our existing mine site in Cagdianao has several additional explored areas with identified nickel laterite deposits, from which we believe we can efficiently extract a steady supply of low, medium and high grade ore. Although each of these additional deposits is in varying stages of development, we intend to commence production of these deposits in 2018, subject to market conditions. In addition, we aim to explore other potential laterite areas on an 843-hectare parcel of land adjacent to our existing mine. The application for an exploration permit (EPA-000101-XIII) for this parcel of land was held by an individual Filipino citizen and has been assigned to CLNMI, a company that is 70.0% owned by our Chairman, Mr. Joseph C. Sy, through a deed of assignment entered into on August 31, 2013. On June 15, 2016, CLNMI has assigned its rights to exploration and mining to SIRC, as approved by MGB on June 27, 2016. A new MPSA will not be required as we believe we will be able to extend our existing MPSA to include this area. An application for the amendment of our existing MPSA to include this area has been filed with the MGB on June 22, 2016. As of the date of this Prospectus, the MGB has not issued its approval on the said application. In the event that the amendment of the MPSA to include the additional area will not be granted, we will not be able to mine in the additional area within the said 843-hectare parcel of land.

A preliminary assessment of this area was conducted last April 1 to May 15, 2016 by virtue of a DENR-MGB issued memorandum dated March 28, 2016 giving the Company with an “Authority to Verify Minerals.” A potential for a Nickel (“Ni”) -laterite deposit exists at the tenure area as verified by the reconnaissance survey and discussed in the Exploration Results Report dated May 16, 2016. We believe that the acquisition of this additional parcel of land presents a significant opportunity to enhance our nickel ore resources without requiring significant expenditures for mine infrastructure development.

Strengthen our customer base in China, including direct sales to smelters in China

We intend to further develop the existing relationship in our key market of China, and also explore new opportunities in other countries. We believe that there is currently a favorable economic and business climate for mining companies such as ours, and we aim to take full advantage of our flexible and large nickel ore supply, as well as our proximity to key markets to progressively expand our customer base. We also intend to increase our proportion of direct sales to end users, most notably smelters in China, as we believe that this will generate consistent demand for our products while minimizing our overall credit risk.

Evaluate and selectively pursue value-added opportunities

We currently evaluate, and will continue to evaluate, opportunities for value-added process, including but not limited to acquiring or entering into further mining agreements and/or joint ventures, as well as downstream processing / vertical integration opportunities. The longer term objective is to increase the scale and scope of our operations and to potentially further expand the variety of our ore.

One of these opportunities is the proposed development of a stainless steel plant in the Philippines. On October 21, 2016, the Company signed a Memorandum of Cooperation with China's state-owned enterprise, Baiyin, to evaluate the economic feasibility of providing trade financing to the Company's operations in the INC Mine and of constructing an integrated 200-series stainless steel plant in the Philippines with an annual capacity of 1.0 million tons using lower grade nickel ore sourced in the Philippines (an estimated total investment of around USD\$500.0 to USD\$700.0 million).

With regard to upstream operations, we may seek to acquire additional mining assets that are located in regions other than our existing mine. We will also consider potential downstream acquisitions, including smelters, which would allow us to vertically integrate our operations and potentially increase margins. We may use debt, cash, equity, or a combination of all three, in order to finance any mining or downstream acquisitions.

Diversify into other minerals

We believe that there are opportunities to acquire additional mines in the Philippines containing other minerals, such as chromite and other platinum group metals, which we are continuing to examine as part of our future expansion strategy. However, the commercial viability of the other potential acquisition targets is uncertain and we would be required to invest time and resources to determine which particular mineral mine is feasible for acquisition. We intend to continue to evaluate any potential acquisition and diversify into other mineral varieties if suitable opportunities arise. We believe that we and our contractors have the technological know-how to exploit the additional mineral resources in other mines in the future.

Consider opportunities in mineral processing

We are currently exploring opportunities in mineral processing. On November 13, 2017, we signed an agreement with Vi Holding LLC, a member of an international investment and industrial group of companies from Russia with interests in mineral exploration and processing, real estate, energy and in innovative solutions, for the implementation of joint business projects in the processing of lateritic ores. We signed the agreement alongside Philippines and Russia bilateral meetings in the framework of the 31st ASEAN Summit and Related Summits being hosted by the Philippines in 2017. The signing of the foregoing agreement was witnessed by President Duterte and Prime Minister Medvedev. As of the date of the Prospectus, the parties are working on a feasibility study for the proposed processing plant.

We hope to take advantage of Vi Holding LLC's patented technology of processing nickel-bearing ore that requires significantly lower capital investment coupled with lower production costs. This technology makes it possible to quickly and efficiently build mining and metallurgical complexes comprising independent coal-fired power supply facilities. The two companies are now in the process of forming a Joint Working Group to undertake initial testing of ore samples and conduct feasibility studies.

Risks of Investing

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Shares. These risks include:

- risks relating to the Company's existing business and industry,
- risks relating to the INC Mine (as defined in "Glossaries of Terms – Glossary of Other Terms and Abbreviations");
- risks relating to the Philippines; and
- risks relating to the Offer and the Offer Shares.

Please refer to the section entitled "Risk Factors" which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares.

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SUMMARY OF THE OFFER

Issuer	Global Ferronickel Holdings, Inc. (the “Company” or “FNI” or the “Issuer”), a corporation organized under Philippine law. The trading symbol for the Company’s Shares in the PSE is “FNI.”
Sole Underwriter	Abacus Capital & Investment Corporation
Financial Adviser to the Issuer	SCCM
The Offer / Offer Shares	Offer of 250,000,000 Common Shares
Offer Price	₱2.07 per Offer Share
Offer Period	<p>The Trading Participants and Retail Offer Period shall commence at 9:00 a.m., Manila time, on July 09, 2018 and end at 12:00 p.m., Manila time, on July 13, 2018. The Company and the Sole Underwriter reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE.</p> <p>Applications must be received by the Receiving Agent by 12:00 p.m., Manila time on July 13, 2018, whether filed through a participating PSE Trading Participant or filed directly with the Sole Underwriter. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to a participating PSE Trading Participant or the Sole Underwriter, and shall be subject to the terms and conditions of the Offer as stated in this Prospectus and in the application. The actual purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE and upon the obligations of the Sole Underwriter under the Underwriting Agreement becoming unconditional and not being suspended, terminated, or cancelled on or before the Listing Date in accordance with the provisions of such agreement.</p>
Restrictions on Ownership	<p>The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities. Because the Company is engaged in resource exploitation and mining activities indirectly through its subsidiaries, its foreign shareholdings may not exceed 40.0% of its issued and outstanding capital stock entitled to vote, and 40.0% of its total issued and outstanding capital stock, whether or not entitled to vote. For more information relating to restrictions on the ownership of the Shares, see “Philippine Foreign Exchange and Foreign Ownership Controls.”</p>

Use of Proceeds	The proceeds of the Offer Shares will be used to pay part of the outstanding loan of the Company's subsidiary, PGMC, from TCB. See "Use of Proceeds" for details of how the total net proceeds are expected to be applied.
Minimum Subscription	Each application must be for a minimum of 5,000 Offer Shares, and, thereafter, in multiples of 1,000 Offer Shares. Applications for multiples of any other number of Shares may be rejected or adjusted to conform to the required multiple, at the Company's and the Sole Underwriter's sole discretion.
Listing and Trading	The Company's application for the listing of the Offer Shares was approved by the PSE on April 25, 2018. All of the Offer Shares in issue or to be issued are expected to be listed on the PSE under the symbol "FNI." See "Description of the Shares." All of the Offer Shares are expected to be listed on the PSE on or about July 20, 2018.
Dividends	Each holder of the Shares will be entitled to such dividends as may be declared by the Board of Directors, provided that any stock dividend declaration requires the approval of shareholders holding at least two-thirds (2/3) of the Company's total outstanding capital stock. The Philippine Corporation Code has defined "outstanding capital stock" as the total shares of stock issued to subscribers or stockholders under binding subscription agreements, whether paid in full or not, except treasury shares. Both the Company's and PGMC's current dividend policies provide that at least 20.0% of the Unrestricted Retained Earnings of the Company and PGMC, respectively for the preceding fiscal year will be declared as dividends. Upon completion of the acquisition of 100.0% of the outstanding capital stock of Southeast Palawan, the Company will cause its nominee directors in INC to adopt the same dividend policy. See "Dividends and Dividend Policy."
Refunds for the Offer	In the event that the number of Offer Shares to be received by an applicant, as confirmed by the Sole Underwriter, is less than the number covered by its application, or if an application is rejected by the Company, then the Company, through its Receiving Agent, shall refund, without interest, within five (5) banking days from the end of the Offer Period, all or a portion of the payment corresponding to the number of Offer Shares wholly or partially rejected.
Registration and Lodgment of Shares with PDTC	The Offer Shares are required to be lodged with the PDTC. The applicant must provide the information required for the PDTC lodgment of the Offer Shares. The Offer Shares will be lodged with the PDTC at least one (1) trading day prior to the Listing Date. The applicant may request to receive share certificates evidencing such applicant's investment in the Offer Shares

through his/her broker after the full payment, lodgment, and listing of the Offer Shares. Any expense to be incurred by such issuance of certificates shall be borne by the applicant.

Registration of Foreign Investments

The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP only if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor. See “Philippine Foreign Exchange and Foreign Ownership Controls.”

Tax Considerations

See “Philippine Taxation” for further information on the Philippine tax consequences of the purchase, ownership, and disposal of the Offer Shares.

Procedure for Application for the Offer

Application forms and signature cards may be obtained from the Sole Underwriter or from any participating PSE Trading Participant. Applicants shall complete the application form, indicating all pertinent information such as the applicant’s name, address, taxpayer’s identification number, citizenship, and all other information as may be required in the application form. Applicants shall undertake to sign all documents and to do all necessary acts to enable them to be registered as holders of the Offer Shares. Failure to complete the application form may result in the rejection of the application.

If the applicant is a corporation, partnership or trust account, the application must be accompanied by the following documents:

- a certified true copy of the applicant’s latest articles of incorporation and by-laws (or articles of partnership in the case of a partnership) and other constitutive documents (each as amended to date) duly certified by its corporate secretary (or managing partner in the case of a partnership);
- a certified true copy of the applicant’s SEC certificate of registration or certificate of filing amended articles of incorporation or by-laws, as the case may be, duly certified by its corporate secretary (or managing partner in the case of a partnership); and
- a duly notarized corporate secretary’s certificate (or certificate of the managing partner in the case of a partnership) setting forth the resolution of the applicant’s board of directors or equivalent body authorizing the purchase of the Offer Shares subject of the application and designating signatories for the purpose, the specimen signature of such designated signatories, and the percentage shareholdings by Philippine Nationals of the applicant. Foreign corporate and institutional applicants who qualify as

Eligible Investors, in addition to the documents listed above, are required to submit in quadruplicate, a representation and warranty stating that their purchase of the Offer Shares to which their application relates will not violate the laws of their jurisdictions of incorporation or organization, and that they are allowed, under such laws, to acquire, purchase, and hold the Offer Shares.

Payment Terms for the Offer

The purchase price must be paid in full in Pesos upon the submission of the duly completed and signed application form and signature card together with the requisite attachments. Payment for the Offer Shares shall be made either by: (a) a personal or corporate check drawn against an account with a BSP authorized bank at any of its branches located in Metro Manila; or (b) a manager’s or cashier’s check issued by an authorized bank. All checks should be made payable to “FNI FOO”, crossed “Payee’s Account Only,” and dated the same date as the application. The applications and the related payments will be received at any of the offices of the Sole Underwriter or the PSE Trading Participants.

Acceptance or Rejection of Applications for the Offer

“Application to Purchase” forms are subject to confirmation by the Sole Underwriter and the final approval of the Company. The Company and the Sole Underwriter reserve the right to accept, reject, or scale down the number and amount of Offer Shares covered by any application. The Company and the Sole Underwriter have the right to reallocate available Offer Shares in the event that the Offer Shares are insufficient to satisfy the total applications received. The Offer Shares will be allotted in such a manner as the Company and the Sole Underwriter may, in their sole discretion, deem appropriate, subject to distribution guidelines of the PSE. Applications with checks dishonored upon first presentation and “Application to Purchase” forms which do not comply with terms of the Offer will be automatically rejected. Notwithstanding the acceptance of any application form, the actual subscription of the Offer Shares by the applicant will be effective only upon the listing of the Offer Shares on the PSE.

Expected Timetable

The timetable of the Offer is expected to be as follows:

Pricing and allocation of the Offer Shares.....

Notice of Final Offer Price to the SEC and PSE.....

Offer Period..... July 09 – 13, 201

PSE Trading Participants’ Commitment Period.....

Listing Date.....

Risks of Investing

The dates included above are subject to the approval of the PSE and the SEC, market and other conditions, and may be changed. Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares. Certain of these risks are discussed in the section entitled “Risk Factors” and include: risks relating to the Company’s business and industry, risks relating to the Philippines, risks relating to the Offer.

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SUMMARY FINANCIAL AND OTHER INFORMATION

The following tables present summary consolidated financial information for the Company and should be read in conjunction with the auditor's reports and with the Company's audited consolidated financial statements and notes thereto contained in this Prospectus and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The summary consolidated financial information presented below as of December 31, 2015, 2016, and 2017 and for the years ended December 31, 2015, 2016, and 2017 were derived from the audited consolidated financial statements of the Company, prepared in compliance with PFRS and audited by SGV in accordance with Philippine Standards of Auditing and included elsewhere in this Prospectus. The information below is not necessarily indicative of the results of future operations. Furthermore, the translation of Peso amounts to U.S. dollars is provided for convenience only and is unaudited. For readers' convenience only, the translation of December 31, 2017 and December 31, 2016 Peso amounts to U.S. dollars is calculated based on the BSP Rate on December 29, 2017 and December 29, 2016, of ₱49.923= US\$1.00 and ₱49.813= US\$1.00, respectively. For additional information regarding financial information presented in this Prospectus, see "Presentation of Financial Information."

Consolidated Statements of Comprehensive Income

For the year ended

	December 31, 2015 (Audited) (₱ Thousands)	December 31, 2016 (Audited) (₱ Thousands)	(Unaudited) (US\$ Thousands)	December 31, 2017 (Audited) (₱ Thousands)	(Unaudited) (US\$ Thousands)
Sale of ore	6,533,218	3,773,669	75,757	5,815,596	116,491
Cost of Sales	3,509,917	2,308,220	46,338	2,768,571	55,457
Gross Profit	3,023,301	1,465,449	29,419	3,047,025	61,034
Operating Expenses					
Excise taxes and royalties	972,546	503,275	10,103	714,206	14,306
General and administrative	628,271	460,914	9,253	833,158	16,689
Shipping and distribution	166,472	290,405	5,830	388,843	7,789
	1,767,289	1,254,594	25,186	1,936,207	38,784
Finance Costs	(88,891)	(67,696)	(1,359)	(68,741)	(1,377)
Finance Income	9,431	6,505	131	6,877	138
Share in Net Loss of an Associate	–	(184)	(4)	(116)	(2)
Other Income (Charges)- net	(115,500)	(32,373)	(650)	28,369	568
Income Before Income Tax	1,061,052	117,107	2,351	1,077,207	21,577
Provision for (Benefit From) Income Tax					-
Current	4,081	35,406	711	373,786	7,487
Deferred	(54,779)	44,207	887	(76,268)	(1,528)
	(50,698)	79,613	1,598	297,518	5,959
Net Income	1,111,750	37,494	753	779,689	15,618
Other Comprehensive Income (Loss)					
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>					
Cumulative translation adjustment	–	(14,106)	(283)	9,355	187
Valuation loss on AFS financial assets	(506)	–	–	(464)	(9)

	For the year ended				
	December 31, 2015 (Audited) (₱ Thousands)	December 31, 2016 (Audited) (₱ Thousands)	(Unaudited) (US\$ Thousands)	December 31, 2017 (Audited) (₱ Thousands)	(Unaudited) (US\$ Thousands)
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>					
Remeasurement gain (loss) on retirement obligation	600	3,065	62	7,219	145
	94	(11,041)	(221)	16,110	323
Total Comprehensive Income	1,111,844	26,453	532	795,799	15,941

Summary Consolidated Statements of Financial Position

As of December 31

	2015	(Audited) (₱ Thousands)	2016	(Unaudited) (US\$ Thousands)	2017	(Unaudited) (US\$ Thousands)
	(Audited) (₱ Thousands)		(Audited) (₱ Thousands)		(Audited) (₱ Thousands)	
Current assets	3,670,086	3,632,772	72,928	3,682,106	73,756	
Noncurrent assets	5,414,927	5,793,922	116,313	5,358,751	107,340	
Total assets	9,085,013	9,426,694	189,242	9,040,857	181,096	
Current liabilities	2,440,566	2,227,747	44,722	1,805,529	36,166	
Noncurrent liabilities	106,573	652,388	13,097	831,024	16,646	
Total liabilities	2,547,139	2,880,135	57,819	2,636,553	52,812	
Total equity	6,537,874	6,546,559	131,423	6,404,304	128,284	
Total liabilities and equity	9,085,013	9,426,694	189,242	9,040,857	181,096	

Summary Consolidated Statements of Cash Flow

For the year ended

	December 31, 2015	(Audited) (₱ Thousands)	December 31, 2016	(Unaudited) (US\$ Thousands)	December 31, 2017	(Unaudited) (US\$ Thousands)
	(Audited) (₱ Thousands)		(Audited) (₱ Thousands)		(Audited) (₱ Thousands)	
Net cash flows from operating activities	776,154	354,916	7,125	1,890,644	37,871	
Net cash flows used in investing activities	(1,593,944)	(264,490)	(5,310)	(344,540)	(6,901)	
Net cash flows from (used in) financing activities	602,883	(61,094)	(1,226)	(1,221,537)	(24,468)	
Net increase (decrease) in cash	(214,907)	29,332	589	324,567	6,502	
Effect of exchange rate changes on cash	25,914	19,734	396	10,057	201	
Cash at beginning of year/period	691,869	502,876	10,095	551,942	11,056	
Cash at end of year/period	502,876	551,942	11,080	886,566	17,759	

Key Performance Indicators

	For the Year ended		
	December 31, 2015	December 31, 2016	December 31, 2017
	Thousands of ₱ (unless otherwise stated)		
Sale of ore	6,533,218	3,773,669	5,815,596
Average realized nickel price (US\$ Sales/WMT)	26.69	18.36	19.29
Volume of ore sold (m WMT)	5.35	4.31	5.97
EBITDA ⁽¹⁾	1,850,495	598,963	1,555,185
Net income (loss)	1,111,750	37,494	779,689
Return on average equity (%) ⁽²⁾	18.6%	0.57%	12.04%
Return on average assets (%) ⁽³⁾	13.3%	0.41%	8.44%

Notes:

- (1) EBITDA is calculated as gross profit less operating expenses plus depreciation, depletion and amortization.
- (2) Return on equity is calculated as net income divided by the average of the beginning and the ending balance of total equity.
- (3) Return on assets is calculated as net income divided by the average of the beginning and the ending balance of total assets..

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RISK FACTORS

An investment in the Shares involves a number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements and may even become valueless. Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, in order of importance (from most important to least important), before deciding to invest in the Shares. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on our business, financial condition and results of operations and cause the market price of the Shares to decline. All or part of an investment in the Shares could be lost.

This section entitled "Risk Factors" does not purport to disclose all of the risks or other significant aspects of investing in the Shares. The occurrence of any of the events discussed below and any additional risks and uncertainties not presently known to the Company or that are currently considered immaterial could have a material adverse effect on the Company's business, results of operations, financial condition and prospects and on the Shares and the investors may lose all or part of their investment. Investors may request publicly available information on the Shares and the Company from the SEC and PSE.

An investor should seek professional advice if he or she is uncertain of, or has not understood any aspect of the Offer or the nature of risks involved in purchasing, holding and trading the Shares. Each investor should consult its own counsel, accountant and other advisors as to legal, tax, business, financial, and other related aspects of an investment in the Shares.

Risks Related to our Existing Business and Industry

Risk relating to the proposed Department Administrative Order on Progressive Rehabilitation

It was reported that through the proposed Department Administrative Order (DAO), the DENR is planning to limit the areas to be mined and developed from 50 to 162 has. depending on the mine's annual production volumes, in light of the government thrust towards prioritizing environmental rehabilitation in mineral operations in the Philippines. Nickel mines that are producing up to one (1) million MT annually will be allowed to work on 50 hectares and can reach up to 100 hectares for those with output of more than nine (9) million MT. Mine sites with processing plants can develop up to 162 hectares. The DAO is still pending its final approval.

The Company's operating subsidiary, PGMC, has an approved ECC for a production capacity of 7.6 million WMT per year for its Cagdianao mine. Since the proposed DENR DAO confines the mineable areas of those authorized to produce seven (7) to nine (9) million WMT per year to 90 hectares, the proposed DAO is not expected to affect the Cagdianao mine's production volume because its combined active mining area is only around 85 has.

To mitigate the effect of the proposed DAO, PGMC is also undertaking adjustments in its plan to maximize its production target when the DAO will be implemented. It will continue to comply with its legal obligations, among which are revegetation and rehabilitation of affected areas, and to participate with the DENR's efforts to gather inputs from various stakeholders to refine its mining policies towards ensuring sustainable development.

Risk of the Government summarily ordering the closure of any mine

Mine Audit Report

Upon assumption of office of the Secretary of the DENR in June 2016, Ms. Regina Paz L. Lopez ordered an audit on all mining companies. Sometime in September 2016 and following the said orders from the DENR Secretary, DENR came out with recommendations to suspend the operations of 20 mining companies engaged in the mining of metallic ores.

Only five (5) nickel mining sites passed the said DENR mining audit, including the PGMC CAGA Mines. On October 21, 2016, PGMC received the results of the said DENR Mine Audit for the CAGA Mines for the audit conducted for the period from August 3 to 11, 2016, which report recommended allowing the continued operations of PGMC CAGA Mines, citing the following reasons:

- (a) PGMC is ISO 14001 certified, which means that the Company's systems and policies on environmental compliance have passed the international standards set by the ISO;
- (b) PGMC is compliant with: (i) the policies, environmental laws, rules, and regulations of the Philippine Mining Act; and (ii) the terms and conditions of its issued ECC for CAGA Mines, such as the establishment of adequate environmental protection and enhancement measures including safety and housekeeping, and implementation of progressive rehabilitation of mined-out areas; and
- (c) The social acceptability of the mine operations is high with several social development projects in place that are well implemented.

On February 02, 2017, the DENR announced the issuance of the 2017 Final Mine Audit Results which listed: (a) twenty-three (23) mining companies for closure of mining operations; and (b) six (6) mining companies for suspension of the mining operations. Initially, the name of PGMC was not included among those mines for suspension or for closure but the name "Platinum Development Corporation" was included among those mines for closure.

On February 03, 2017, the DENR posted on its official website the list of the mining companies for closure and/or suspension. The said list already included PGMC for closure of mining operations. However, based on the latest list of companies whose mines are for suspension or closure uploaded on the DENR's website as of March 24, 2017, PGMC is no longer included on the list of the mining companies for suspension or for closure. On April 04, 2017, the Officer-In-Charge Director of the Legal Service of the DENR issued a letter to the PGMC confirming that the said list of companies posted on the DENR website contains the names of mining companies which were issued Orders of Cancellation or Suspension.

To date, PGMC has not received any order or official communication from the MGB or DENR directing the closure of the CAGA Mines.

On May 03, 2017, the Commission on Appointments rejected for the second time the appointment of Ms. Gina Lopez as DENR Secretary. Former Armed Forces of the Philippines Chief Roy Cimatu was appointed to replace Ms. Lopez as DENR Secretary.

Based on news reports, DENR Secretary Roy A. Cimatu will allow mining companies to operate as long as they do not destroy the environment and are properly managed. However, there is no assurance that the mining policy will change under the new DENR Secretary's term.

The possible issuance of a DENR order directing the closure of the PGMC CAGA Mines would have an adverse effect on: (a) the financial prospects of PGMC, which in turn may significantly affect the financial results of the Company; (b) the marketability of the Company's shares if the PGMC CAGA Mines should continue to be the substantial source of income of the Company; and (c) the stock price of PGMC's parent company, FNI.

PGMC has been taking steps to clarify with the DENR the results of the final mine audit report and whether or not PGMC's mining operations is indeed subject of a closure order. As mentioned above, PGMC passed the August 3 to 11, 2016 Mine Audit. PGMC was even awarded by the MGB on November 18, 2016 with: (a) Most Improved Safety Performance; (b) Best Surface Mine Supervisor; and (3) Presidential Mineral Industry Environmental Award (PMIEA) Selection Committee's Titanium Award for the Surface Mining Operation Category. These awards are being conferred every year to mining companies that showed exemplary practices in safety and health; environmental protection and rehabilitation; and community and social development and management. The Company is also taking steps to diversify its mining operations, through its subsidiaries, in other areas within the Philippines.

Despite the change in the leadership in the DENR, there is no assurance or guarantee that the DENR will not issue an order directing the closure of PGMC's CAGA Mines, or any portion thereof, or that the courts will not uphold such DENR order if any. The closure of a mining operation is within the prerogative of the DENR. It has the power to close a specific mining site or operation that is found, after observance of due process in violation of the mining laws, rules and regulations.

Industry Concerns

On February 04, 2017, the then Chairman of the Chamber of Mines of the Philippines, Mr. Artemio Disini, said that the closure and suspension of twenty-nine (29) mines placed 67,000 jobs at risk, with about ₱66.6 billion worth of annual production expected to be lost. The financial impact was also likely to be huge, with the Government seen to lose ₱16.7 billion in taxes.

On February 09, 2017, the Chairpersons of the Mining Industry Coordinating Council issued Resolution No. 6, which, among others, directed the observance of due process to all mining companies affected and to penalize all those found guilty of violating the relevant Philippine mining laws.

Further, on March 14, 2017, President Duterte raised the possibility of a total ban on mining in the country in view of the alleged destructive effects of the operations of the mining companies. As of date, however, there has been no official mining ban in the country.

With these recent developments, the stock prices of listed companies that were listed for closure or suspension, or those with subsidiaries that were listed for closure or suspension, under the 2017 Final Mine Audit Results had been adversely affected.

In July 2017, President Duterte invited all stakeholders in the mining industry to draft a new mining law that will attempt to address the concerns of environmental advocates.

Show Cause Notice

On February 20, 2017, PGMC received a Show Cause Notice (“SCN”) from the DENR directing PGMC to show cause why it should not be held liable for violation of Section 71 of the Philippine Mining Act, which mandates the establishment of a mine rehabilitation fund. Based on the SCN, PGMC has only deposited ₱56,490,098.00 out of a commitment of ₱1,259,670,677.00 for the FMRDF.

In a letter reply to the DENR dated February 23, 2017, PGMC refuted DENR’s allegations, and pointed out that:

- (a) PGMC’s FMRDF commitment is only ₱74,593,674.00 and not ₱1,259,670,677.00. In 2013, the DENR Contingent Liability and Rehabilitation Fund Steering Committee issued a Certificate of Approval approving the amount of ₱74,593,674.00 as the FMRDF for the Cagdianao Nickel Expansion Project. As set forth in the Schedule of Deposits for the FMRDF under the Certificate of Approval, PGMC is required to deposit prescribed amounts following the schedule of deposits until the end of 2021. The said schedule of deposits was later on accelerated to require PGMC to complete the funding for FMRDF by end of 2017.
- (b) The August 3-11, 2016 Mine Audit Report confirmed that the amount for FMRDF approved by the Contingent Liability and Rehabilitation Fund Steering Committee is ₱74,593,674.00.
- (c) The approved EPEP of PGMC is ₱1,259,670,677.00. EPEP is a mandate of Section 69 of RA No. 7942. Unlike the FMRDF, the EPEP is not a fund created and deposited for the final mine plan.
- (d) PGMC is compliant with the required funding following the Schedule of Deposits for the FMRDF. As of February 06, 2017, PGMC has a total deposit of ₱68,654,777.08 with the Development Bank of the Philippines, Surigao Branch, Surigao City. However, to show good faith, PGMC has already paid its commitment in full, well ahead of the deadline to fund at the end of 2017.

As of date, the DENR has not responded to the said letter-reply by PGMC.

On March 09, 2017, PGMC received another SCN from the DENR directing PGMC to show cause why its operation should not be suspended and/or the pertinent mining contract with the Government should not be cancelled within seven (7) days from receipt thereof. The SCN raises the following: (a) review of the classification of the alleged “thickly forested unmined areas covered by CAGA 5,” which is part of the mining area of PGMC, “for declaration of potential conservation/protected landscape;” and (b) “extensive siltation of coastal waters” as found by the “field validation conducted by this Office on January 26, 2017 and the review of records.”

In a letter reply to the DENR dated March 28, 2017, PGMC refuted DENR’s allegations, and pointed out that:

- (a) In a letter reply to the DENR Mine Audit Report dated November 11, 2016, PGMC has already clarified that the CAGA 5 area is not within the mountain ranges of Mount Hilong-Hilong based on the Tenement Map of Caraga R-XIII of the MGB. The recommendation to discontinue clearing and mine development in this or other areas within the mining tenement would violate the prior and vested rights of the holder of the MPSA because the areas have already been thoroughly studied, reviewed and delineated as part of the contract that the Government must uphold in good faith.
- (b) On the second issue, PGMC contends that it is contrary to law and science. First, PGMC is unaware of any field validation conducted by the DENR on January 26, 2017. This is contrary to the department's policy and practice. Second, assuming that there was such a field validation, PGMC has not been furnished with any written result. The DENR did not disclose the composition, scope and purpose of this validation. The SCN does not attach any documentary support either. Third, on February 02, 2017, DENR prejudged PGMC by including the company on DENR's so-called "Closure" list due to "siltation of coastal waters" as posted on DENR Facebook account. But it is only now that the Company is being asked to explain the issue. Fourth, in 2003, the environmental baseline study of the mining area confirmed the high volume of sediments along coastlines, which is traced to years of natural erosion and landslides. The sediments in the upland and coastal areas are made of limonite formed by the lateritic soil. Nearly all laterites are rusty-red because of rich iron oxide in this declared mineral reservation area. During rainy season or tidal disruptions, the discoloration of waters occurs even without mining activities. This is why the body of water across PGMC's causeway is also called The Red Bay. But on stretches of fine weather, the sea and the river are clear. In 2007, aware of this background, the DENR allowed PGMC to begin operations. PGMC has since then built erosion and sediment control structures like settling ponds, silt traps, dams, sumps, canals and gabions. The DENR Mine Audit Team, aside from many other validation teams, found them "compliant with the policies, environmental laws, rules and regulations of the Philippine Mining Act and the ECC." Also, the Technical Review Committee that the DENR formed to evaluate the Audit Report did not find any violation or liability on the part of PGMC and did not recommend any penalty.

DENR's technical review committee upheld the August 2016 Mine Audit Report without finding of any violation or imposition of penalty. Further, the MGB of the DENR has issued the Issuer's subsidiary, PGMC, Ore Transport Permits and Mineral Ore Export Permits, which are required permits for the transport of all mineral/mineral products and by-products, in relation to its shipments in 2017. Based on the latest list of companies whose mines are for suspension or closure uploaded on the DENR's website as of March 24, 2017, the Issuer's subsidiary, PGMC, is not included in the list of the mining companies for suspension or for closure. On April 04, 2017, the Officer-In-Charge Director of the Legal Service of the DENR issued a letter to the PGMC confirming that the said list of companies posted in the DENR website contains the names of mining companies that were issued Orders of Cancellation or Suspension.

There is no assurance or guarantee that DENR will not in the future issue a notice of violation or an order imposing fines or penalties or directing the suspension or closure of operations of PGMC due to the alleged failure to fund the FMRDF. To the extent that the notice of violation or order may subject PGMC to heavy fines or closure of the PGMC CAGA Mines or a portion thereof, or suspension orders, the issuance of said DENR notice or order may

have an adverse effect on: (a) the financial prospects of PGM, and in turn may significantly affect the financial results of the Company; (b) the marketability of the Company's shares if the PGM CAGA Mines should continue to be the substantial source of income of the Company; and (c) the stock price of PGM's parent company, FNI.

To address the foregoing risks, we employ a team of legal and operating personnel, who exercise the requisite due diligence with respect to the compliance with the mining laws, rules and regulations as well as the conditions for the related government permits.

Our business is sensitive to the volatility of nickel prices, which can result in volatility in our earnings. If the sale price of our nickel ore falls and remains below our production costs, we will sustain losses, and may need to curtail or suspend some or all of our mining and exploration activities, which would have an adverse impact on our business, results of operations and financial condition.

Our sale of nickel ore is dependent on the world market price of nickel in general, and the market price of nickel in China in particular. The sale price of saprolite ore and limonite ore is correlated with the world market price of nickel. The nickel ore price is subject to volatile price movements over time and is affected by numerous factors that are beyond our control. These factors include global supply and demand; regulatory policies of other nickel ore producing countries; expectations for the future rate of inflation; the level of interest rates; the strength of, and confidence in, the U.S. dollar; market speculative activities; and global or regional political and economic events, including changes in the global economy. See "Industry—Ore pricing" for description on the fluctuation in nickel prices. Furthermore, 100.0% of PGM's sales in the years ended December 31, 2017, 2016 and 2015 were sold to our customers in China and we expect that China will continue to be a large contributor to our sale of nickel ore in the future. See "Economic, political and other conditions in China, as well as government policies, could adversely affect our business and prospects".

A growing world nickel market and increased demand for nickel worldwide have attracted new entrants to the nickel industry, spurred the development of new mines and expansion of existing mine in various regions, including Canada, Russia, Australia, South Africa, South America and New Caledonia, and resulted in added production capacity throughout the industry worldwide. A generally increasing trend in nickel prices since early 2003 has encouraged new or existing international nickel ore producers to expand their production capacity. An increased rate of expansion and an oversupply of nickel in world nickel markets in the future could reduce future nickel prices and the prices we receive under our nickel ore supply agreements.

If the sales price of our nickel ore falls below our production costs, we will sustain losses and, if those losses continue, we may curtail or suspend some or all of our mining and exploration activities. We would also have to assess the economic impact of any sustained lower nickel prices on recoverability and, therefore, the cut-off grade and level of our nickel reserves and resources. These factors could have an adverse impact on our business, results of operations, and financial condition.

To manage this risk, we constantly review our contracts with our service contractors.

Nickel mining is subject to a number of inherent risks such as natural catastrophes that are beyond our control. The occurrence of any of these risks could result in disruptions in our production, which may have an adverse impact on our business, results of operations and financial condition.

Our mining operations in the CAGA Mine are usually conducted during the period from April to October of each year where the weather is fair in the said area, which is different from the rainfall cycle in Luzon. A disruption of weather cycle will affect our mining operations in the CAGA Mine.

Our mining operations are influenced by changing conditions that can affect production levels and costs for varying periods, materially disrupt our operations, and as a result, diminish our revenues and profitability. Prolonged disruption of production at our mine or transportation of our nickel ore to customers would result in an increase in our costs and a decrease in our revenues and profitability, which could have a material adverse effect on our business, results of operations and financial condition. The inability to obtain equipment necessary to conduct our operations, increases in replacement or repair costs, prices for fuel and other supplies, and unexpected geological conditions could have a significant impact on the productivity of our mine, the resulting number of days we are able to mine and our operating results.

Other factors affecting the production and sale of our nickel ore that could result in increases in our costs and decreases in our revenues and profitability include:

- inclement weather conditions, including a prolonged monsoon season;
- equipment failures and unexpected maintenance problems;
- interruption of critical supplies, including spare parts and fuel;
- earthquakes or landslides;
- environmental hazards;
- industrial accidents;
- increased or unexpected rehabilitation costs;
- work stoppages or other labor difficulties; and
- changes in laws or regulations, including permitting requirements, the imposition of additional taxes and fees and changes in the manner of enforcement of existing laws and regulations.

On February 10, 2017, a magnitude-6.7 earthquake struck the province of Surigao del Norte. After a thorough inspection, the CAGA Mine was unaffected by the earthquake. All safety systems and protocols were observed. There were no reported injuries among employees and the mining facilities of the Company and infrastructure surrounding the area sustained no damage.

Also, the loading/unloading dock facilities in our CAGA Mine are built on reclaimed land. Earthquakes, tidal waves and other natural calamities may disturb the ground conditions where said dock facilities are located.

The realization of any of these risks could result in damage to our mining properties, nickel ore production or transportation facilities, personal injury or death, environmental damage to our properties, the properties of others or the land or marine environments, delays in mining ore or in the transportation of ore, monetary losses and potential legal liability. Surface

mining and related activities present risks of injury to personnel and damage to equipment. The occurrence of any of these risks, conditions or events could have a significant impact on our business, results of operations, and financial condition.

We mitigate our exposure to these risks by exercising prudent management and using up-to-date technology. We also maintain a disaster response team which we can dispatch to provide assistance to our personnel located in the CAGA Mine as well as to assist the communities affected by the natural catastrophes.

Failure to obtain, sustain or renew our mineral agreements, operating agreements, currently outstanding approvals and permits and other regulatory approvals, permits and licenses necessary for our business could have an adverse effect on our business, results of operations, and financial condition.

We rely on regulatory approvals, permits, licenses (including MPSAs), operating agreements with third-party claim owners and land access agreements to conduct our mining operations. See “Regulation”.

Cagdianao Mine

Prior to its expiration, MPSA No. 007-92-X for the Cagdianao Mine, was renewed on June 21, 2016 for another twenty-five (25) years from its initial term ending in 2017, or until February 14, 2042. On March 15, 2018, the MGB confirmed that MPSA No. 007-92-X and the Memorandum of Agreement between SIRC as “Claim Owner” and PGMC as “Operator” is valid and existing as of the date of this Prospectus. On the other hand, under Section 32 of the Philippine Mining Act of 1995, the term of an MPSA is renewable under the same terms and conditions thereof but without prejudice to changes mutually agreed upon by the parties. Further, according to the Section 9 of DENR Administrative Order No. 2012-07 or the Implementing Rules of Executive Order No. 79, in case the mining agreement is renewed, it shall be subject to new terms and conditions pursuant to the laws, rules, and regulations that are existing at the time of renewal.

DENR has also renewed Cagdianao Mine’s Discharge Permit and the Permits to Operate Air Pollution Sources and control installations in January 2015 and are effective until January 2020. Further, we have been complying with the applicable reportorial requirements of the DENR such as quarterly Self-Monitoring Reports (SMRs).

Special Tree Cutting Permits (STCPs) were likewise secured for the Cagdianao Mine as follows: STCP for 26.74 has. dated November 10, 2014, STCP for 77 has. dated January 06, 2015 and STCP for 150 has. dated June 30, 2016.

For our mining operations in Cagdianao Mine, we believe that we currently hold all the necessary regulatory approvals, licenses, permits, operating agreements and land access agreements to carry on the activities that we are currently conducting under applicable laws and regulations, approvals, licenses, permits, operating agreements and land access agreements. We have not received any decision or order from the Government for the cessation or suspension of our mining operations in CAGA 2 and CAGA 4, as of the date of this Prospectus.

INC Mine

We discuss below certain risks surrounding the INC Mine which may have a material impact on the business, operations and financial prospects of the Company.

Renewal of the INC MPSA

For the new mine to be acquired, we plan to extend the term of the MPSA for the INC Mine. Under the MPSA for the INC mine, the renewal of the MPSA shall be under such terms and conditions as may be mutually agreed upon by the parties.

In 2013, the DENR imposed a ₱100.0 million minimum authorized capital stock and a ₱6.25 million minimum paid-in capital requirement for applicants for mineral agreements such as an MPSA and renewal of existing MPSAs.

Despite compliance with such minimum capitalization requirement for renewal of MPSA by INC, there is no assurance that the MPSA will be renewed by the Philippine Government through the DENR. Further, we also discuss below regulatory concerns that may have an impact on the renewal of the MPSAs.

INC Environmental Compliance Certificate

On October 08, 2010, the DENR issued in favor of INC Environmental Compliance Certificate No. 1006-0017, with a maximum production volume of 1.0 million DMT or 1.5 million WMT of ore each year.

In December 2016, the DENR cancelled the ECC for the INC Mine allegedly due to INC's failure to launch the Ipilan Nickel Project within the five-year period from the issuance of the ECC. INC has filed with the Office of the DENR Secretary a letter seeking to have the order of cancellation reconsidered stating the significant programs and activities were implemented and are being implemented to pursue the project. INC also discussed in the said letter the timeline of major approvals INC has obtained from the different DENR offices and other pertinent agencies in relation to the INC Mine. INC believes that the cancellation of INC's ECC has no factual and legal basis.

On May 26, 2016, DENR issued in favor of INC Special Tree Cutting and Earth-Balling Permit No. DENR IV-B MIMAROPA-2016-014 authorizing INC to earth-ball 14,439 trees and cut 13,490 trees in an area covering 52 has. located at Barangay Maasin, Brooke's Point, Palawan. The said permit was valid until May 25, 2017.

Prior to the expiration of Special Tree Cutting and Earth-Balling Permit No. DENR IV-B MIMAROPA-2016-014, INC coordinated with the Community Environment and Natural Resources Office and began tree-cutting operations during the first week of February 2017.

However, on May 17, 2017, DENR issued an order addressed to INC requesting the latter to explain why no criminal charges should be filed against INC over its alleged tree-cutting activities in Brooke's Point, Palawan. DENR asserted that notwithstanding the validity of Special Tree Cutting and Earth-Balling Permit No. DENR IV-B MIMAROPA-2016-014, the same was deemed no longer effective since

December 14, 2016 when the DENR, under then Secretary Gina Lopez, cancelled the INC's ECC. INC explained that the filing of a motion for reconsideration suspends the effectivity of the cancellation of the ECC under the Revised Administrative Code.

Due to the inordinate delay of the DENR in resolving the motion for reconsideration filed by INC, INC filed a Notice of Appeal on October 18, 2017 and an Appeal Memorandum on November 16, 2017 before the Office of the President. The motion and the appeal remain pending.

INC Business Permit

The INC Mine is also in the process of securing a Business Permit from the Office of the Mayor of Brooke's Point, Palawan. While INC believes that there is no valid reason for the Mayor's Office to withhold the issuance of the Business Permit, there is no assurance or guarantee that the mine to be acquired will be able to secure it given the current leadership in the municipality. In any case, the absence of such permit is not a hindrance to the development of the project as this is granted by the national government.

In securing, maintaining, and renewing the regulatory approvals, permits, and licenses for the INC Mine, we may be required to prepare and present to Government authorities data pertaining to the impact that any proposed exploration or production of ore may have on the environment, as well as efficient resource utilization. The process of obtaining environmental approvals, including the completion of any necessary environmental impact assessments, can be lengthy, subject to public input and expensive. Regulatory authorities can exercise considerable discretion in the terms and the timing of permit issuances, or ECC amendments or whether a permit may be issued or an ECC amended, if at all. New laws or regulations, or changes in the enforcement or interpretation of existing laws or regulations, may require substantial increases in INC's equipment and operating costs in order to obtain approvals required by, or to otherwise comply with the conditions imposed by, such new or revised laws and regulations. The need to obtain such new or revised approvals or to comply with additional conditions may cause delays or interruptions of one or more of our current or planned operations or developments.

In addition, the local governments where INC's mine or exploration properties are located may impose additional restrictions on INC's operations. There can be no assurance that circumstances that interrupt INC's current or planned operations will be successfully resolved in the future. The failure to successfully resolve any such situations could have an adverse effect upon our business, results of operations and financial condition. However, INC has other legal remedies like arbitration under the MPSA, and will pursue them if needed, to protect its business interests.

If the requisite regulatory approvals, permits or licenses to undertake the exploration and development of the INC Mine are not secured, the expected ore reserves from this mine will not be realized and may have a material adverse effect on our operations and financial results. In this case, we will explore options to mitigate losses in our investments in the INC mine.

To address the foregoing risks, both FNI and INC employ a team of legal and operating personnel, who exercise due diligence in protecting its respective mining rights in the Cagdianao Mine and INC Mine.

INC has also advised the government authorities of its compliance with all legal requirements. In the event that INC Mine will not be able to: (a) renew its MPSA or secure a Business Permit from the Office of the Mayor or maintain the validity of its ECC, and (b) the acquisition of INC Mine does not push through, we will look for other viable opportunities in the Philippines or abroad.

There is currently no centralized exchange for trading nickel ore and as a result, our failure to source purchasers of our nickel ore would materially and adversely affect our business, results of operations, and financial condition.

Our business involves the production and sale of nickel ore. Nickel ore is not a finished metal product and there is no established spot market where our product can be sold. We must sell our nickel ore through negotiated contractual arrangements with third parties. We may not be able to find purchasers who will buy our nickel at terms acceptable to us, or at all. Accordingly, our failure to find purchasers for our nickel ore would have a material adverse effect on our business, results of operations and financial condition.

To manage this risk, we have maintained relationships with our customers and asked that they introduce us to other good-paying customers.

We encounter risks in the peace and order and security of our CAGA Mine.

In 2011, several militants attacked our CAGA Mine burning our properties and causing damage to a number of our trucks and equipment. The failure to prevent such damages to properties may have an adverse effect on the financial results of the Company and eventually, the Group.

To prevent such events, we engage a third-party contractor to provide security services at our mine site. In addition, all of the contractors also engage their own security force. We have engaged Chevron Security and Investigation Agency Inc. since December 2011. The original term of the security service contract expired on November 30, 2012; however, the contract is automatically renewed every year, until a notice of termination is served to the other party. All armory and equipment are provided for by the contractor itself, and comprehensive training is also provided to the security guards stationed at our mine by the contractor.

In addition to our security force and that of our contractors, a Special Civilian Armed Auxiliary (SCAA) force, comprised of approximately 120 para-military trained personnel managed by the Philippine Army, are tasked with securing the perimeter of our mining operation. Under the Memorandum of Agreement of the Group with the Philippine Army, PGMC has the obligation to provide allowances, uniform, and equipment, any claims arising from personal damages caused by or to any of the SCAA when the related injury or damage is incurred in the course of lawful performance of the SCAA's duty.

Each of the neighboring mining companies in the area of our mine also cooperates and shares information pertaining to the security situation in the vicinity.

Our CAGA 5 might be declared by the NCIP as a sacred ground. We might not be able to explore and develop CAGA 5 in the event that NCIP declares it as a sacred ground.

CAGA 5 is currently being evaluated by the NCIP as this area was recently identified as a sacred ground of the indigenous people. A negative finding of the NCIP might result in us losing CAGA 5 and the potential revenue that we might earn in exploring and producing CAGA 5.

To mitigate this risk, we have employed a team of legal experts who actively negotiate with the NCIP to resolve this matter.

Our largest shareholder, Mr. Joseph C. Sy, was the subject of complaints filed with the DOJ, BI, and the SEC questioning his Filipino citizenship. Although the said cases were decided in favor of Mr. Joseph C. Sy, there is no assurance that Mr. Joseph C. Sy will no longer be the subject of cases questioning his Filipino citizenship filed before administrative bodies or courts in the Philippines. In the event that Mr. Joseph C. Sy is found not to be a Filipino citizen, it could potentially result in a breach of the foreign ownership limitations for mining companies in the Philippines.

Mr. Joseph C. Sy was the subject of a letter-complaint for deportation filed before the BI. Mr. Joseph C. Sy was also the subject of a complaint filed by the NBI with the DOJ for Falsification of Public Document, violation of the Philippine Passport Act of 1996 (R.A. No. 8239), and violation of the Anti-Dummy Law (P.D. No. 715). A similar complaint was also filed against Mr. Joseph C. Sy for violation of the Philippine Immigration Act of 1940, Anti-Dummy Law, Philippine Mining Act of 1995, and Revised Penal Code on simulation of birth, falsification of public documents and perjury, and Section 17 of the Corporation Code before the SEC. In supporting the allegations against Mr. Joseph C. Sy, the complainant questioned the Filipino citizenship of Mr. Joseph C. Sy. Mr. Joseph C. Sy has received favorable resolutions from both the BI and the SEC. However, in the BI deportation case, the complainant filed a belated motion for reconsideration in October 2014. Mr. Joseph C. Sy then submitted a motion to expunge the complainant's motion for reconsideration in November 2014. The BI decided to entertain the motion for reconsideration of the complainant and the original complaint was reinstated. On February 26, 2015, the BI issued a resolution dismissing the said case against Mr. Joseph C. Sy. The dismissal of the case was endorsed by all panel members of the Board of Special Inquiry and unanimously approved by the Board of Commissioners led by Commissioner Siegfred B. Mison. The complainant filed an appeal with the Office of the President. The appeal is pending resolution at the Office of the President.

Despite the favorable decisions from the BI and the SEC, there can be no assurance that Mr. Joseph C. Sy's citizenship will no longer be contested before administrative bodies or courts in the Philippines. See "Business —Legal Proceedings". In the unlikely event that courts or administrative bodies in the Philippines make a determination against the Filipino citizenship of Mr. Joseph C. Sy, the Company's subsidiaries may be found to be in breach of the foreign ownership restrictions (a) relating to mining companies in the Philippines which could result in disqualification to conduct mining operations under MPSAs in the Philippines and/or the cancellation, revocation, and termination or the non-renewal of MPSAs and its corresponding operating agreements or (b) relating to the ownership of lands. Such cases may have an adverse effect on: (a) the financial prospects of PGMC, and in turn may significantly affect

the financial results of the Company; (b) the marketability of the Company's shares if the PGMC CAGA Mines should continue to be the substantial source of income of the Company; and (c) the stock price of PGMC's parent company, FNI.

To address the foregoing risks, we employ a team of legal counsels, who exercise the requisite expertise with respect to citizenship of a person and the ownership of our mining rights.

Economic, political and other conditions in China, as well as government policies, could adversely affect our business and prospects.

Our business depends on the general economic conditions in China, as well as its political and social conditions. Our entire revenues for the years ended December 31, 2015, 2016, and 2017 was derived from sales of nickel ore to China. The Chinese market has become a significant source of global demand for commodities and China represented approximately 52.0% of the global primary nickel demand in the year of 2015². China's annual consumption of primary nickel has also increased by more than 5.0% since 2008 from 367,000 tonnes to an estimated 1.0 million tonnes in 2015.

The economy of China differs in many respects from the economies of most developed countries, including with respect to:

- the amount and degree of government involvement;
- growth rate and degree of development;
- government control over capital investment;
- government control of foreign exchange; and
- government allocation of resources.

The Chinese economy is in the process of transitioning from a centrally planned economy to a more market-oriented economy. For approximately three (3) decades, the Chinese government has implemented economic reform measures to utilize market forces in the development of the economy. However, the Chinese government continues to play a significant role in regulating industries and the economy through policy measures.

Any political tension between the Chinese and Philippine governments may also have an adverse effect on our business and operations if such tension escalates and has effects on commerce and economic relations. See “—Risks Related to the Philippines—Territorial and other disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.” For example, such tension may result in policy directives restricting free trade between China and the Philippines or increase in the cost of doing business between the two (2) countries, such as with respect to shipping and freight costs, which at present constitutes a significant competitive advantage for us against international competitors. We cannot predict the extent of any adverse effect on our current or future business, financial condition or results of operations that could be caused by any changes in Chinese economic, political or social conditions and in Chinese laws, regulations and policies.

² INSG Report dated September 26, 2016.

Moreover, particularly related to our business, China, in response to its increased demand for commodities, is increasingly seeking self-sufficiency in key commodities, including nickel, through investments in nickel mining operations in other countries. In addition, nickel ore is used in the production of stainless steel and a slowdown in the stainless steel industry in China, or China's economic growth in general, could result in lower Chinese demand for our products and therefore reduce our revenue. In the event that the demand for our nickel ore from our Chinese customers materially decreases and we are unable to find new customers to replace these customers, our business, results of operations, and financial condition could be materially and adversely affected.

Partial lifting of the export ban of nickel ore by the Indonesian government could adversely impact our business, results of operations, and financial condition.

As of date of this Prospectus, Indonesia has partially lifted the ban on nickel ore exports. It has allowed approximately 20 million tonnes of nickel ore exports in 2017 as compared to the 47.0 million tonnes that the country exported prior to the implementation of the export ban.

Despite the conditional relaxation on ore exports, the nickel market was largely unaffected. Average prices at metal markets such as the LME and SMM were higher this year, while our average realized nickel ore price for the year ended December 31, 2017 improved by 5.1% to US\$19.29/WMT from US\$18.36/WMT of the same period last year.

To mitigate such risk, we continue to build our ability to withstand nickel price shocks as we optimize our operations and improve our cost structures.

The loss of certain tax exemptions and incentives will, and any change in existing or imposition of new taxes may, increase our tax liability and decrease any profits we might have in the future.

Local and national government units may amend existing taxes for which we are liable, such as municipal taxes and excise taxes. These agencies are also free to impose new taxes or levies affecting our operations. If any of the taxes applicable to us are modified unfavorably, or if new taxes at the local or national level are imposed on us or on our operations, our income margins may be lessened and our results of operations and financial condition may be adversely affected.

Implementation of export ban or export taxes on nickel ore or increased revenue sharing scheme by the Philippine Government would materially and adversely affect our business, results of operations, and financial condition.

There are two (2) bills relating to the adoption of a mineral ore ban in the Philippines, which have been filed and are currently pending in the Philippine Congress to adopt a mineral ore export ban in the Philippines, in part to force miners to build processing facilities and to create employment for the local population; one of the filed bills provide that the ban should be implemented starting January 01, 2021, while the other filed bill provides that the ban should be implemented starting January 01, 2019. In case of the passage of the bills and the implementation of such ban, we would be forced to terminate our trade with all international customers, which would materially affect our revenue stream, results of operations and financial condition. One of the main factors hampering the development of processing facilities in the Philippines is the shortage of electricity supply in the country. The

substantially high cost of electricity is hindering the momentum for investments in developing high-energy consumption industries in the Philippines, such as rotary kiln electric arc furnace smelting plants and processing facilities.

Alternatively, export taxes on nickel ore may instead be considered by the Philippine government to deter the exportation of mineral resource. We believe that an export tax is the more probable scenario rather than a complete export ban of nickel ore. In any event, the implementation of either an export ban or export taxes on nickel ore will have a material adverse impact on our business, results of operations, and financial condition.

We rely to a significant degree on third-party contractors and failure of any such contractor to comply with its contractual obligations or the loss of any such contractor's services could increase our costs or disrupt our operations and we may be held liable for costs or delays caused by them.

We could be held liable for any problems caused by our independent third-party contractors, including associated costs, delays, or other issues, any of which may have a material adverse effect on our business, results of operations, and financial condition. We depend upon independent third-party contractors to perform our mining operations including earthmoving, loading, transportation and certain other services at our Cagdianao Mine for us. The performance of the independent third-party contractors may be constrained by labor disputes or actions, damage to or failure of equipment and machinery, or financial difficulties. In addition, failure by our contractors to comply with applicable laws could adversely affect our reputation.

In addition, there can be no assurance that our monitoring of the work and performance of our independent third-party contractors will be sufficient to control the quality of their work or their adherence to safety or environmental standards. In the event that our independent third-party contractors fail to meet the quality, safety, environmental, and other operating standards that are required by the relevant laws and regulations, our operations may suffer and we may be liable to third parties. In particular, given the dangers inherent with operating heavy machinery and mining activities, we cannot guarantee our current safety measures and monitoring activities could successfully prevent any accidents or casualties caused by the operation of our independent third-party contractors.

Furthermore, any contractual disputes with our contractors, the inability of any of our contractors to comply with their contractual obligations to us, including shipment volume guarantees, or our inability to maintain a cooperative relationship with any of our independent third-party contractors or obtain alternative providers on comparable or more favorable terms in a timely manner, or at all, may delay our production schedule and we may breach our supply contracts with our customers, any or all of which may substantially increase our costs and may have a material adverse effect on our business, results of operations, and financial condition.

In addition, we cannot assure you that we will not be involved in any legal claims with respect to such outsourced activities or will not be liable to third parties for losses or damages caused by our independent third-party contractors. In any such instance, we may be required to devote funds and resources to defend ourselves. Costs and expenses incurred as a result of our being implicated or held liable for any acts or omissions of our independent third-party contractors or of any failure in the services they provided to us may have a material adverse

effect on our business, results of operations, and financial condition. See “Business—Contractors.”

To mitigate this risk, we continue to review the performance of our service contractors on a regular basis.

In case the contract with a mining contractor is cancelled, the Company may ask the other contractors to step-in and take over the services of the outgoing contractor. The existence of the eleven (11) service contractors lessens the reliance of the Company on any single mining contractor. The Company does not expect that all eleven (11) service contracts will be cancelled at the same time.

Historically, a large proportion of our revenue has been derived from a small group of customers, and the loss of, or significant reduction in purchases by, any one or a combination of these customers could adversely affect our business, results of operations, and financial condition.

Approximately 81.22%, 79.34% and 80.32% of our revenue in the year ended December 31, 2017, 2016, and 2015, respectively, were derived from sales of nickel ore to our top five (5) largest customers. We sell nickel ore to these customers under both monthly and annual agreements. There can be no assurance that such agreements will be renewed at the end of their respective terms. Any of these customers may decide to purchase less tonnage of our ore than in the past or to purchase ore on different terms, including under different pricing terms. Our business, cash flows, earnings, results of operations, and financial condition could be adversely affected if these customers do not renew their sales agreements with us under favorable terms or at all and we are unable to find new customers to replace them.

To mitigate this risk, in the event that the Company loses one of its largest customers, the Company will reallocate the available ore that it delivers to the other remaining customers.

If we are unable to supply our customers with nickel ore in the agreed volume or with the agreed characteristics, our business, results of operations, and financial condition would be adversely affected.

Sales of our nickel ore are made through contractual arrangements with third parties. These ore supply agreements typically contain provisions requiring us to deliver nickel ore with certain specified characteristics, such as nickel content, iron content, moisture content, and volume. Failure to meet any of these specifications or other quality thresholds could result in economic penalties, including price adjustments, rejection of deliveries or termination of such agreements. In addition, we may not be able to deliver the agreed quantities of nickel ore to our customers under our agreements with them because of adverse weather conditions, which could affect our ability to mine the nickel ore or to load our nickel ore onto barges and LCTs, equipment and machinery failures and operational difficulties, difficulties in acquiring essential machinery, equipment, and spare parts or disputes with our employees or contractors. If we are unable to supply our customers with nickel ore in the agreed volume or with the agreed characteristics in the future, our business, results of operations, and financial condition could be adversely affected.

Our reserve and resource estimates may not accurately reflect our nickel deposits, and inaccuracies or future reductions in our reserve or resource estimates could have an adverse impact on our business, results of operations, and financial condition.

Reserve and resource figures are estimates and no assurances can be given that the indicated levels of nickel ore will be produced or that we will receive the price assumed in determining our reserves. These estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results, and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While we believe that the reserve and resource estimates included in this Prospectus are well established, by their nature reserve and resource estimates depend, to a certain extent, upon statistical inferences that may ultimately prove inaccurate and require adjustment.

Furthermore, fluctuations in the market price of nickel, increased capital or production costs or reduced recovery rates, change to life of mine plans and changes in applicable laws and regulations, including environmental laws and regulations, may render ore reserves uneconomic and may ultimately result in a reduction of reserves. The extent to which resources may ultimately be reclassified as proved or probable reserves is dependent upon the determination of their profitable recovery, which determination may change over time based on economic and technological factors. Accordingly, no assurances can be given that any reserve estimates will not be reduced in the future or that any resource estimates will ultimately be reclassified as proved or probable reserves.

The mineral ore reserve estimates included in this Prospectus are calculated in accordance with the PMRC, based on mineral resource estimation data and modifying factors data provided to the competent persons who rendered the PMRC report by us. We have commissioned technical reports under the PMRC for the Cagdianao Mine and the INC Mine.

If our reserve or resource figures are reduced in the future, this could have an adverse impact on our business, results of operation, financial condition and prospects.

Our actual production may not meet our estimates, which could have an adverse impact on our business, results of operations, and financial condition.

We prepare estimates of future production and future production costs for operations. No assurance can be given that production estimates will be achieved. The accuracy of these production estimates is based on, among other things, the following factors: reserve estimates; assumptions regarding ground conditions and physical characteristics of ore materials, such as the presence or absence of particular metallurgical characteristics; and estimated rates and costs of mining.

Actual production may vary from estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the nickel ore reserves, such as the need for sequential development of nickel ore bodies and the processing of new or different nickel ore grades; risk and hazards associated with mining; natural phenomena, such as inclement weather conditions, earthquakes, landslides and erosion; and unexpected inability to obtain spare parts, labor shortages or strikes.

Failure to achieve production estimates could have an adverse impact on our business, results of operations, and financial condition.

Our future exploration and development activities may not be successful, and, even if we make economic discoveries of nickel ore deposits, unexpected problems during the start-up phase of any new operations could have an adverse impact on our business, results of operations, and financial condition.

We can provide no assurance that our current exploration and development programs will result in profitable commercial mining operations or will replace production at our existing mining operations. Also, we may incur expenses on exploration projects that are subsequently abandoned due to poor exploration results or the inability to define reserves that can be mined economically. In addition, we may compete with other mining companies to acquire rights to exploit attractive mining properties.

The economic feasibility of development projects is based upon many factors, including the accuracy of reserve estimates; capital and operating costs; government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting, and environmental protection; and nickel prices, which are highly volatile. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits, and availability of adequate financing.

Development projects have no operating history upon which to base estimates of future cash flow. Estimates of proved and probable reserves and cash operating costs are, to a large extent, based upon detailed geological and engineering analysis. We also conduct feasibility studies that derive estimates of capital and operating costs based upon many factors, including anticipated tonnage and grades of nickel ore to be mined, the configuration of the mine, ground and mining conditions and anticipated environmental and regulatory compliance costs.

It is possible that actual costs and economic returns of current and new mining operations may differ materially from our best estimates. It is not unusual for new mining operations to experience unexpected problems during the start-up phase and to require more capital than anticipated. These additional costs could have an adverse impact on our business, results of operations, and financial condition. If our exploration program is not successful, our business, results of operations, and financial condition would be adversely affected.

We require a significant amount of funding, and any difficulty in obtaining future financing at acceptable terms or at all, could cause us to postpone development plans, forfeit rights in our properties or joint ventures, or reduce or terminate certain mine operations, any of which could have an adverse impact on our business, results of operations, and financial condition.

We require a significant amount of funds to meet our capital expenditure requirements; our capital expenditures amounted to ₱123.2 million, ₱36.1 million, and ₱0.3 million for the years ended December 31, 2017, 2016 and 2015, respectively. In addition, the further development and exploration of mineral properties in which we hold interests or which we acquire may depend upon our ability to obtain financing through joint ventures, debt financing, equity financing or other means. There is no assurance that we will be successful in obtaining required financing as or when needed. Volatile nickel markets may make it

difficult or impossible for us to obtain debt financing or equity financing on favorable terms or at all. Our principal operations are located in, and our strategic focus is on, the Philippines, a country that has experienced past economic and political difficulties and may be perceived as unstable. This may make it more difficult for us to obtain debt or equity financing. Failure to obtain additional financing on a timely basis may cause us to postpone development plans and modify capital expenditure budgets, forfeit rights in our properties or joint ventures or reduce or terminate our operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on our business, results of operations, and financial condition. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Debt Obligations and Facilities” for information with respect to our historical financing activities.

We may continue to pursue strategic acquisitions; if we are unable to successfully identify and execute such acquisitions, we would be unable to realize the anticipated benefits of such acquisitions, and our growth strategy may not be achieved.

We intend to expand our business through selective, complementary acquisitions, and to continue to evaluate acquisition opportunities with complementary mining operations or exploration and development prospects as they arise. Acquisitions involve a number of risks, including misvaluation of acquired assets, especially with respect to the quantity and quality of ore reserves and resources, diversion of management’s attention, failure to retain key acquired personnel and clients, unanticipated events or circumstances, legal liabilities and amortization of acquired intangible assets, some or all of which could harm our results of operations and financial condition.

Our reserves may not be replaced, and failure to identify, acquire and develop additional reserves could have an adverse impact on our business, results of operations, and financial condition.

Our source of nickel ore is currently limited to the Cagdianao Mine. Our profitability depends substantially on our ability to mine, in a cost-effective manner, nickel ore that possesses the quality characteristics desired by our customers. Because our reserves decline as we mine our nickel ore, our future success and growth depend upon our ability to identify and acquire additional nickel ore resources that are economically recoverable. We currently have one (1) mining exploration property and plan to acquire another mining exploration property in the Philippines. If we fail to identify or utilize additional reserves at our existing or future property, our existing reserves will eventually be depleted. Failure to commercialize our additional nickel resources and identify reserves on such resources, enhance our existing reserves or maintain or continue to grow our reserves could materially and adversely affect our business, results of operations, and financial condition.

We face competition in selling nickel ore.

We compete with foreign nickel ore suppliers (primarily from Indonesia, New Caledonia and Australia) in world nickel ore markets, as well as other Philippine players. Notable domestic competitors include CTPCMC, Nickel Asia Corporation, Marcventures Mining and Development Corporation, Carrascal Nickel Corporation and Oriental Peninsula Resources Group, Inc. We compete with other nickel ore suppliers primarily on the basis of ore quality, price, transportation cost and reliability of supply. Our inability to maintain our competitive

position based on these or other factors could materially and adversely affect our business, results of operations, and financial condition.

Fluctuations in transportation costs and disruptions in transportation could adversely affect the demand for our nickel ore.

Transportation costs may vary for a number of reasons, including changes in global demand for commodities, the size of the global shipping fleet and fuel costs. Under the terms of certain of our ore supply agreements, the customer is responsible for paying transportation costs including shipping and related insurance costs. Any future increases in freight costs could result in a significant decrease in the volume of nickel ore that customers outside the Philippines purchase from us.

We depend upon ships to deliver nickel ore to our international customers. While these customers typically arrange and pay for transportation of nickel ore from transshipment areas to the point of use, disruptions to these transportation services because of weather-related problems, distribution problems, labor disputes or other events could temporarily restrict the ability to supply nickel ore to customers or could result in demurrage claims by ship-owners for loading delays. Any of the foregoing events could materially and adversely affect our business, results of operations, and financial condition.

We may encounter difficulties regarding the land access channels to our mine.

We cannot guarantee that immediate land access to and from our mine or future exploration sites will be available. We may be required to seek consent of land holders or other persons or groups with an interest in real property encompassed by or adjacent to our mine. Compensation may be required to be paid by us to land holders in order that we may carry out exploration or mining activities. Indigenous titles exist in the Philippines and are governed by law. Where applicable, agreements with indigenous groups have to be in place before a mineral tenement can be granted. Government policy, impassible or difficult access as a result of the terrain, seasonal climatic effects or inclement weather can also adversely impact our operation. For the CAGA Mine, our right to access the land is covered by the MPSA we have with the Government.

Continued compliance with safety, health and environmental laws and regulations may adversely affect our business, results of operations, and financial condition.

We expend significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations, guidelines and permitting requirements (for the purpose of this paragraph, collectively referred to as “laws”) drawn from a number of different jurisdictions. We anticipate that we will be required to continue to do so in the future as the recent trend towards stricter environmental laws is likely to continue. The possibility of more stringent laws or more rigorous enforcement or new judicial interpretation of existing laws exists in the areas of worker health and safety, the disposition of waste, the decommissioning and rehabilitation of mining sites and other environmental matters, each of which could have a material adverse effect on our exploration, operations or the cost or the viability of a particular project.

Our facilities operate under various operating and environmental permits, licenses and approvals that contain conditions that must be met and our right to continue operating our facilities is, in a number of instances, dependent upon compliance with these conditions. Failure to meet certain of these conditions could result in interruption or closure of exploration, development or mining operations or material fines or penalties, all of which could have an adverse impact on our business, results of operations, and financial condition. See “Regulation.”

On February 03, 2017, the DENR ordered the closure of twenty-three (23) mines and suspension of six (6) mines. On February 14, 2017, the DENR Secretary ordered the cancellation of seventy-five (75) MPSAs due to mining within protected watershed areas. Our CAGA Mine is not within the protected watershed area designated by the Government.

An unequal application and implementation of the laws and without due process will have an adverse effect on the Company.

Changes in, or more aggressive enforcement of laws and regulations could adversely impact our business.

Mining operations and exploration activities are subject to extensive laws and regulations. These relate to production, development, exploration, exports, imports, taxes and royalties, labor standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and rehabilitation, mine safety, toxic substances, transportation safety and emergency response and other matters. See “Regulation.”

Further, there is a risk that mining laws and regulations could change and adversely impact our business. On July 21, 2017, President Duterte has announced that new mining legislation is being prepared by his administration.

Compliance with these laws and regulations involve substantial costs. It is possible that the costs, delays and other effects associated with these laws and regulations may impact our decision as to whether to continue to operate an existing mine, refining and other facilities or whether to proceed with exploration or development of properties. Since legal requirements change from time to time, are subject to interpretation and may be enforced to varying degrees in practice, we are unable to predict the ultimate cost of compliance with these requirements or their effect on operations should any of these increases or be modified in any material respect. Furthermore, and more importantly, changes in governments, regulations and policies, and practices could have an adverse impact on our business, results of operations, and financial condition.

Our operations are hazardous and are subject to risks that could lead to unexpected production delays, increased costs, damage to property, or injury to persons or casualties.

Our mining operations, like those of other companies engaged in mining operations, are subject to all of the hazards and risks normally associated with the exploration, development and production of natural resources, any of which could result in production shortfalls or damage to persons or properties. Hazards associated with our surface mining operations include collapse of the wall, accidents associated with the operation of large surface mining and ore handling equipment and production disruptions due to inclement weather. In the past

three (3) years, we have had one (1) isolated fatal accident at our mine that was related to the operation of a dump truck.

We are at risk of experiencing any, some or all of these hazards. The occurrence of any of these hazards could result in material damage to, or the destruction of, mineral properties, human exposure to pollution, personal injury or casualty, environmental or natural resource damage, delays to production or shipping, reduced sales, increased costs and losses associated with remedying the situation, as well as potential legal liability for us. The liabilities resulting from any of these risks may not be adequately covered by insurance, and no assurance can be given that we will be able to obtain additional insurance coverage at rates we consider to be reasonable. We may therefore incur significant costs that could have material adverse effect on our business, results of operations, and financial condition.

Our insurance coverage may not be sufficient to fully cover the risks related to our operations and losses.

We are not fully insured against all potential hazards incident to our business and if any or all of our mining facilities are damaged and our operations are interrupted for a sustained period, there can be no assurance that our insurance policies would be adequate to cover any or all of the losses that may be incurred as a result of such interruptions or the costs of repairing or replacing the damaged facilities.

Our property insurance does not cover acts of terrorism and, in the event of a terrorist attack, our facilities could be damaged or destroyed and our operations curtailed. In recent years, most insurers have created exclusions for losses from terrorism from “all risk” property insurance policies. In the event of a terrorist attack, explosion or other accident impacting our properties, we could lose sales from the mine and the properties themselves. We do not carry business interruption insurance. Losses incurred or associated liabilities not covered by our insurance policies could have a material and adverse effect on our business, results of operations, and financial condition. See “Business—Insurance.”

For example, in 2011, seventy-three (73) of our privately-owned hauling trucks were destroyed in a fire that was caused by the New People’s Army, the armed wing of the Communist Party of the Philippines. The total loss of property was valued at approximately US\$4.0 million to US\$5.0 million. Our insurance claims relating to the loss of property have been denied by the insurance company for reasons that this was an act of “terrorism,” which our insurance company claims were not covered by our policy. On August 30, 2013, we filed legal proceedings against the insurer to dispute their denial of coverage. After the Regional Trial Court granted our insurance claim, the insurer filed a Motion for Reconsideration which is pending for Resolution.

However, we have put in place the following mitigants to help manage this risk:

- (a) We minimize our costs and expenses during business interruptions - Our service contractors are paid only when we have revenues from shipment. Other major costs and expenses of our operations, such as payment of excise taxes and royalties, are also contingent on shipments; and
- (b) All our major assets/properties are insured.

Failure to accurately estimate the decommissioning and rehabilitation costs we face could have an adverse effect on our business, results of operations, and financial condition.

Under the terms of the MPSAs with the Government, we are required to establish a decommissioning and rehabilitation plan at our mine sites. The costs of performing the decommissioning and rehabilitation can be significant and are subject to change. These costs increase as our mining sites expand. We cannot predict what level of decommissioning and rehabilitation may be required in the future by regulators. If we are required to comply with significant additional regulations or if the actual cost of future decommissioning and rehabilitation is significantly higher than current estimates, this could have an adverse impact on our business, results of operations, and financial condition. As of date of this Prospectus, we are compliant with our FMRDP as approved by MGB.

The Company is effectively controlled by one (1) shareholder.

As of March 31, 2018, approximately 49.71% of the outstanding shares of the Company were effectively controlled indirectly by our Chairman, Mr. Joseph C. Sy, through his direct and indirect shareholdings in Sohoton Synergy, Inc., Blue Eagle Elite Ventures, Inc., Ultimate Horizon Capital, Inc., Red Lion Fortune Group, Inc. and Great South Group Ventures, Inc. The next largest shareholder is Huatai Investment Holding Pty. Ltd., which owns 17.94% of the Company. Thus, Mr. Joseph C. Sy effectively controls the Company, as well as having significant beneficial ownership in affiliated companies such as INC and CNMEC. The interests of Mr. Joseph C. Sy may differ from the interests of the Company and the Company's other shareholders, and there can be no assurance that Mr. Joseph C. Sy will exercise influence over the Company in a manner that is in the best interest of the Company and the Company's other shareholders. In addition, there can be no assurance that the Company's business, financial position and results of operations will not be adversely affected in the event Mr. Joseph C. Sy reduces part of, or disposes all of, his shareholding in the Company.

Our success depends on our ability to attract and retain qualified personnel, and contractors, and to maintain satisfactory labor relations.

Recruiting and retaining qualified personnel is critical to our success. The number of persons skilled in the acquisition, exploration and development of mining properties in the Philippines is limited and competition for such personnel is intense both from within and outside the Philippines. The majority of the members of our senior management team have been involved in our business operations for many years and the loss of key executives could adversely impact our business. For instance, our Chairman, Mr. Joseph C. Sy has close ties with a large portion of our Chinese customers. We rely on Mr. Joseph C. Sy's business relations with Chinese customers and he is the key personnel for our business development in the Chinese market.

In addition, nickel mining is a labor-intensive industry. The Company and our mining contractors employ a significant number of workers. As of March 31, 2018 we had 1,027 employees. Out of these employees, 75 are employed at our head office, while the remaining 952 are employed in our mining operations at our existing mines in Cagdianao. Of these, 184 are involved in mining operations, engineering, and mine planning, 293 are employed on grade and quality control, 119 are handling port operations, 159 are taking care of the environment, health, and safety concerns of the Company, and 197 are performing

administrative, human resource, accounting & finance, maintenance and mechanic functions, mine security, audit, and office of the vice president. The Company has employed the best all-Filipino professional and technical personnel. Further, there are six (6) technical personnel who are members of our senior and junior management.

Our service contractors had deployed an aggregate workforce of 1,243 employees at our Cagdianao site. In addition, we have chartered five (5) LCTs utilized for shipside loading operations and have about 70 personnel. We do not currently anticipate any significant increase or decrease in the number or allocation of our employees at our Cagdianao Mine for the 2018 mining season. For INC Mine, it has less than 30 employees engaged in community relations, survey, and other preparatory activities. The rest of the manpower required for the operation of the INC Mine will come from the contractors that will be engaged by the Company for the mining operations.

Although historically we have not experienced any work stoppages, strikes or industrial actions, there can be no assurance that work stoppages or other labor-related disputes, demands for increased wages or other terms or other developments will not occur in the future. Any significant dispute between the contractors and us or labor disputes between the contractors and their employees could have a material adverse effect on our business, results of operations, and financial condition. As our business grows, we will require additional key financial, administrative and mining personnel as well as additional operations staff.

There are no labor unions within the Group.

As of March 31, 2018, the following is the breakdown of the Company's employees:

Employee Breakdown

Position Level	Head Office			Total for Head Office	CAGA			Total For CAGA	Grand Total
	R	P	FT		R	P	FT		
Executives	7	–	–	7	1	–	–	1	8
Managerial	13	–	–	13	12	–	–	12	25
Supervisory	11	–	–	11	36	6	41	83	94
Technical	3	–	–	3	38	–	237	275	278
Rank & File	36	4	1	41	11	–	570	581	622
Total	70	4	1	75	98	6	848	952	1,027

Figure was based on manpower compliment of PGMC H.O, GFNI, Surigao mine site, PCSSC H.O & mine site

Legend

R - Regular

P - Probationary

FT - Fixed Term

Any changes in labor laws and regulations could result in the Company having to incur substantial additional costs to comply with the new laws and regulations

The current President of the Philippines has announced at the beginning of his administration his sentiments against labor-only contracting and contractualization in general. In fact, in early 2017, DOLE issued Department Order No. 174 revising the implementing rules and regulations on contractualization.

There is a risk that Philippine Congress will enact new laws prohibiting contractualization. This will, in effect, increase the cost of the Company as it heavily relies on its service contractors.

To mitigate this risk, the Company has employed various legal experts to ensure its compliance with the current laws and rules and regulations on contractualization. The Company has also started exploring new technology as to lessen its reliance on manpower agencies.

We are exposed to exchange rate fluctuations. In particular, fluctuations in the exchange rate between the Peso and the U.S. dollar could have an adverse effect on our results of operations and financial condition.

Our nickel ore sales are denominated in U.S. dollars while some of our costs are incurred in Pesos. The appreciation of the Peso against the United States dollar reduces our revenue in Peso terms. Accordingly, fluctuations in exchange rates can have an impact on our financial results. While our current policy is not to hedge our exposure to foreign currency exchange risk or invest in derivative instruments, the Company closely monitors the exchange rate fluctuations to determine if there is a need to hedge our exposure to foreign currency exchange risk or invest in derivative instruments. The recent depreciation of the Peso relative to the U.S. dollar could result in a translation gain on our U.S. dollar-denominated revenue.

We, and our officers and directors, may, from time to time, be involved in legal and other proceedings arising out of our operations and construction of our mine sites and properties.

We (and our officers and directors) may, from time to time, be involved in disputes with various parties involved in the operation and construction of our mine sites and properties, including disputes with contractors and suppliers, or property damage or personal liability claims. Regardless of the outcome, these disputes may lead to legal or other proceedings and may result in substantial costs, delays in our mine plan, and the diversion of resources and management's attention. We (and our officers and directors) may also have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decisions that result in penalties. In such cases, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

PGMC's previous chairman, Mr. Lin Ou Wen, is currently involved in fraud-related legal proceedings in the U.S., which may result in the Group's reputation being adversely affected.

Mr. Lin Ou Wen was appointed as chairman of PGMC on February 14, 2011 and subsequently stepped down from his chairmanship position on July 31, 2014. Mr. Lin Ou Wen was also a significant shareholder of PGMC until his shares were transferred to Mr. Peter Lin in 2014 as consideration for the conversion of advances into equity of PGMC. In December 2012, Mr. Peter Lin advanced funds to Mr. Lin Ou Wen in his personal capacity under an agreement whereby the advances could convert into Mr. Lin Ou Wen's equity of PGMC, or be paid in cash, at the option of Mr. Peter Lin. As of the date of this Prospectus, Mr. Lin Ou Wen does not have any shareholding in any of the entities within the Group, nor does he hold any directorship or position within the Group.

Mr. Lin Ou Wen is a significant shareholder of CME, a company whose stock was delisted from the NASDAQ by the U.S. Securities and Exchange Commission on May 19, 2011 for a failure to timely file required financial reports. There are several on-going legal proceedings in the U.S. against CME, its senior management, and its significant shareholders, including Mr. Lin Ou Wen. CME and certain of its senior management and significant shareholders are alleged to have committed significant financial fraud, resulting in substantial losses to its shareholders. CME and its founding shareholders, including Mr. Lin Ou Wen, were also involved in a legal proceeding in Hong Kong. The Hong Kong case was settled through arbitration in 2013, whereby the defendants, including Mr. Lin Ou Wen, were ordered to pay US\$77.0 million in damages to the plaintiff.

Despite Mr. Lin Ou Wen no longer having any shareholding or directorship relationships with any of the entities within the Group, there can be no assurance that the on-going cases against CME and Mr. Lin Ou Wen will not adversely affect the reputation of PGMC or the Group. Public sentiment toward the management of PGMC or the Group may be indirectly affected by the legal proceedings or future judgments against CME or Mr. Lin Ou Wen.

On September 10, 2014, Mr. Lin Ou Wen sold the shares under his name in PGMC to Huatai Investment Holding Pty. Ltd., Regulus Best Nickel Holdings, Inc. Bellatrix Star, Inc., Alpha Centauri Fortune Group, Inc., Ultimate Horizon Capital, Inc., Sohoton Synergy, Inc. Great South Group Ventures, Inc., Great South Group Ventures, Inc., Red Lion Fortune Group, Inc., Dante R. Bravo, Seng Gay Chan and Wei Ting. The certificates authorizing registration of the said shares sold under the name of Mr. Lin Ou Wen have already been issued by the Bureau of Internal Revenue.

Previously, Mr. Joseph C. Sy and Mr. Lin Ou Wen were business partners in a smelting plant in China (the "Plant") to which we are currently selling our nickel ore. On January 08, 2018, Mr. Lin Ou Wen sold his 26.4% stake in the said smelting plant. As of the date of this Prospectus, Mr. Joseph C. Sy is the Chairman of the Plant and owns 90.0% of the Plant's share capital. We may, as part of our future growth strategy, seek to increase our vertical integration through the acquisition of smelter operations, including the Plant. See "Business—Key Strategies."

SIRC's MPSA is the subject of a legal proceeding.

On August 18, 2016, in a Letter-Petition, CMDC asked the DENR to modify the renewal of the MPSA granted to SIRC and alleged that the MPSA should have been renewed under the name of CMDC. The administrative proceeding is entitled In Re: Renewal of MPSA No. 007-92-X Granted to Surigao Integrated Resources Corporation and docketed as DENR Case No. 9768. On October 28, 2016, SIRC filed its Answer. SIRC argued that the petition is frivolous and must be dismissed because: (a) CMDC has transferred all its rights and interests in the MPSA to SIRC through an Assignment Agreement, making SIRC the real party who has the right to seek a renewal of the MPSA; (b) the petition is essentially an opposition to the renewal of the MPSA in the name of SIRC, which, in turn, amounts to a mining dispute that falls within the original and exclusive jurisdiction of the DENR Panel of Arbitrators; (c) the renewal of MPSA in favor of SIRC became incontrovertible as CMDC failed to appeal from the prior denial of its own request for renewal; and (d) the authority of the signatory to the Letter-Petition to act for CMDC was not properly established. The case is pending resolution.

There is a risk that the case would be resolved in favor of CMDC. In such instance, SIRC would not be able to continue its mine operations in the areas covered by such MPSA.

To manage the foregoing risk, we employ a team of legal personnel who closely monitors the development in the case.

Certain information contained herein is derived from unofficial publications.

Certain information in this Prospectus relating to the Philippines, the industry in which our business competes, and the markets in which we develop our business and operations, including statistics relating to market size, are derived from various government and private publications. The section of this Prospectus under the heading "Industry" was based on various sources, most of which are publicly available. The Sole Underwriter's overview of the nickel mining industry and all industry forecasts included therein are based on information from their own independent research, as well as publicly available third-party sources identified therein, including government agencies. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, any industry forecasts and market research, including those contained or extracted herein, have not been independently verified by us and may not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines. Prospective investors are cautioned accordingly.

There is no assurance that the Company will be able to sufficiently finance future capital requirements.

The further development and exploration of mineral properties in which the Company holds interests or which it will acquire may depend upon its ability to obtain financing the project cost through joint ventures, debt financing, equity financing or other means. Although the Company has credit facilities with banks that can be tapped by the Company, there is no assurance that the Company will be successful in obtaining the required and sufficient financing as and when needed to meet the project cost. Volatile nickel prices may make it difficult or impossible for the Company to obtain debt financing or equity financing on

favorable terms or at all. The Company's principal operations are located in, and its strategic focus is on, the Philippines, a country that has experienced past economic and political difficulties and may be perceived as unstable. This may make it more difficult for the Company to obtain debt or equity financing. Failure to obtain additional financing on a timely basis may cause the Company to postpone or delay development plans, forfeit rights in its properties or reduce or terminate operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on the Company's business, financial condition, results of operations and prospects.

The Company tempers its exposure to this risk by exercising prudent management.

Risk of Malfunction and Failure of Equipment to Operate

Mining operations are subject to all the hazards and risks normally encountered in the exploration, development and production of the mineral properties. The machines and equipment of our service contractors used in the mining operations may malfunction or breakdown in the course of the operations. Additional costs may also be incurred if the equipment necessary to the exploration and mining operations of the Company becomes damaged.

To mitigate the risks, we require our service contractors to have their mining equipment undergo periodic maintenance and checking to ensure that the equipment are in absolute running condition. In addition, we require that the machines and equipment are covered by insurance.

Risk on Delay or Failure to Acquire Equipment

Our service contractors may experience a delay in acquiring certain equipment or machinery, especially after an equipment breaks down and is no longer capable of repair.

To mitigate this risk, we require our service contractors to maintain an adequate inventory of its equipment so that in case certain equipment becomes damaged, there will still be equipment available for use by the service contractors.

Interest Rate Risk

The Group has financial obligation that are subject to interest rates.

The Group's exposure to the risk for changes in interest relates primarily to its loan with banks with floating interest rate, instead of loans subject to fixed rates.

The Group regularly monitors interest rates movements to assess exposure impact. Management believes that cash generated from operations is sufficient to pay its obligations under the loan agreements as they fall due.

Risk on failure or delay to pay loan obligation

The Group may encounter difficulties in raising funds to meet commitments from financial instruments.

The Group's objective is to maintain sufficient funding to finance mining activities through internally generated funds, advances from customers and availment of existing credit lines with banks. The Group considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Group's policy is to ensure that there are sufficient capital inflows to match repayments of short-term debts. The Group regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets.

Risk of lower net income because of new tax law

On December 19, 2017, President Rodrigo Duterte signed into law Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("TRAIN") Act. The TRAIN Act amended certain provisions of the National Internal Revenue Code ("NIRC") including the increase of the excise tax on mineral products. This increase in excise tax on mineral products may affect the income margins and the results of operations and financial condition of the Company.

To mitigate this risk, the Company will continue to pursue programs to improve operational productivity and reduce costs as what it has done in past years.

Risks Related to the INC Mine

Risk that the cancellation of the ECC for the INC Mine would not be reconsidered by the DENR.

In December 2016, the DENR cancelled the ECC for the INC Mine allegedly due to INC's failure to launch the Ipilan Nickel Project within the five (5)-year period from the issuance of the ECC. INC has filed with the Office of the DENR Secretary a letter seeking to have the order of cancellation reconsidered stating the significant programs and activities INC has implemented and continues to implement to pursue the project. INC also discussed in the said letter the timeline of major approvals that INC obtained from the different DENR offices and other pertinent agencies in relation to the INC Mine. INC believes that the cancellation of INC's ECC has no factual and legal basis.

However, there is a risk that the DENR would deny INC's request to have the order of cancellation of the ECC reconsidered, which would have significant adverse effect on INC's ability to continue implementing the project and eventually conduct operations in the INC Mine.

Due to the inordinate delay of the DENR in resolving the motion for reconsideration filed by INC before it, INC filed a Notice of Appeal on October 18, 2017 and an Appeal Memorandum on November 16, 2017 before the Office of the President. The motion and the appeal remain pending.

To address the foregoing risks, INC has employed a team of legal and operating personnel that coordinates with the DENR and assesses INC's possible courses of action in case the DENR denies INC's request for consideration.

Issues with Regulators can affect the operations at the INC Mine.

In May 2017, the DENR asked INC why it should not be held responsible for the massive tree cuttings in Brooke's Point, Palawan where the INC Mine is located. Upon the directive of new DENR Secretary Roy A. Cimatu, the DENR Regional Director Natividad Bernardino issued the show-cause order to INC, which was personally served to INC by DENR Secretary Roy A. Cimatu. The DENR said that although INC had an existing one (1)-year tree cutting permit expiring on May 26, 2017, the same was deemed no longer effective since December 14, 2016 when the former DENR Secretary Gina Lopez cancelled INC's ECC. INC explained that the filing of a motion for reconsideration suspends the effectivity of the cancellation of the ECC under the Revised Administrative Code.

In 2017, a complaint was filed by the PCSD Staff against INC. The complaint used Brooke's Point ECAN Board Resolution No. 03, Series of 2016 (the "ECAN Resolution"), in accusing INC of: (i) possible damage to the Filantropia watershed, (ii) tolerating illegal cutting of forest trees, (iii) starting a forest fire sometime in April 2016, and (iv) leaving test pits uncovered with no warning or safety signs. According to the complaint, these constitute violations of items 8 and 17 of the terms and conditions of INC's SEP Clearance No. MODP-122110-001 and Section 22.1 of PCSD Administrative Order No. 06.

On June 06, 2017, the PCSD issued an Order denying INC's Motion to Dismiss and ordered the ECAN to conduct further investigation. INC then filed a Motion for Reconsideration on June 21, 2017 and a Supplemental Motion for Reconsideration with Motion for Voluntary Inhibition dated August 31, 2017.

In July 2017, DENR Regional Director Natividad Bernardino stated that DENR would probe into bribery allegations against INC. Further, she stated that INC might be cited for another violation for illegally constructing a mine yard without clearance from the DENR. As of date, no formal complaint has been filed against INC or any of its personnel. We believe that the reported illegality appears to be merely a case of harassment.

A Cease and Desist Order dated July 21, 2017 was issued by the EMB in MIMAROPA following reports that Ipilan Mine is still operating in Brooke's Point in Palawan without a valid ECC. INC filed an Appeal before the DENR and is still pending as of date.

In September 2017, INC received from PCSD resolutions recalling the SEP Clearance No. MODP-122110-001 and its recommendation to the Secretary of the DENR for the cancellation of the Mineral Production Sharing Agreement of INC for the Ipilan Nickel Project mining operation and development located in Brooke's Point, Palawan claiming that the project was 80.0% inside the core zone or the area of maximum environmental protection. Both PCSD resolutions were not preceded by any form of notice to INC or proceedings to hear it out. INC will exhaust all legal means to protect its rights, property and interests that are prejudiced by such unjust pronouncements. In December 15, 2017, a Petition to reinstate the SEP Clearance was filed with the PCSD.

The impossible penalties in case a project proponent is found to have violated the terms and conditions of its SEP Clearance are as follows: (a) PCSD may call the attention of the permitting agency to suspend the operation project and recommend for the cancellation of permits issued to the project proponent; (b) PCSD may cancel the SEP Clearance; and (c) in

addition, the PCSD shall impose the penalty of fine of not less than ₱50,000.00 for every violation.

On August 07, 2017, a Palawan court has also issued a 72-hour TEPO compelling INC to stop all its mining activities and start rehabilitating the forest areas that it had recently cleared. This TEPO has already lapsed as of the date of this Prospectus and no permanent injunction was issued by the Palawan court against INC. The Palawan Court is hearing the case to determine whether to continue the TEPO which is objected to by INC.

In addition to the foregoing, INC is facing strong opposition from some politician in Palawan. Mr. Eduardo Modesto Rodriguez called on the DENR to revoke INC's mining permit allegedly for "violating environmental protection laws and disrespecting local government officials.

On July 18, 2017, a Joint Resolution was issued by Associate Prosecution Attorney John Andrew M. Madriñan and the corresponding criminal information was filed in court for alleged violation of RA 9175 (The Chainsaw Act of 2002). It was filed after the joint operatives of CIDG Palawan, PCSDS Wildfire Traffic Monitoring Unit -Enforcement Team, Bantay Palawan Task Force and CAFGU conducted a surveillance operation inside the Contract Area of INC. They seized chainsaws as well as arrested respondents who are contractors, employee and consultant of INC, allegedly for illegal possession of unregistered chainsaws. The respondents then filed a Motion for Reconsideration on August 18, 2017 with the Provincial Prosecution Office and a motion to defer arraignment in court, which reset the arraignment to November 07, 2017 due to the pendency of the Motion for Reconsideration. After the prosecution denied the respondent's Motion for Reconsideration, the respondents subsequently filed a Motion to Quash with the Regional Trial Court. The Motion to Quash was likewise denied by the Regional Trial Court hence a Motion for Reconsideration was filed. As of date, the Motion for Reconsideration is still pending for resolution before the Regional Trial Court.

The Company asserts that its affiliate, INC, has complied with all applicable laws and regulations in its tree-cutting activities in Brooke's Point, Palawan. The DENR order cancelling INC's ECC is the subject of a pending motion for reconsideration, which stops the effectivity of the order pursuant to the Revised Administrative Code. Hence, the ECC remains effective unless the cancellation becomes final and executory.

The ECC is a legal document separate and distinct from the tree-cutting permit that was issued by the DENR to INC on May 25, 2016. The permit has not been cancelled or recalled by the DENR. The DENR only suspended the tree-cutting permit on May 19, 2017. This permit allowed INC to earth-ball 14,439 trees and cut 13,490 trees in an area covering 52 hectares. INC coordinated with the Community Environment and Natural Resources Office of the DENR in the process of implementing the permit that began in 2016. INC will respond to the show cause orders of the DENR or any investigation on the issue in due course.

On February 23, 2018, the mayor of Brooke's Point together with her armed group forcibly and illegally entered and destroyed properties inside the minesite of INC. Prior to the demolition, INC has challenged the illegality of the demolition order at the Regional Trial Court of Palawan and at the Office of the Ombudsman which issued subpoenas to the Mayor arising from the criminal and administrative complaints against her. INC is finalizing all complaints to be filed against the Mayor and her group.

There is no assurance that INC will not be held responsible for the massive tree cuttings in Brooke's Point, Palawan. There is also no assurance that the Office of the Mayor of Brooke's Point, Palawan will issue the business permit for the operation of the INC Mine. An unequal application and implementation of the laws and without due process will have an adverse effect on the INC Mine.

To manage the foregoing risks, INC has employed a team of legal personnel who closely monitors the development in the case.

We have not yet completed the acquisition of any additional mining assets including, the indirect acquisition of shares in INC, which has the right to operate the INC Mine, and the estimated expenditures on the exploration and development of additional mining assets may not be accurate. Substantial expenditure may be incurred in the development of the new acquisition and the investment in the new acquisition may not be profitable in the future.

As at the date of this Prospectus, we have not completed the acquisition of shares in INC that has the right to operate the INC Mine under an operating agreement with the relevant MPSA holder. There can be no assurance that significant losses will not occur in the near future or that the INC Mine will be profitable in the future. Our operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel, infrastructure and equipment associated with advancing exploration, development and commercial production of the INC Mine are employed, added or installed. The amount and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, our acquisition of the mining rights for the INC Mine and other factors, many of which are beyond our control. We expect to incur losses unless and until such time as the INC Mine or other additional mining assets enter into commercial production and generate sufficient revenues to fund its continuing operations, which could be a number of years away in the future. The development of our mining assets will require the commitment of substantial resources to conduct the time-consuming exploration and development of properties. There can be no assurance that we will generate any revenue or achieve profitability. We cannot guarantee that the underlying assumed levels of expenses will prove to be accurate or adequate to develop the INC Mine into a commercially viable and profitable project after the completion of the acquisitions.

Our plan to acquire additional mineral reserves, including the INC Mine, may not succeed.

We intend to expand our resources and reserves base by acquiring additional mine assets. We may encounter intense competition from other companies seeking to acquire the same assets and we may fail to select or value targets appropriately. Our intention to complete the acquisition of shares in INC, which has the right to operate the INC Mine, may not be successful. Important factors that we consider when valuing additional mining assets are the mines' resource and reserve estimates. Resource and reserve estimates involve professional judgments based on factors such as technical data, experience and industry practices. The accuracy of these estimates may be affected by many factors, including the quality of the results of exploration drilling, sampling of the ore, analysis of the ore samples, estimation procedures and the technical expertise and experience of the persons making the estimates.

There are also many assumptions and variables beyond our control that may result in inherent uncertainties in estimating reserves. As a result, resource and reserve estimates may be inaccurate and may lead to a failure to value additional mining assets, including the INC Mine appropriately, which may in turn affect our ability to effectively implement our expansion plans at a reasonable cost, or at all.

In addition, the costs of our expansion plans with respect to the acquisition of additional mining assets may exceed our investment budget. It takes substantial time and resources to:

- comprehensively establish mineral resources through drilling;
- determine an appropriate mining plan and production processes for optimizing the recovery of nickel and iron contained in ore;
- obtain required licenses and approvals for our expansion;
- construct mining and processing facilities for greenfield properties; and
- obtain the ore or extract lateritic nickel and iron content from the mines.

If a project does not prove to be economically feasible by the time we are able to exploit it, we may incur substantial losses or write-offs. In addition, potential changes or complications involving metallurgical and other technological processes arising during the life of a project may result in cost overruns that may render the project not economically feasible. We also face risks in relation to changes to applicable laws and regulations, compliance with which may make extracting the ore more expensive than estimated. Furthermore, even if our expansion plans are successful, we may have to allocate additional capital and human resources to integrate acquired businesses. We therefore cannot assure that new mining assets will be successfully developed or integrated with our existing operation at a reasonable cost, within a reasonable period of time, or at all, or that they will generate the expected economic returns. If our expansion plans are delayed or fail to deliver the expected economic benefits, we would not be able to sustain our current level of production beyond the remaining life of our existing mine, and our business, results of operations, and financial condition would be materially and adversely affected.

In the event that the acquisition of new mineral reserves does not push through, we will look for other viable opportunities in the Philippines or abroad.

We may lose operational control over part of the mine site covered by the MPSA relating to the INC Mine, as there is a potential dispute over an area that overlaps with the MPSA of the land adjacent to the INC Mine.

The current MPSA area for the INC Mine overlaps with MacroAsia's MPSA No. 220-2005-IV. We believe that the area in question is under the administration of the MPSA granted to CNMEC, as the MPSA of CNMEC was approved in 1993 over such area prior to the approval of the MPSA of MacroAsia in 2005. The total area potentially in dispute is 50.77 hectares and we plan to settle this matter with MacroAsia prior to commencing production at the INC Mine, which we are currently targeting to commence after we complete the acquisition and the development of the INC Mine. According to the PMRC Competent Person, the proved and probable ore reserve in the overlapping area contains a total of 0.7 million DMT. If the final settlement for this potential dispute is not resolved in our favor, we may lose the right to operate 50.77 hectares of mine area containing approximately 1.8 million WMT of ore reserves, which could adversely affect our future prospects. See "Business – Mine to be acquired."

We may not be able to commence production at the INC Mine within 2018 and achieve our projected production.

We may not be able to achieve the production plan of 0.5 million WMT in 2018 because there is no useable infrastructure currently in place at the INC Mine and INC has not engaged any mining contractor to prepare for the commencement of operations. In order to achieve the 0.5 million WMT production plan for 2018, expedited planning and monitoring of infrastructure construction is required. We would also need to fast track the applications for approvals and obtain the necessary permits for the construction of infrastructure and mining operations. The aforementioned factors, coupled with the mining season at the INC Mine being limited to the months between November to July each year, mean that we only have November and December of each year to achieve our production target of 0.5 million WMT. Therefore, we may not be able to meet our production plan for the INC Mine for 2018. Furthermore, due to the unforeseeable uncertainty in the construction of infrastructure and preparation work for the mine site prior to commencement of mining operations, the production projections contained in this Prospectus may not be accurate. In the event that we fail to reach the production target for in 2018 or for subsequent years, our future prospectus may be adversely affected.

Our right to mine the INC Mine may be affected by the MPSA holder or counterparty to the operating agreement.

Should we be successful in acquiring Southeast Palawan, our right to mine the INC Mine will be derived from an operating agreement with CNMEC, the MPSA holder. CNMEC may not be able to secure the extension of the MPSA before its expiration in 2018. See “Business—Mine to be acquired—INC Mine.” Our right to mine the INC Mine could be affected if any breach is committed by the MPSA holder, or if the MPSA holder withdraws from the MPSA. Further, our ability to mine the INC Mine could be affected if the counterparty to the relevant operating agreement terminates the agreement.

Risks Related to the Philippines

Any political instability in the Philippines may adversely affect us.

In the last few years, the political diversity in the Philippines has resulted in public and military protests and claims and investigations of misconduct of previous administrations.

In addition, there can be no assurance that acts of election-related or other political violence will not occur in the future, and any such events could negatively impact the Philippine economy. Philippine presidential elections were held on May 09, 2016 and Mr. Rodrigo Duterte took his oath as President of the Philippines on June 30, 2016. On May 23, 2017 Philippine President Rodrigo Duterte has declared martial law for a period of 60 days in Mindanao following clashes between government forces and the Maute Group in downtown Marawi City, Lanao del Sur. During the special joint session of the Senate of the Philippines and the House of Representatives (collectively, the “Philippine Congress”) held on July 22, 2017, the Philippine Congress has extended the martial law in Mindanao for another five months or until December 31, 2017 to authorize government forces to enforce continued offensives against the Maute terror group in Marawi City, Mindanao. Any potential

instability could have an adverse effect on the Philippine economy and the Company's business, prospects, financial condition and results of operations.

There can be no assurance that the political environment in the Philippines will stabilize and any political instability, acts of terrorism, violent crime and similar events could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Further, while the Company has stringent internal control systems in place, the high level of corruption and relatively low levels of absolute income in some of its areas of operation make it vulnerable to fraud by its employees and counterparties.

There is no guarantee that future events will not cause political instability in the Philippines. Such instability may disrupt the country and its economy, as well as commercial traffic into and out of the Philippines, which could materially and adversely affect our business, results of operations, and financial condition. Acts of terrorism, clashes with separatist groups, and violent crimes could destabilize the country and could have a material adverse effect on our business, results of operations, and financial condition.

The Philippines has been subject to a number of terrorist attacks since 2000. In recent years, the Philippine army has also been in conflict with the Abu Sayyaf organization, which has ties to the Al-Qaeda terrorist network, and has been identified as being responsible for certain kidnapping incidents and other terrorist activities particularly in the southern part of the Philippines. Moreover, isolated bombings and have taken place in the Philippines in recent years, mainly in regions in the southern part of the Philippines, such as the province of Maguindanao. On September 02, 2016, a bomb was detonated in a crowded night market area in Davao City, killing fourteen (14) persons. The Abu Sayyaf claimed responsibility for this incident. Also, on May 23, 2017, an ongoing armed conflict in Marawi, Lanao del Sur started between the Philippine government security forces and alleged affiliated militants of the Islamic State of Iraq and the Levant, including the Maute and Abu Sayyaf Salafi jihadist groups. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines and adversely affect the country's economy.

Territorial and other disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

The Philippines, China and several Southeast Asian nations have been engaged in a series of long standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. In April and May 2012, the Philippines and China accused one another of deploying vessels to the shoal in an attempt to take control of the area, and both sides unilaterally imposed fishing bans at the shoal during the late spring and summer of 2012. These actions threatened to disrupt trade and other ties between the two (2) countries, including a temporary ban by China on Philippine banana imports, as well as a temporary suspension of tours to the Philippines by Chinese travel agencies. Since July 2012, Chinese vessels have reportedly turned away Philippine fishing boats attempting to enter the shoal, and the Philippines has continued to protest China's presence there. In January 2013, the Philippines sent notice to the Chinese embassy in Manila that it intended to seek international arbitration to resolve the dispute under the United Nations Convention on the Law of the Sea. China has rejected and returned the notice sent by the Philippines requesting arbitral proceedings. Chinese vessels

have also recently confronted Philippine vessels in the area, and the Chinese government has warned the Philippines against what it calls provocative actions. Recent talks between the Government of the Philippines and the United States of America about increased American military presence in the country, particularly through possible American forays into and use of Philippine military installations, may further increase tensions.

In February 2013, several hundred armed Filipino-Muslim followers of Sultan Jamalul Kiram III, the self-proclaimed Sultan of Sulu from the south of the Philippines, illegally entered Lahad Datu, Sabah, Malaysia in a bid to enforce the Sultan of Sulu's historical claim on the territory. As a result of the illegal entry, these followers engaged in a three (3) -week standoff with the Malaysian armed forces, resulting in casualties on both sides. Clashes between the Malaysian authorities and followers of the Sultan of Sulu have killed at least 98 Filipino-Muslims and 10 Malaysian policemen army since March 01, 2013. In addition, about 4,000 Filipino-Muslims working in Sabah have reportedly returned to the southern Philippines.

On May 09, 2013, a Philippine Coast Guard ship opened fire on a Taiwanese fisherman's vessel in a disputed exclusive economic zone between Taiwan and the Philippines, killing a 65-year old Taiwanese fisherman. Although the Philippine government maintained that the loss of life was unintended, Taiwan imposed economic sanctions on the Philippines in the aftermath of the incident. Taiwan eventually lifted the sanctions in August 2013 after a formal apology was issued by the Government of the Philippines. However, the incident has raised tensions between the two (2) countries in the recent year.

On March 30, 2014, the Philippines invoked the compulsory settlement of dispute clause under the U.N. Convention on the Law of the Seas and submitted a case to the Permanent Court of Arbitration in The Hague against China over the territorial dispute in the West Philippine Sea. On July 12, 2016, the international tribunal issued a decision stating among others that there was no legal basis for China to claim historic rights to resources within the sea-areas falling within the nine-dash line and that China violated the Philippines' sovereign rights in its exclusive economic zone by: a) interfering with Philippine fishing and petroleum exploration; b) constructing artificial islands; and c) failing to prevent Chinese fishermen from fishing in the zone. However, the international tribunal found that it lacked jurisdiction to consider the implications of a stand-off between Philippine marines and Chinese naval and law enforcement vessels holding that the dispute involved military activities and was therefore excluded from compulsory settlement. However, as of date, China has yet to recognize and comply with the rulings of the international tribunal.

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted and our operations could be adversely affected as a result. In particular, further disputes between the Philippines and other countries may lead to reciprocal trade restrictions on the other's imports or suspension of visa-free access and/or overseas foreign worker permits. Any impact from these disputes in countries in where we export our products could materially and adversely affect our business, results of operations, and financial condition.

We believe that we may be more susceptible than other Filipino companies to the possible adverse effects mentioned above, when disputes between the Philippines and China intensify. As the majority of our customers are Chinese nationals, any negative sentiments among our Chinese customers may result in non-payments, suspension of trade or termination of

purchase agreements, which would cause possible loss of business, and have a material adverse effect on our results of operations.

In October 2016, the new President, Rodrigo Duterte conducted a state visit to China and has taken a warmer and friendlier approach to China as compared to the previous administration. The warmer relations between the Philippines and China will help alleviate the risk of any possible loss of business of the Company from its Chinese customers.

Investors may face difficulties enforcing judgments against us.

It may be difficult for investors to enforce judgments against us obtained outside of the Philippines. We are organized under the laws of the Philippines and all or a substantial portion of our assets are located in the Philippines. In addition, substantially all of our directors and officers are residents of the Philippines, and all or a substantial portion of the assets of such persons are located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons, or to enforce against them judgments obtained in courts or arbitral tribunals outside the Philippines predicated upon the laws of jurisdictions other than the Philippines.

The Philippines is party to the United Nations Convention on the Enforcement and Recognition of Arbitral Awards, though it is not party to any international treaty relating to the recognition or enforcement of foreign judgments. Nevertheless, the Philippine Rules of Civil Procedure provide that a judgment or final order of a foreign court is, through the institution of an independent action, enforceable in the Philippines as a general rule, unless there is evidence that: (a) the foreign court rendering judgment did not have jurisdiction; (b) the judgment is contrary to the laws, public policy, customs or public order of the Philippines; (c) the party against whom enforcement is sought did not receive notice; or (d) the rendering of the judgment entailed collusion, fraud, or a clear mistake of law or fact.

Corporate governance and disclosure standards in the Philippines may be less stringent than those in other countries.

There may be less publicly available information about Philippine public companies than that which is regularly made available by public companies in certain other countries. SEC and PSE requirements with respect to corporate governance standards may also be less stringent than those applicable in certain other jurisdictions. For example, the SEC requires publicly listed companies to have at least two (2) independent directors or such number of independent directors as is equal to 20.0% of its board of directors, whichever is lesser, but in no case less than two (2) independent directors. We historically have had two (2) independent directors and, as of the date of this Prospectus, have two (2) independent directors. Many other countries require significantly more independent directors. Furthermore, rules against self-dealing and those protecting minority shareholders may be less stringent or developed in the Philippines. Such potentially lower standards in certain areas of disclosure and corporate governance may materially and adversely affect the interests of our shareholders, particularly those of minority shareholders.

The sovereign credit ratings of the Philippines may adversely affect our business.

Historically, the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. Although the Philippines' long-term foreign currency-denominated debt was recently upgraded by each of Standard & Poor's, Fitch Ratings and Moody's to investment-grade, no assurance can be given that Standard & Poor's, Fitch Ratings or Moody's or any other international credit rating agency will not downgrade the credit ratings of the Government in the future and, therefore, Philippine companies. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including us, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

The occurrence of natural catastrophes could adversely affect our business, results of operations, and financial condition.

The Philippines has experienced a number of major natural catastrophes over the years, including volcanic eruptions and earthquakes, which may materially disrupt and adversely affect our business operations. In particular, damage caused by natural catastrophes could result in cancellation of flights, temporary closure of major roads and highways or other disruptions to transportation, which would prevent us from mining and extracting the nickel ore from our mining sites in a timely manner or at all. There can be no assurance that we are fully capable to deal with such natural catastrophes or that the insurance coverage we currently maintain will fully compensate us for all the damages and economic losses resulting from these catastrophes.

Foreign exchange regulations in the Philippines may limit our access to foreign currency for service of foreign-currency denominated debts.

Under existing foreign exchange controls in the Philippines, as a general rule, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. Restrictions exist on the sale and purchase of foreign exchange in the Philippine banking system. In the past, the Government has instituted restrictions on the ability of Philippine companies to use foreign exchange revenues or to convert Philippine Pesos into foreign currencies to satisfy foreign currency-denominated obligations, and no assurance can be given that the Government will not institute such or other restrictive exchange policies in the future.

Risks Related to the Offer and the Offer Shares

The market price of securities can and does fluctuate. The Offer Shares have not been publicly traded and the relative volatility and illiquidity of the securities market may substantially limit investors' ability to sell the Offer Shares at a suitable price or at a time they desire.

The market prices of securities can and do fluctuate, and it is impossible to predict whether the price of the Offer Shares will rise or fall. An individual security may experience upward or downward movements, and may even lose all its value. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. There

may be a substantial difference between the buying price and the selling price of such securities. Trading prices of the Offer Shares will be influenced by, among other things:

- variations in our operating results;
- success or failure of our management team in implementing business and growth strategies;
- gain or loss of an important business relationship;
- changes in securities analysts' recommendation, perceptions or estimates of our financial performance;
- changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- differences between our actual financial operating results and those expected by investors and analysts;
- additions or departures of key personnel;
- changes in general market conditions and broad market fluctuations; and
- involvement in litigation.

These fluctuations may be exaggerated if the trading volume of our Shares is low.

The securities market is substantially smaller, less liquid, and more volatile than major securities markets in other jurisdictions, and is not as highly regulated or supervised as some of these other markets. The Offer Price will be determined by us in consultation with the Sole Underwriter and could differ significantly from the price of the existing shares of the Company that are currently listed on the PSE or the price at which the Offer Shares will trade subsequent to completion of the Offer.

There can be no assurance that after the Offer Shares have been approved for listing on the PSE, an active trading market for the Offer Shares will develop or be sustained after the Offer, or that the Offer Price will correspond to the price at which the Offer Shares will trade in the Philippine public market subsequent to the Offer. There is no assurance that investors may sell the Offer Shares at prices or at times deemed appropriate.

There may be a delay or failure in trading of the Shares, which could cause the Offer to be terminated and investors may not be allocated the Offer Shares for which they initially subscribed.

There is 10-day gap between the dates on which the Offer closes and the date on which trading of the Shares is expected to commence on the PSE. During this period, a delay in or termination of the trading of the Shares on the PSE may result from the occurrence of any one or more events, including the Sole Underwriter exercising its right pursuant to the Underwriting Agreement, to discharge itself from its obligations thereunder. In the event the commencement of trading on the PSE does not occur, the Offer may be terminated and investors may not be allocated the Offer Shares for which they initially subscribed.

Future sales of Shares in the public market could adversely affect the prevailing market price of the Shares and shareholders may experience dilution in their holdings.

In order to finance the expansion of our business and operations, our Board will consider the funding options available to us at the time, which may include the issuance of new Shares. If additional funds are raised through the issuance of new equity or equity-linked securities by

us other than on a pro rata basis to existing shareholders, the percentage ownership of the shareholders may be reduced, shareholders may experience subsequent dilution and/or such securities may have rights, preferences and privileges senior to those of the Shares.

Further, the market price of the Shares could decline as a result of future sales of substantial amounts of the Shares in the public market or the issuance of new Shares, or the perception that such sales, transfers or issuances may occur. This could also materially and adversely affect the prevailing market price of the Shares or our ability to raise capital in the future at a time and at a price we deem appropriate.

Future changes in the value of the Peso against the U.S. dollar or other currencies will affect the foreign currency equivalent of the value of the Shares and any dividends.

Fluctuations in the exchange rate between the Peso and other currencies will affect the foreign currency equivalent of the Peso price of the Shares on the PSE. Such fluctuations will also affect the amount in foreign currency received upon conversion of cash dividends or other distributions paid in Pesos by us on, and the Peso proceeds received from any sales of, the Shares.

We are a holding company and rely on dividend payments from our subsidiaries for funding and for paying dividends on our Shares.

We are a holding company incorporated in the Philippines and operate our business through our subsidiaries in the Philippines. Therefore, the availability of funds to us to pay dividends to our Shareholders and to service our indebtedness depends upon dividends received from these subsidiaries. If our subsidiaries incur debt or losses, such indebtedness or loss may impair their ability to pay dividends or other distribution to us. As a result, our ability to pay dividends and to service our indebtedness will be restricted.

Our ability to declare dividends in relation to our Shares will also depend on our future financial performance, which, in turn, depends on successfully implementing our strategy and on financial, competitive, regulatory, and other factors, general economic conditions, demand and prices for our ore, costs of raw materials and other factors specific to our industry or specific projects, many of which are beyond our control. The receipt of dividends from our subsidiaries may also be affected by the passage of new laws, adoption of new regulations or changes to, or in the interpretation or implementation of existing laws and regulations and other events outside our control. Philippine laws require that dividends be paid only out of Unrestricted Retained Earnings calculated according to Philippines accounting principles. In addition, restrictive covenants in bank credit facilities, convertible bonds instrument or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to make contributions to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our shareholders.

Our Shares are subject to Philippine foreign ownership limitations.

The Philippine Constitution, related statutes and recent jurisprudence set forth restrictions on foreign ownership of companies engaged in certain activities including, among others, mining activities.

In connection with the conduct of mining activities, Article XII, Section 2 of the Constitution states that “the exploration, development, and utilization of natural resources shall be under the full control and supervision of the State. The State may directly undertake such activities, or it may enter into co- production, joint venture, or production-sharing agreements with Filipino citizens, or corporations or associations at least sixty per centum of whose capital is owned by such citizens.”

Considering the foregoing, as long as our subsidiaries or their affiliates conduct mining activities involving the exploration, development, and utilization of natural resources of the Philippines, foreign ownership in us is limited to a maximum of 40.0% of our capital stock outstanding, whether or not entitled to vote. As of March 31, 2018, the Company’s level of foreign ownership is 30.34% of its equity. We cannot allow the issuance or the transfer of shares to persons other than Philippine Nationals and cannot record transfers in our books if such issuance or transfer would result in us ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership discussed above.

Recent cases by the Philippine Supreme Court have called into question what constitutes “control” for purposes of determining this 40.0% ownership threshold. Should ownership of the Company be challenged, it is unclear how Philippine courts would interpret the law on foreign ownership as this area of the law remains unsettled.

For more information, see “Philippine Foreign Exchange and Foreign Ownership Controls.”

Investors in our Shares will face immediate and substantial dilution in the net asset value per Share and may experience future dilution.

The Offering Price is substantially higher than our net book value per Common Share of ₱1.172 as at December 31, 2017. Thus, there will be an immediate and substantial dilution in the net asset value per Share to new investors. See “Dilution.”

The rights of minority shareholders may be limited.

In the Philippines, the rights of minority shareholders to assert their rights as such and the fiduciary obligations of directors and majority shareholders may not be as extensive as those in the United States or other countries, and the ability of any of our shareholders to assert any such rights or to enforce any such fiduciary obligation may be limited.

The Philippine Corporation Code provides for minimum minority shareholders protection in certain instances wherein a vote by the shareholders representing at least two-thirds (2/3) of the Company’s outstanding capital stock is required. The Corporation Code also grants shareholders an appraisal right allowing a dissenting shareholder to require the corporation to purchase his shares in certain instances. Derivative actions, while permitted under the Corporation Code and governed by the Interim Rules of Procedure Governing Intra-Corporate Controversies (A.M. No. 01-2-04-SC), are rarely brought on behalf of Philippine companies. Accordingly, there can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

There is no guarantee that the Offer Shares will be listed on the PSE

The PSE may or may not approve the Company's listing application.

Purchasers of the Offer Shares are required to pay the Offer Price of the Offer Shares so subscribed upon submission of their Applications during the Offer Period. Although the PSE has approved the Company's application to list the Offer Shares, because the Listing Date is scheduled after the Offer Period, there can be no guarantee that the listing of the Offer Shares will occur on the anticipated Listing Date. Delays in the admission and the commencement of trading of shares on the PSE have occurred in the past. If the PSE does not admit the Offer Shares for listing on the PSE, the market for these will be illiquid and holders may not be able to trade the Offer Shares. However, they would be able to sell these by negotiated sale. This may materially and adversely affect the value of the Offer Shares.

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EXCHANGE RATES

The PDS, a computer network supervised by the BSP, through which the members of the Bankers Association of the Philippines effect spot and forward currency exchange transactions, was introduced in 1992. The PDS was adopted by the BSP as a means to monitor foreign exchange rates. The BSP Rate is the closing spot rate for the purchase of U.S. dollars with Pesos, which is quoted on the PDS and published in the BSP's Reference Exchange Rate Bulletin and major Philippine financial press on the following business day. On December 29, 2015, the BSP Rate was ₱47.166= US\$1.00. On December 29, 2016, the BSP Rate was ₱49.813= US\$1.00. On December 29, 2017, the BSP Rate was ₱49.923= US\$1.00.

The following table sets forth certain information concerning the BSP Rate between the Peso and the U.S. dollar for the periods and dates indicated, expressed in Pesos per US\$1.00:

Peso/U.S. Dollar Exchange Rate

Year	Period end	Average ⁽¹⁾	High ⁽²⁾	Low ⁽³⁾
2010	43.885	45.248	46.983	42.516
2011	43.928	43.313	44.585	41.955
2012	41.192	42.229	44.246	40.862
2013	44.414	42.446	44.660	40.569
2014	44.617	44.395	45.406	43.280
2015	47.166	45.503	47.490	44.020
2016	49.813	47.493	49.984	45.989
2017	49.923	50.402	51.799	49.404

Note:

- (1) Simple average of daily closing exchange rates for the period.
- (2) Highest closing exchange rate for the period.
- (3) Lowest closing exchange rate for the period.

Source: Reference Exchange Rate Bulletin, Treasury Department of the BSP.

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USE OF PROCEEDS

With an offer price of ₱2.07, the total proceeds to be raised by the Company from the sale of the Offer Shares will amount to ₱517.5 million. The estimated net proceeds to be raised by the Company from the sale of the Offer Shares (after deducting fees and expenses payable by the Company of approximately ₱36.9 million) will be approximately ₱480.6 million, which will be infused as capital to its subsidiary, PGMC, through additional subscription by the Company of PGMC's shares. The estimated net proceeds of ₱480.6 million shall be used by PGMC to pay part of the its outstanding loan from TCB.

The following are the estimated expenses to be incurred in relation to the Offer:

	Offer (₱0.00)
Gross proceeds from the Offer	517,500,000.00
Expenses	
Estimated professional fees (including legal, accounting, and financial advisory fees)	15,000,000.00
SEC registration, filing, and research fees	8,411,336.71
Issue Management, underwriting, and selling fees	7,762,500.00
Taxes to be paid to the Government	2,693,100.00
Estimated receiving and escrow bank fees	726,250.00
PSE listing and processing fees	567,500.00
Estimated PDTC processing fees	52,794.50
Estimated other related expenses	1,686,518.79
Total estimated expenses	36,900,000.00
Estimated net proceeds from the Offer	480,600,000.00

The net proceeds will not be used to refinance any loan or advance to any officer, director, employee, or shareholder of the Company for service rendered or assets previously transferred or otherwise. The net proceeds shall be infused by the Company to PGMC through additional subscription of shares. The additional subscription will occur upon the release of the proceeds from the FOO. In the event that the net proceeds exceed the unissued capital stock of PGMC, PGMC will either apply for an increase in authorized capital stock with the SEC or such excess proceeds will be advanced by FNI to PGMC Company, subject to the approval of the Management and the Board of Directors of the Company, if applicable.

Taiwan Cooperative Bank Manila Offshore Banking Branch

The amount of ₱480.6 million shall be used by PGMC to pay part of its US\$10.0 million outstanding loan from TCB, which will be paid no later than December 31, 2018, with interest rate of 3.75% plus LIBOR per annum. In the event that less than the estimated net proceeds are obtained, Since less than the equivalent amount of the loan in pesos is obtained from the Offering, PGMC will service the loan using its internally generated funds. On April 17, 2016, PGMC was granted by TCB a loan facility in the amount of US\$20.0 million. On May 17, 2017, PGMC repaid the US\$20.0 million loan to TCB. On the same date, TCB extended a new loan in the amount of US\$15.0 million to PGMC, which will be paid no later

than December 31, 2018. The proceeds of the new loan from TCB were used for working capital purposes of its operations in the CAGA Mines such as payments of contractor's fees, royalty and excise taxes, and various permits.

A copy of the Loan Agreement with TCB has been submitted to the SEC. The Company, PGMC, the Sole Underwriter, and any of its directors and officers are not related to TCB.

Distribution and Undertaking

The net proceeds from the Offer of the Primary Offer Shares are expected to be disbursed immediately after Offer. To the extent that the Offer proceeds are insufficient to finance the above-mentioned purpose, additional financing from internally generated funds, loans, such as the Company's credit line with BDO in the amount of USD\$20,000,000.00, and internally-generated cash flows will be utilized as necessary.

The Company undertakes that it will not use the net proceeds from the Offer for any purpose, other than as discussed above. However, the Company's plans may change, based on various factors including changing macroeconomic and market conditions. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company's management may find it necessary or advisable to reallocate the net proceeds within the categories described above, or to alter its plans. In the event of any significant deviation, material adjustment, or reallocation in the planned use of proceeds, the Company will secure the approval of its Board of Directors for such deviation, adjustment, or reallocation and promptly make the appropriate disclosures to the SEC and the PSE. The Company shall regularly disclose to the PSE, through its PSE Electronic Disclosure Generation Technology ("PSE EDGE"), any disbursements from the proceeds generated from the Offer.

Any proceeds or any excess thereof that are not yet to be used by the Company may be invested in safe investments such as Government securities.

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DIVIDENDS AND DIVIDEND POLICY

Limitations and Requirements

Under Philippine law, a corporation can only declare dividends to the extent that it has Unrestricted Retained Earnings that represent the undistributed earnings of the corporation, which have not been allocated for any managerial, contractual, or legal purpose and which are free for distribution to the shareholders as dividends. A corporation may pay dividends in cash, by the distribution of property or by the issuance of shares. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the Board of Directors is generally sufficient to approve the distribution of dividends. However, stock dividends may only be declared and paid with the approval of shareholders representing at least two-thirds (2/3) of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

The Philippine Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100.0% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (a) when justified by definite expansion plans approved by the board of directors of the corporation; (b) when the required consent of any financing institution or creditor to such distribution has not been secured; or (c) when retention is necessary under special circumstances, such as when there is a need for special reserves for probably contingencies.

Record Date and Payment Date

Pursuant to existing SEC rules, cash dividends declared by the Company must have a record date not less than 10 nor more than 30 days from the date of declaration. For stock dividends, the record date should not be less than 10 nor more than 30 days from the date of the shareholders' approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

For corporations, the shares of which have been lodged with the PCD, all stock and cash dividends shall be remitted to PCD for immediate distribution to its Participants no later than 18 trading days from record date (the "Payment Date") provided, that in case of stock dividends, the credit of the stock dividend shall be on the Payment Date, which in no case shall be later than the stock dividends listing date.

Dividend Policy

Both the Company's and PGMC's current dividend policy provides that at least 20.0% of the Unrestricted Retained Earnings of the Company and PGMC, respectively, for the preceding fiscal year will be declared as dividends. The Company and PGMC intend to maintain a consistent dividend payout policy based on its consolidated net income for the preceding fiscal year, subject to the requirements of the applicable laws and regulations and the absence of circumstances that may restrict the payment of such dividends. The Company's subsidiary, PGMC, has adopted the same dividend policy of declaring at least 20.0% of its Unrestricted Retained Earnings.

Restriction from Declaring Dividends

Under the Loan Agreement between TCB and PGMC, without the prior written consent of said bank (which consent shall not be unreasonably withheld), PGMC cannot declare or pay dividends to its stockholders (other than dividends payable solely in shares of its capital stock) if payment of any sum due to said bank is in arrears. As of date, PGMC's obligations to TCB are all current. Part of the proceeds of this Offer will be used to pay off the loan from TCB.

Dividend History

Below is the history of the recent dividend declarations made by the Company and PGMC:

Dividend History

<i>Amounts in (₱ in Millions)</i>	For the year ended December 31, 2015	For the year ended December 31, 2016	For the year ended December 31, 2017
The Company	–	–	–
<i>Subsidiaries</i>			
PGMC (cash dividend)	–	–	4,365
PGMC (stock dividend)	–	–	1,200
Total	–	–	5,565⁽¹⁾

Note:

(1) On December 16, 2017, PGMC's shareholders and BOD declared a cash dividend of ₱480.00 per share to stockholders of record as at December 31, 2017 and stock dividend amounting to ₱1,200.0 million divided into 12,000,000 shares at the par value of ₱100.00 per share to be issued out of the increase in the authorized capital stock of PGMC on December 29, 2017. The cash and stock dividends declared by PGMC were taken out of its unrestricted retained earnings as at December 31, 2016. Portion of the cash dividends payable was settled on December 29, 2017 by offsetting the cash advances to stockholders classified under "Advances to related parties".

Other than as set forth above, none of our other subsidiaries declared any dividends for the years ended December 31, 2015, 2016, and 2017, respectively. Declarations of dividends in previous years are not indicative of future dividend declarations.

On March 14, 2018, the Company approved the declaration of property dividends consisting of the Company's listed shares at the ratio of 0.06 share for every FNI share to all shareholders of record by April 02, 2018 based on the March 14, 2018 listed price. The declaration is subject to approval by the SEC. Payment for the property dividend shall be fifteen (15) trading days from receipt of the approval by the SEC of the property dividend.

DETERMINATION OF THE OFFER PRICE

The Company's Shares are currently traded on the Main Board of the PSE under the symbol "FNI." The Company is applying for the Offer Shares to be listed and traded on the PSE under the same symbol. For a description of the PSE, see "The Philippine Stock Market."

The Offer Price has been set at ₱2.07 per Offer Share. This Offer Price was determined and finally set through a book-building process and discussions between the Company and the Sole Underwriter.

The factors that were considered in determining the Offer Price are a mixture of, among others, the Company's ability to generate earnings and cash flow, its short and long-term prospects, overall market conditions at the time of launch, the market price of listed comparable companies, and general valuation multiples such P/E, EV/EBITDA, and P/B. Note that the Offer Price will be finally determined depending on the results of the book-building exercise.

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RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

The PSE imposed a trading suspension of the shares of the Company (called Southeast Asia Cement Holdings, Inc. at the time, trading under the symbol “CMT”) effective January 01, 2013 until June 30, 2013 when it fell below the mandatory public ownership requirement. In order to comply with the mandatory public ownership requirement, the Company issued to Christopher Chua Go and Socorro P. Lim 277,000,000 common shares each, or an aggregate 554,000,000 common shares of stock of the Company at a total subscription price of ₱96,950,000.00 for each or ₱0.35 per share, which brought the percentage of public ownership up to 10.13%.

On June 11, 2013, the Company filed Notices of Exempt Transaction under Section 10.1 (k) of the SRC, or sale of securities by an issuer to fewer than 20 persons in the Philippines during any 12-month period, with the SEC for the issuance of the aforementioned 554,000,000 common shares.

On September 10, 2014 and October 22, 2014, the Board of Directors and the stockholders of the Company, respectively, approved the increase in the authorized capital stock of the Company to ₱12,555,000,000.20 divided into 35,871,428,572 common shares with a par value of ₱0.35 per share. The Board also approved the issuance of 10,463,093,371 new common shares of the Company resulting from the increase in the authorized capital stock to the Thirteen Shareholders who are also the stockholders of PGMC in exchange for the sale and transfer to the Company of 99.85% of the outstanding capital stock of PGMC under a Deed of Exchange dated October 23, 2014. As of the date of this Prospectus, the BIR has already issued the Certificate Authorizing Registration of the transfer of shares from the Thirteen Shareholders to the Company.

On December 01, 2014, the Company filed a Notice of Exempt Transaction under Section 10.1 (e) and (i) of the SRC, or pursuant to the sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock and pursuant to the subscription for shares of the capital stock of a corporation prior to the incorporation thereof or in pursuance of an increase in its authorized capital stock under the Philippine Corporation Code, when no expense is incurred, or no commission, compensation or remuneration is paid or given in connection with the sale or disposition of such securities, and only when the purpose for soliciting, giving or taking of such subscriptions is to comply with the requirements of such law as to the percentage of the capital stock of a corporation, which should be subscribed before it can be registered and duly incorporated, or its authorized capital increased, with the SEC for the issuance of the aforementioned 10,463,093,371 new common shares. An amended Notice of Exempt Transaction for the same issue was filed on February 18, 2015.

On December 22, 2014, the SEC approved the Company’s application for the increase in the authorized capital stock of the Company to ₱12,555,000,000.20 divided into 35,871,428,572 common shares with a par value of ₱0.35 per share, and the issuance of 10,463,093,371 to the Thirteen Shareholders of PGMC who transferred their shares in PGMC to the Company, as well as the amendment of its articles of incorporation and by-laws to reflect the change in the corporate name, principal address, number of directors and fiscal year.

As of the date of this Prospectus, the BIR has already issued the Certificate Authorizing Registration of the transfer of shares from the Thirteen Shareholders to the Company.

On February 26, 2015, the Company's stockholders representing 71.64% of the total outstanding shares unanimously approved and ratified the planned acquisition of Southeast Palawan.

On May 19, 2015, SEC approved PGMC's increase of authorized capital stock from ₱715,375,046.80 to ₱1,515,375,046.80. Out of the increase in the authorized capital stock of ₱800,000,000.00 divided into 80,000,000,000 Class A common shares with a par value of ₱0.01 per share, the Company subscribed to 20,000,000,000 Class A common shares or 61.51% of PGMC.

On August 06, 2015, the Board of Directors of the Company approved the following:

- the execution of the Contract to Sell for the purchase of 500,000 common shares and 6,250,000,000 preferred shares or 100.0% interest of Southeast Palawan for US\$50.0 million or its Philippine peso equivalent; and
- subscription of the company to the remaining unissued and unsubscribed shares of Southeast Palawan consisting of Three Hundred Thousand (300,000) common shares with a par value of One Peso (₱1.00) per share, and Three Billion Seven Hundred Fifty Million (3,750,000,000) preferred shares with a par value of One Centavo (₱0.01) per share, for a total subscription price of Thirty-Seven Million Eight Hundred Thousand Pesos (₱37,800,000.00).

On September 01, 2016, the Company subscribed to 300,000 common shares of Southeast Palawan with a total par value of ₱300,000.00 by converting its earlier advances to equity.

On November 07, 2016, the SEC approved the increase in the authorized capital stock to ₱12,555,020,001.30 divided into 11,957,161,906 common shares with the increased par value of ₱1.05 per share.

As of date, the acquisition of Southeast Palawan has not yet been completed due to some conditions precedent that need to be fulfilled such as the conduct by the Company of a follow-on offering. In addition, the parties have to resolve and clarify issues with the local government and the DENR.

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CAPITALIZATION AND INDEBTEDNESS

The following table sets out the Company's consolidated debt, shareholders' equity and capitalization as of December 31, 2017, and as adjusted to reflect the issuance and sale of a total of 250,000,000 Firm Shares at the Offer Price of ₱2.07 per Offer Share. The table should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto, included elsewhere in this Prospectus.

	Actual as of December 31, 2017		As Adjusted for the Offer	
	(₱ Millions)	(US\$ Millions) ⁽¹⁾	(₱ Millions)	(US\$ Millions) ⁽¹⁾
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
Total debt ⁽²⁾	752.81	15.08	752.81	15.08
Equity:				
Capital stock	6,113.48	122.46	6,375.98	127.72
Additional paid-in capital	–		219.17	4.39
Valuation loss on available-for-sale financial assets	(0.46)	(0.01)	(0.46)	(0.01)
Remeasurement gain on retirement obligation	12.56	0.25	12.56	0.25
Cumulative translation adjustment	(4.75)	(0.10)	(4.75)	(0.10)
Retained earnings	1,237.57	24.79	1,236.50	24.77
Treasury stock	(954.09)	(19.11)	(954.09)	(19.11)
Total equity	6,404.31	128.28	6,884.91	137.91
Total capitalization	7,157.12	143.36	7,637.72	152.99

Notes:

(1) The translations from Pesos to U.S. dollars have been made on the basis of the BSP Rate on December 29, 2017 of ₱49.923= US\$1.00.

(2) Interest-bearing loans and borrowings (current and non-current), which includes bank loans, and finance liabilities.

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DILUTION

Through the Offer, the Company will offer 250,000,000 Offer Shares to the public. The Offer Shares will be sold at the Offer Price, which is substantially higher than the adjusted book value per share of the outstanding Shares, which will result in an immediate material dilution of the new investors' equity interest in the Company. The net book value attributable to the Company's common shareholders, based on the Company's audited consolidated financial statements as of December 31, 2017 was ₱6,404.3 million, while the net book value per common Share was at ₱1.172. The net book value attributable to the Company's common shareholders represents the amount of the Company's total equity attributable to equity holders of the Company. The Company's net book value per share is computed by dividing the net book value attributable to the Company's common shareholders by the equivalent number of Shares outstanding. Without taking into account any other changes in such net book value after the Offer, other than to give effect to the sale of 250,000,000 Shares at the Offer Price of ₱2.07 per Share and after deduction of the underwriting discounts and commissions and estimated offering expenses of the Offer payable by the Company, the Company's net book value would increase to ₱6,884.9 million, or ₱1.205 per Common Share. This represents an immediate increase in net book value of ₱0.033 per Common Share to existing shareholders, and an immediate dilution of ₱0.865 per Common Share to purchasers of Shares at the Offer Price of ₱2.07.

Dilution in pro forma book value per share to investors of the Offer Shares represents the difference between the Offer Price and the pro forma net book value per share immediately following the completion of the Offer. The pro forma net book value per share immediately following the completion of the Offer represents the net book value per share as of December 31, 2017 after giving effect to the equity transactions subsequent to the Offer.

The following table illustrates dilution on a per share basis based on the Offer Price of ₱2.07 per Offer Share and the Offer of 250,000,000 Shares:

Offer Price per Offer Share	₱2.07
Net book value per Common Share as of December 31, 2017	₱1.172 ¹
Difference in Offer Price per Offer Share and book value per Offer Share as of December 31, 2017	₱0.898
Pro forma net book value per Common Share immediately following the completion of the Offer	₱1.205
Dilution in Pro forma net book value per Common Share to investors of the Shares	₱0.865

Note:

- Net Book Value per share is computed based on the following:

$$\text{Book Value per Share} = (\text{Shareholders' Equity} - \text{Preferred Shares}) / \text{Total Number of Outstanding Shares}$$

$$\text{Total outstanding shares} = \text{Total Number of Shares Issued less Treasury Shares.}$$

As of December 31, 2017, total outstanding shares are as follows:

Issued Shares	5,822,357,151
Treasury Shares	358,819,752
Total Outstanding Shares	<u>5,463,537,399</u>

While book value as of December 31, 2017 is as follows:

Total Stockholders' Equity	6,404,304,000
Outstanding Shares	5,463,537,399
Book Value per Share	<u>1.172</u>

The following table sets forth the shareholdings and percentage of Shares outstanding of existing shareholders as of December 31, 2017 and new shareholders of the Company immediately after completion of an Offer of 250,000,000 Shares:

	Shares	
	Number	Percentage
Existing shareholders	5,463,537,399	95.6
New investors	250,000,000	4.4
Total	5,713,537,399	100.0

As of December 31, 2017, the shares held by the public amounted to 25.22% of the total outstanding shares. After the offer, the Company will maintain the minimum public float as required by the PSE and SEC rules.

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SELECTED FINANCIAL AND OTHER INFORMATION

The following tables present selected consolidated financial information for the Company and should be read in conjunction with the auditor's reports and with the Company's audited consolidated financial statements and notes thereto contained in this Prospectus and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The summary consolidated financial information presented as of December 31, 2015, 2016, and 2017 and for the years ended December 31, 2015, 2016, and 2017 were derived from the audited consolidated financial statements of the Company, prepared in compliance with PFRS and audited by SGV and included elsewhere in this Prospectus. The information below is not necessarily indicative of the results of future operations. Furthermore, the translation of Peso amounts to U.S. dollars is provided for convenience only and is unaudited. For readers' convenience only, the translation of December 31, 2017 and December 31, 2016 Peso amounts to U.S. dollars is calculated based on the BSP Rate on December 29, 2017 and December 29, 2016 of ₱49.923= US\$1.00 and ₱49.813 = US\$1.00, respectively. For additional information regarding financial information presented in this Prospectus, see "Presentation of Financial Information."

Summary Consolidated Statements of Comprehensive Income

	For the year ended				
	December 31, 2015 (Audited) (₱ Thousands)	December 31, 2016 (Audited) (₱ Thousands)	December 31, 2016 (Unaudited) (US\$ Thousands)	December 31, 2017 (Audited) (₱ Thousands)	December 31, 2017 (Unaudited) (US\$ Thousands)
Sale of ore	6,533,218	3,773,669	75,757	5,815,596	116,491
Cost of Sales	3,509,917	2,308,220	46,338	2,768,571	55,457
Gross Profit	3,023,301	1,465,449	29,419	3,047,025	61,034
Operating Expenses					
Excise taxes and royalties	972,546	503,275	10,103	714,206	14,306
General and administrative	628,271	460,914	9,253	833,158	16,689
Shipping and distribution	166,472	290,405	5,830	388,843	7,789
	1,767,289	1,254,594	25,186	1,936,207	38,784
Finance Costs	(88,891)	(67,696)	(1,359)	(68,741)	(1,377)
Finance Income	9,431	6,505	131	6,877	138
Share in Net Loss of an Associate	-	(184)	(4)	(116)	(2)
Other Income (Charges)- net	(115,500)	(32,373)	(650)	28,369	568
Income Before Income Tax	1,061,052	117,107	2,351	1,077,207	21,577
Provision for (Benefit From) Income Tax					-
Current	4,081	35,406	711	373,786	7,487
Deferred	(54,779)	44,207	887	(76,268)	(1,528)
	(50,698)	79,613	1,598	297,518	5,959
Net Income	1,111,750	37,494	753	779,689	15,618
Other Comprehensive Income (Loss)					
Item that may be reclassified to profit or loss in subsequent periods:					
Cumulative translation adjustment	-	(14,106)	(283)	9,355	187

	For the year ended				
	December 31, 2015	December 31, 2016		December 31, 2017	
	(Audited) (₱ Thousands)	(Audited) (₱ Thousands)	(Unaudited) (US\$ Thousands)	(Audited) (₱ Thousands)	(Unaudited) (US\$ Thousands)
Valuation loss on AFS financial assets	(506)	–	–	(464)	(9)
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>					
Remeasurement gain (loss) on retirement obligation	600	3,065	62	7,219	145
	94	(11,041)	(221)	16,110	323
Total Comprehensive Income	1,111,844	26,453	532	795,799	15,941

Summary Consolidated Statements of Financial Position

	As of December 31				
	2015	2016		2017	
	(Audited) (₱ Thousands)	(Audited) (₱ Thousands)	(Unaudited) (US\$ Thousands)	(Audited) (₱ Thousands)	(Unaudited) (US\$ Thousands)
Current assets	3,670,086	3,632,772	72,928	3,682,106	73,756
Noncurrent assets	5,414,927	5,793,922	116,313	5,358,751	107,340
Total assets	9,085,013	9,426,694	189,242	9,040,857	181,096
Current liabilities	2,440,566	2,227,747	44,722	1,805,529	36,166
Noncurrent liabilities	106,573	652,388	13,097	831,024	16,646
Total liabilities	2,547,139	2,880,135	57,819	2,636,553	52,812
Total equity	6,537,874	6,546,559	131,423	6,404,304	128,284
Total liabilities and equity	9,085,013	9,426,694	189,242	9,040,857	181,096

Summary Consolidated Statements of Cash Flow

	For the year ended				
	December 31, 2015	December 31, 2016		December 31, 2017	
	(Audited) (₱ Thousands)	(Audited) (₱ Thousands)	(Unaudited) (US\$ Thousands)	(Audited) (₱ Thousands)	(Unaudited) (US\$ Thousands)
Net cash flows from operating activities	776,154	354,916	7,125	1,890,644	37,871
Net cash flows used in investing activities	(1,593,944)	(264,490)	(5,310)	(344,540)	(6,901)
Net cash flows from (used in) financing activities	602,883	(61,094)	(1,226)	(1,221,537)	(24,468)
Net increase (decrease) in cash	(214,907)	29,332	589	324,567	6,502
Effect of exchange rate changes on cash	25,914	19,734	396	10,057	201
Cash at beginning of year/period	691,869	502,876	10,095	551,942	11,056
Cash at end of year/period	502,876	551,942	11,080	886,566	17,759

Key Performance Indicators

	For the Year ended		
	December 31, 2015	December 31, 2016	December 31, 2017
	Thousands of ₱ (unless otherwise stated)		
Sale of ore	6,533,218	3,773,669	5,815,596
Average realized nickel price (US\$ Sales/WMT)	26.69	18.36	19.29
Volume of ore sold (m WMT)	5.35	4.31	5.97
EBITDA ⁽¹⁾	1,850,495	598,963	1,555,185
Net income (loss)	1,111,750	37,494	779,689
Return on average equity (%) ⁽²⁾	18.6%	0.57%	12.04%
Return on average assets (%) ⁽³⁾	13.3%	0.41%	8.44%

Notes:

- (1) *EBITDA is calculated as gross profit less operating expenses plus depreciation depletion and amortization.*
- (2) *Return on equity is calculated as net income divided by the average of the beginning and the ending balance of total equity.*
- (3) *Return on assets is calculated as net income divided by the average of the beginning and the ending balance of total assets.*

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the Company's historical financial condition and results of operations and certain trends, risks and uncertainties that may affect our business and should be read in conjunction with the independent auditor's reports and our reviewed and audited consolidated financial statements and notes thereto contained in this Prospectus. The critical accounting policies section discloses certain accounting policies and management judgments that are material to the results of operations and financial condition for the periods presented in this report. The discussion and analysis of the Company's results of operations is presented in three (3) comparative sections: the year ended December 31, 2017 compared with the year ended December 31, 2016, and the year ended December 31, 2016 compared with the year ended December 31, 2015. Disclosure relating to liquidity and financial condition and the trends, risks and uncertainties that have had or that are expected to affect revenues and income complete the management's discussion and analysis.

Prospective investors should read this discussion and analysis of the Company's financial condition and results of operations in conjunction with the Company's consolidated financial statements and the notes thereto set forth elsewhere in this Prospectus.

This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors" and elsewhere in this Prospectus.

Overview

FNI is a holding company with a 99.98% interest in PGMC. As of December 31, 2017, PGMC is the third largest nickel ore producer in the Philippines by volume of nickel ore shipped and the second largest nickel ore producer in the Philippines by value of shipment, one of the largest single-mine lateritic exporters in the world and one of the largest global suppliers of nickel ore, accounting for 12.0% of the country's nickel ore production as per MGB statistics. We currently operate two (2) deposit sites known as CAGA 2 and CAGA 4 within our lateritic nickel mine in Cagdianao, Claver, Surigao del Norte, Philippines, known as the Cagdianao Mine. We have further identified five (5) additional deposit sites at Cagdianao that have not yet been exploited. We employ a surface mining method that is relatively lower cost compared with other mining methods and we carry out our mining activities without the need for explosives, chemicals or complex waste handling. Almost all of PGMC's products sold in the Asia-Pacific Region go to the production of stainless steel products, NPI, and nickel cathodes. Low-grade ore can be mined from the upper layer of the deposit and generally consists of lower nickel and higher iron content and medium and high-grade ore is generally found beneath the low-grade layer and typically consists of higher nickel and lower iron content. Since 2012, we have a low waste to ore ratio of 0.05:1, which means that about 95.0% of what we mine is ore.

Our CAGA 2 and CAGA 4 deposit sites are located approximately two (2) to eight (8) kilometers inland from our loading piers. The short hauling distance from our mine to the piers and the inherent advantage of our mine's location results in greater accessibility and enables us to economically market our ore to a variety of customers in the Asia-Pacific region. Our piers are located within a naturally protected cove with calm waters that allow for consistent loading. In addition, our piers are relatively large, which helps to minimize congestion and stimulate competition among the barge operators. We believe that having two (2) piers helps minimize delivery risk by not being reliant on only one (1) pier that can become damaged or congested. Our mine is also in relative close proximity to our end customers in China, as compared to other international mining companies such as those in New Caledonia, Russia, and Canada, which, we believe, minimizes the shipping costs for our customers and the related risks involved with long transit.

Since we began commercial operations in 2007 through to December 31, 2017, we have delivered an aggregate of over 43.0 million WMT of nickel ore to our customers. As of June 23, 2017, our Cagdianao Mine had measured and indicated mineral resources of 54.2 million DMT with an average grade of 1.1% nickel and inferred mineral resources of 24.0 million DMT with an average grade of 1.2% nickel, and have an estimated remaining mine life of about eight (8) years. Our proved and our probable ore reserves are at 36.3 million WMT with an average grade of 1.2% nickel, as estimated in accordance with the PMRC Report dated October 15, 2017. We had ore sales of ₱5,815.6 million, ₱3,773.7 million, and ₱6,533.2 million, and net income of ₱779.7 million, ₱37.5 million, and ₱1,111.8 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Since we began commercial operations in 2007 through December 31, 2017, we have shipped the following from each CAGA mine site per year:

Total Volume Shipped from 2007 to December 31, 2017 (in WMT)

	CAGA 2	CAGA 4	TOTAL
2007	-	470,207	470,207
2008	-	506,477	506,477
2009	-	1,954,343	1,954,343
2010	-	3,406,802	3,406,802
2011	-	4,353,698	4,353,698
2012	-	5,928,637	5,928,637
2013	-	4,501,229	4,501,229
2014	2,724,513	3,578,479	6,302,992
2015	2,263,814	3,088,009	5,351,823
2016	738,154	3,570,485	4,308,639
2017	1,216,021	4,754,592	5,970,613
Total	6,942,502	36,112,958	43,055,460

On November 27, 2014, we entered into a Memorandum of Agreement with the shareholders of GMORI and eight (8) individuals for the purchase of 100.0% of the outstanding capital stock of FRI. However, on March 16, 2015, the Company's Board of Directors approved the termination of the Memorandum of Agreement for the acquisition of FRI due to non-fulfillment of pre-conditions.

On November 27, 2014, we also entered into a Memorandum of Agreement with the shareholders of Southeast Palawan to purchase 100.0% of the outstanding capital stock of Southeast Palawan, which owns directly and indirectly 97.6% of the outstanding capital stock of INC as well as the control of CNMEC, the holder of the MPSA No. 017-93-IV over the mineral production rights at the INC Mine. INC was granted the right to operate the INC Mine under an operating agreement with CNMEC. The MGB's approval for this operating agreement was issued in 2015. Currently, both CNMEC and INC are our affiliated companies that are beneficially wholly-owned by our Chairman, Mr. Joseph C. Sy. On February 26, 2015, during a special stockholders' meeting of the Company, the stockholders representing at least two-thirds (2/3) of the outstanding capital stock approved the acquisition of 100.0% of the outstanding shares of Southeast Palawan for US\$50,000,000.00, or its Philippine Peso equivalent. On August 06, 2015, the Company and the shareholders of Southeast Palawan

signed the contract to sell and subscription contract for the acquisition of Southeast Palawan. As of December 31, 2017, the Company has made various cash advances for the acquisition of Southeast Palawan and treated these as “Deposits for Future Acquisition” for the future acquisition of Southeast Palawan amounting to ₱2,217.4 million. We believe that our expanded portfolio of mines will reduce the risks of our single operating mine, extend our overall mining season and extend the life of our mining operations. The INC Mine contains an estimated proved and probable ore reserve of 28.6 million WMT with an average grade of 1.4% nickel, in accordance with the PMRC. See “Business—Mine to be acquired.”

We supply different grades of saprolite ore and limonite ore to multiple customers, primarily comprising a combination of trading companies and end users. Our customers mainly use the ore we provide to produce intermediate products for the manufacture of stainless steel, NPI and for the production of nickel cathodes. High-grade nickel ore are purchased by our customers for the production of higher grade stainless steel such as the 300 Series, and low-grade nickel ore is used by our customers for the production of lower grade stainless steel such as the 200 Series. Our margins on sales of nickel ore vary depending on the type and grade of nickel ore that we sell, with high-grade saprolite ore providing higher margins than medium-grade saprolite ore and limonite ore. See “Business—Further Exploration and Development—Production Data” and “Business—Sales and Marketing.” In terms of volume, we sold approximately 80.7%, 79.4%, and 80.0% of our nickel ore to our five (5) largest customers, comprising of Chinese and Australian companies, in the years ended December 31, 2017, 2016 and 2015, respectively. In the years ended December 31, 2017, 2016 and 2015, 100.0% of sales were from China contributing ₱5,815.6 million, ₱3,773.7 million, and ₱6,533.2 million of sale of ore, respectively.

In the year ended December 31, 2015, we delivered 0.6 million WMT, 4.4 million WMT and 0.4 million WMT, of low, medium and high-grade ore, respectively, and generated ₱6,533.2 million in total sales of ore for the year then ended. In the year ended December 31, 2016, we delivered 2.4 million WMT, 1.9 million WMT and 0.1 million WMT, of low, medium and high-grade ore, respectively, and generated ₱3,773.7 million in total sales of ore for the period. In the year ended December 31, 2017, we delivered 3.641 million WMT, 2.330 million WMT and nil WMT, of low, medium and high-grade ore, respectively, and generated ₱5,815.6 million in total sales of ore for the year. Our production target for the Cagdianao Mine is 6.0 million WMT nickel ore each for the years 2018, 2019, and 2020. We also expect the INC Mine to produce 0.5 million WMT, 1.5 million WMT and 1.5 million WMT of ore for 2018, 2019, and 2020, respectively, after the completion of the acquisition for the INC Mine and completion of infrastructure development and obtaining all necessary government approvals, permits and licenses. See “Business –Further Exploration and Development – Production Plans” and “Business – Mine to be acquired.”

The final selling price of our ore is determined through an internal evaluation process including an assessment of nickel ore prices in the Chinese market and international mineral price indicators such as the SMM and LME, as well as prices set by our local competitors. We set our fixed prices each month after careful consideration of the market demand for our products. The greater the demand for our products, the higher the fixed price we set for that particular month. Because of the high demand for our products in the Chinese market, we believe that there is limited room for negotiation from our customers. This is especially evident after the implementation of the mineral export ban by the Indonesian government in January 2014, which, we believe, is advantageous for the demand of our ore. See “Business –

Sales and Marketing – Market developments: Export ban of nickel ore by the Indonesian government.”

Factors Affecting Our Results of Operations

Our results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected our results in the past, and which we expect to affect our results in the future. Factors other than those discussed below could also have a significant impact on our results of operations and financial condition in the future. See “Risk Factors.”

Nickel price

We typically sell nickel ore to our customers under annual agreements. The final selling price of our ore is determined through an internal evaluation process including an assessment of nickel ore prices in the Chinese market and international mineral price indicators such as the SMM and LME as well as prices set by our local competitors. We set our fixed prices each month for the next month’s shipment after careful consideration of the market demand for our products. The greater the demand for our products, the higher the fixed price we set for that particular month. We believe that there is limited room for negotiation from our customers, due to the current high demand for our products in the Chinese market. This is especially evident after the implementation of the nickel export ban by the Indonesian government in 2014. We do not use any hedging instruments for the sale of our nickel ore.

Accordingly, prevailing market demand for nickel can have a substantial effect on our revenue received through sales of a substantial portion of our nickel ore. Nickel prices and demand for nickel typically increase during periods of high global demand for stainless steel.

Nickel prices have historically exhibited considerable volatility. Throughout 2008, the LME nickel price traded at an annual average of approximately US\$9.56 per pound. During 2009, the price steadily declined to US\$6.67 per pound. The LME price rebounded to US\$9.89 per pound in 2010, and continued to climb in 2011, reaching an annual average of approximately US\$10.36 per pound in 2011. In 2012, prices dropped to US\$7.95 per pound and continued their slide in 2013 with an average annual price of US\$6.81 per pound. In 2014, prices averaged US\$7.65 per pound, and the price as of December 31, 2014 was US\$7.16 per pound. In 2015, prices averaged US\$5.30 per pound, and the price as of December 31, 2015 was US\$4.00 per pound. On December 31, 2016, prices averaged US\$4.55 per pound. In 2017, prices averaged US\$4.72 per pound, and the price as of December 31, 2017 was US\$5.49 per pound. The sensitivity of our revenues to nickel prices is not completely linear as we are able to manage nickel price volatility by changing the mix of ore that we sell to our customers. For example, when nickel prices are low, we sell lower grade ore. Conversely, when nickel prices are relatively high, we are able to sell larger quantities of medium and high grade ore to our customers. Increases and decreases in the nickel price will have a broadly proportional effect on our revenues from nickel ore sales.

Volume

During the mining season, we extract nickel ore from our mine site in accordance with the mine plan that we set prior to the mining season. The mix between high grade and medium grade ore at our mine coupled with our long-term mining plan determines the quantities of each grade that we extract on an annual basis. The quantity of low grade ore that we mine on an annual basis from our mine depends on the amount of such ore that needs to be removed in order to extract medium grade and high grade ore, as well as market demand. We sell the majority of the ore we extract in a given mining season directly to our customers with a small portion kept at our stockpiles. Changes in the price for nickel ore does not significantly change our production volume, however prices do impact the mix of low, medium grade and high grade ore that we ship to our customers. The volume of our low grade nickel ore that we sell and ship to our customers largely depends on the demand for stainless steel and NPI in China. Our sales of high grade and medium grade ore are typically made to Chinese mineral trading companies and nickel and iron smelters. When we are able to extract more nickel ore than we are able to ship at an attractive price, we generally continue our mining operations and remove the top layer of low grade ore, thereby exposing the medium grade and high grade ore, as well as stockpile the nickel ore for sale when prices rise to more attractive levels. For example, in 2013 when nickel prices were at lower levels and we anticipated the impact of the Indonesian export ban to increase nickel prices in 2014, we shipped relatively lower grade ore and exposed the medium grade and high grade ore for shipping when prices would become more attractive in 2014.

From 2013 to December 31, 2017, 26.4 million WMT out of 27.7 million WMT or about 95.3% of the ore mined by the Group are sold and shipped to customers while the remaining 4.7% of the total production remains in the Group's inventory account.

Cost of Mining

Our cost of mining can vary from year to year due to inflation and its effect on our costs of mining, including labor costs, contractor fees, the costs involved in repairing and maintaining our equipment and fuel costs. Certain terms of the contracts with our service contractors are renegotiated every mining season. Higher fuel costs as well as an increase in the distance of the mine from the piers will likely result in higher fees charged by our contractors. In addition, we are required to spend 3.0% to 5.0% of our operating costs on the annual EPEP. It is part of our progressive rehabilitation plan that includes rehabilitating the mined out areas. As we increase our production and operating costs, this will result in higher rehabilitation costs.

Currency Exchange Rates

We earn substantially all of our revenues in U.S. dollars while approximately 60.0% of our expenses are denominated in U.S. dollars, with the remaining 40.0% of our expenses denominated in Philippine Pesos, which provides us with a natural hedge against the fluctuation of the Peso against the U.S. dollar. Accordingly, appreciation of the Peso against the U.S. dollar effectively reduces our revenue without a corresponding reduction in our expenses and can result in a reduction in our net income in Peso terms. In addition, because a portion of our cash and cash equivalents and other portfolio investments are denominated in U.S. dollars, the appreciation of the Peso against the U.S. dollar reduces the value of these

assets in Peso terms in our financial statements. Our current policy is not to hedge our exposure to foreign currency exchange risk.

Seasonality

During the rainy season, mining operations at our mine are suspended and we are unable to load ore onto ships. We only operate the Cagdianao Mine in certain months of the year, typically from April to October of each year, due to the weather conditions at our mine site. This seasonality results in quarter-to-quarter volatility in our operating results with more revenue being earned and more expenses being incurred in the second and third quarters compared to the first and fourth quarters. However, upon completion of the INC acquisition, we expect seasonality to have a diminishing impact on our results of operations as the INC Mine is subject to a different weather pattern than our existing mine, which should allow us to have an extended mining season at the INC Mine. We expect that the mining season for the INC Mine will commence from November each year and ends in July in the subsequent year. The different mining seasons at the Cagdianao Mine and the INC Mine complement each other and provide us with nickel ore production during an entire year.

Critical Accounting Policies and Estimates

Our audited consolidated financial statements included in this Prospectus have been prepared in accordance with PFRS. Our results of operations and financial condition are sensitive to accounting policies, assumptions and estimates that underlie the preparation of our consolidated financial statements.

Critical accounting policies and estimates are those that are both: (a) relevant to the presentation of our financial condition and results of operations; and (b) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increase, those judgments become even more subjective and complex. In order to provide an understanding of how our management forms its judgments about future events, including the variables and assumptions underlying its estimates, and the sensitivity of those judgments to different circumstances, we have identified certain critical accounting policies.

On September 10, 2014 and October 22, 2014, the Board and the Shareholders, respectively, approved to amend the fiscal year of the Company to begin on the first day of January and end on the last day of December of the same calendar year beginning in fiscal year 2015. On December 22, 2014, the SEC approved the said change in fiscal year.

Description of Selected Statement of Comprehensive Income Line Items

Sale of Ore

Substantially all of our revenue is derived from the sale of nickel bearing ore to our customers under short term contracts. See "Business—Sales and Marketing."

Cost of Sales

Our cost of sales is the direct cost of producing nickel ore for sale. It includes payments to our contractors for services provided by such contractors, including ore extraction and beneficiation, hauling and equipment rental. Our cost of sales also includes depreciation on our mining equipment, which is calculated on a straight line method with an average life of five (5) to 10 years, and depletion of our mining assets, which is calculated using the unit-of-production method based on the estimated economically recoverable reserves to which they relate. Moreover, our cost of sales includes other contract hires such as security contractors, fuel and oil, personnel costs consisting of salaries and wages, among others. In addition, cost of sales includes net changes in our inventories of stockpiled ore, a positive net change representing the cost of mining nickel ore in prior periods that is sold out of our inventories and a negative net change representing the cost of mining nickel ore in the current period that is not sold and is added to our inventories. The net changes in our inventories of stockpiled ore are included in the contract hire cost.

Operating Expenses

General and Administrative

General and administrative expenses are the costs of operating our Company other than the direct costs of producing and selling ore. They include marketing and representation costs relating to the food and travel for our customers, personnel costs including wages, salary and employee benefits, taxes and licenses, outside services, travel and transportation, consultancy fees, depreciation, power and utilities, communication, rentals and other charges. The major components of general and administrative expenses include marketing and representation costs, management salaries and bonuses, taxes and licenses fees paid to the local government, outside services, including accounting and legal services and depreciation on our real properties and fittings.

Excise Taxes and Royalties

This line item aggregates four (4) types of payments that we make based on our sale of ore:

Royalties to Claim-Owners

We operate Cagdianao Mine under an operating agreement with SIRC that was assigned to them by a former claim owner, CMDC. Under the agreement we have the right to operate the mine, subject to the payment of a royalty to CMDC, which is on average an approximate rate of 3.0% to 7.0% of gross receipts.

Royalties to Government

Because the Cagdianao Mine is located within the Surigao Mineral Reservation, we are obliged to pay a royalty of 5.0% of our market value of the gross output of the minerals/mineral products extracted or produced from each mine to the DENR-MGB.

Excise Taxes

An excise tax of 2.0% of the market value of the gross output of the minerals/mineral products extracted or produced is payable to the BIR. Under the recently signed TRAIN Act, the excise tax now increased to 4.0% of the market value of the gross output of the minerals/mineral products extracted or produced commencing on January 01, 2018.

Royalties to Indigenous People

We are also obliged to pay a royalty fee of 1% of the gross output from the mining operations.

Shipping and Distribution

Our shipping and distribution expenses are costs relating to distribution and barging charges arising from the operation of our Cagdianao Mine. This line item also includes any stevedoring charges, shipping expenses, government fees, fuel, oil and lubricants.

Finance Income and Finance Costs

The main recurring items recorded under finance income are the gains resulting from interest earned from cash deposits in banks and finance leases. For finance costs, interest expense, bank charges and accretion interest on provision for mine rehabilitation and decommissioning are also recurring items. We also record gains and losses from recognition of interest expense, amortization of discount on bank loans, provision for impairment loss on trade and other receivables, bank charges, commission expense and accretion interest on provision for mine rehabilitation and decommissioning.

Other Income - Net

The main recurring items recorded under other income - net are foreign exchange gains and losses on advances to related parties, bank loans, trade and other payables and advances from related parties.

Provision for (Benefit from) Income Tax

Starting 2016, the current provision for income tax represents regular corporate income tax and minimum corporate income tax whichever is higher. Effective November 2007, PGMC, a subsidiary, was entitled to income tax holiday as one of the incentives granted by the Board of Investment as a new producer of beneficiated nickel ore on a non-pioneer status. Our income tax holiday incentive expired on November 15, 2015. Thus, in 2016 we recognized an excess minimum corporate income tax of ₱2.8 million.

Results of Operations

The following discussion and analysis is based on the audited financial statements for the years ended December 31, 2015, 2016 and 2017, as prepared in accordance with PFRS and audited by SGV, and should be read in conjunction with those consolidated financial statements.

Year ended December 31, 2017 compared with the year ended December 31, 2016

Export Revenues

The Group's sale of nickel ore for the year ended December 31, 2017 generated total export revenues of ₱5,815.6 million compared to ₱3,773.7 million in the year ended December 31, 2016, an increase of ₱2,041.9 million or 54.1%. The increase was attributable to the increase in the volume shipped, higher prices of nickel ore and favorable exchange rate.

The breakdown of our export sale of nickel ore for the years ended December 31, 2017 and 2016 follows:

**Sale of Ore Breakdown
(Amounts in ₱Thousands)**

	<u>December-16</u>	<u>December-17</u>
PIL		
High-grade	₱–	₱–
Medium-grade	532,682	883,136
Low-grade	123,739	2,155,359
PIL Total	₱656,421	₱3,038,495
PGMC	<u>December-16</u>	December-17
High-grade	₱89,291	₱–
Medium-grade	1,675,634	2,018,003
Low-grade	1,352,323	759,098
PGMC Total	₱3,117,248	₱2,777,101
Total Consolidated Sale of Ore	₱3,773,669	₱5,815,596

The sale of nickel ore for the year ended December 31, 2017 was 5.971 million WMT, up by 1.662 million WMT or 38.6%, compared to 4.309 million WMT of nickel ore in the year ended December 31, 2016. The Group was able to ship 109 vessels of nickel ore during the year ended December 31, 2017 as against 80 vessels of nickel ore during the same period last year. The increase in the number of vessels loaded and consequently in the volume of nickel ore shipped was mainly due to equipment productivity and improved business management during the year compared to prior year. The Group improved its organizational structure and processes within its teams which increased its connectivity and efficiency. This allowed the Group to act upon day-to-day weather conditions as well as other business information that support the execution of its long-term strategy. The shipments sold solely to Chinese customers consisted of 3.641 million WMT low-grade nickel ore and 2.330 million WMT medium-grade nickel ore compared to 2.396 million WMT low-grade nickel ore, 1.858 million WMT medium-grade nickel ore and 0.055 million WMT high-grade nickel ore of the same period in 2016.

The average realized nickel ore price for the year ended December 31, 2017 was US\$19.29/WMT compared to US\$18.36/WMT for the year ended December 31, 2016, higher by US\$0.93/WMT or 5.1%.

The average realized Peso over US\$ exchange rate for the Group's export revenues was ₱50.49 compared to ₱47.71 of the same period last year, higher by ₱2.78 or 5.8%.

Service Revenues

The service income earned for the LCT chartered by PGMG from its subsidiary, PCSSC, amounted to ₱89.9 million for the year ended December 31, 2017 as compared to ₱95.0 million for the year ended December 31, 2016.

Cost and Expenses

The cost and expenses include cost of sales, excise taxes and royalties, general and administrative expenses and shipping and distribution. The cost and expenses amounted to ₱4,704.8 million for the year ended December 31, 2017 compared to ₱3,562.8 million for the year ended December 31, 2016, an increase of ₱1,142.0 million or 32.1%. The increase was primarily due to higher tonnage produced and volume shipped compared to the prior year. However, the average cash operating cost (which includes cost of sales, general and administrative expenses, and shipping and distribution) per volume sold decreased to ₱554.83 per WMT in 2017 from ₱619.97 per WMT, lower by ₱65.14 per WMT or 10.5%. For the year ended December 31, 2017, the total aggregate cash costs and total sales volume were ₱3,312.9 million and 5.971 million WMT, respectively. For the year ended December 31, 2016, the total aggregate cash costs and total sales volume were ₱2,671.4 million and 4.309 WMT, respectively.

Cost of Sales

The cost of sales went up from ₱2,308.2 million for the year ended December 31, 2016 to ₱2,768.6 million for the same period this year, an increase by ₱460.4 million, or 19.9%. Contract hire increased by ₱414.1 million (from ₱1,548.4 million in 2016 to ₱1,962.5 million in 2017), or 26.7%.

Depreciation, depletion and amortization increased by ₱55.2 million (from ₱370.4 million in 2016 to ₱425.6 million in 2017), or 14.9%. The increase in contract hire and depreciation, depletion and amortization was mainly due to increase in production volume in relation to the increase in volume shipped compared to prior year. The increase in depreciation, depletion and amortization due to volume was reduced by ₱13.7 million due to lower depletion and amortization rates used effective July 01, 2017. The change in depletion and amortization rates was due to the change in ore reserves estimate based on the latest PMRC Competent Person report dated October 15, 2017.

Excise Taxes and Royalties

The excise taxes and royalties were ₱714.2 million and ₱503.3 million for the years ended December 31, 2017 and 2016, respectively. Since these expenses were computed and paid based on the percentage of the revenues, the increase in nickel ore price and volume shipped consequently increased the excise taxes and royalties taken up.

General and Administrative

The general and administrative expenses were ₱833.2 million in the year ended December 31, 2017 compared to ₱460.9 million in the year ended December 31, 2016, an increase of ₱372.3 million, or 80.8%. In the last quarter of 2017, the Group received a

notice that certain customer has filed bankruptcy. In view of this unexpected development, management deemed it prudent to take a conservative approach to the Group's financials. With this, the Group recognized a provision for doubtful long-outstanding trade receivables amounted to ₱208.8 million. The provision has no effect on cash, but such was included in the Group's general and administrative expenses. However, the provision is less than 5.0% of the Group's revenues and that the Group is taking the necessary steps to collect at least portion of the amount. In addition, the Group recognized a provision for impairment losses on its other current and noncurrent assets (creditable withholding tax and claim for business tax refund carryover from 2013) amounted to ₱24.5 million. Furthermore, taxes and licenses increased by ₱92.9 million mainly due to the payment of additional tax assessments for the calendar/taxable years 2012 and 2013, and local business tax which was minimal in 2016 compared to 2017 as the Board of Investments (BOI) Income Tax Holiday of the Group's subsidiary, PGMC, already expired. Moreover, the Group's personnel costs increased during the period as the Group hired additional manpower to complement the growing business requirements of the Group.

Shipping and Distribution

The shipping and loading costs were ₱388.8 million for the year ended December 31, 2017 compared to ₱290.4 million in the prior year, up by ₱98.4 million, or 33.9%. The increase was mainly due to the increase in production volume during the year.

Finance Costs

Finance costs amounted to ₱68.7 million in the year ended December 31, 2017 compared to ₱67.7 million in the year ended December 31, 2016, a minimal increase of ₱1.0 million, or 1.5%.

Other Income (Charges)– net

The net other income amounted to ₱28.4 million in the year ended December 31, 2017 compared to net other charges amounted to ₱32.4 million in the year ended December 31, 2016. The change in the account pertains mainly to the movement in the foreign exchange related transactions resulting to higher net foreign exchange gains during the year compared to the prior year. Also, the Group recognized a loss on disposals of property and equipment amounted to ₱24.3 million in 2016.

Provision for Income Tax

The net provision for income tax was ₱297.5 million for the year ended December 31, 2017 compared to ₱79.6 million in the same period last year, an increase of ₱217.9 million or 273.7%.

The current provision for income tax for the year ended December 31, 2017 was ₱373.8 million compared to ₱35.4 million in the same period last year, an increase of ₱338.4 million due to the higher taxable income earned during the year compared to the prior year.

Net Income

The Group's consolidated net income reached to ₱779.7 million in 2017 from ₱37.5 million in 2016 due to improved selling prices, operational efficiency and favorable foreign exchange impact.

Total Comprehensive Income – net of tax

Cumulative Translation Adjustment

The Group had recognized cumulative translation adjustment amounting to (₱4.8 million) and (₱14.1 million) as at December 31, 2017 and 2016, respectively, which pertained to the exchange differences arising on the translation of a subsidiary's functional currency to the presentation currency of the Parent Company.

Remeasurement Gain on Retirement Obligation

Remeasurement gain on retirement obligation - net of tax recognized in 2017 and 2016 amounted to ₱7.2 million and ₱3.1 million, respectively.

Year ended December 31, 2016 compared with year ended December 31, 2015

Sale of Ore

Our sales of nickel ore for the year ended December 31, 2016 generated total export revenues of ₱3,773.7 million compared to ₱6,533.2 million in the year ended December 31, 2015, a decline of ₱2,759.5 million or 42.2%. The decrease was attributable to the lower volume shipped, change in product mix and decline in the selling price of nickel ore.

The breakdown of our export sale of nickel ore for the years ended December 31, 2016 and 2015 is as follows:

Sale of Ore Breakdown

(Amounts in ₱Thousands)

	December-15	December-16
PIL		
High-grade	–	–
Medium-grade	–	532,682
Low-grade	–	123,739
PIL Total	–	656,421
PGMC		
High-grade	631,103	₱89,291
Medium-grade	5,525,360	1,675,634
Low-grade	376,755	1,352,323
PGMC Total	6,533,218	₱3,117,248
Total Consolidated Sale of Ore	6,533,218	₱3,773,669

The sale of nickel ore for the year ended December 31, 2016 was 4.31 million WMT of nickel ore, declined by 1.04 million WMT or 19.45%, compared to 5.35 million WMT of nickel ore in the year ended December 31, 2015. We were able to ship only 80 vessels of nickel ore during the year ended December 31, 2016 as against 99 vessels of nickel ore in 2015. These shipments sold solely to Chinese customers consisted of 2.40 million WMT low-grade nickel ore, 1.81 million WMT medium-grade nickel ore, and 0.06 million WMT high-grade nickel ore compared to 0.61 million WMT low-grade nickel ore, 4.37 million WMT medium-grade nickel ore, and 0.38 million WMT high-grade nickel ore of the same period in 2015. The reduction in shipments was brought about by unfavorable weather conditions, which affected production and loading operations.

The decrease in the export revenues was aggravated by the decline of nickel ore price from 2015's average of US\$26.69/WMT to only US\$18.36/WMT average for the year ended 2016 lower by US\$8.33/WMT or 31.2%.

Cost and Expenses

The cost and expenses include cost of sales, excise taxes and royalties, general and administrative expenses and shipping and distribution. The cost and expenses amounted to ₱3,562.8 million for the year ended December 31, 2016 compared to ₱5,277.2 million for the year ended December 31, 2015, a decrease of ₱1,714.4 million or 32.5%. The decrease was due to decline in the volume shipped, change in product mix as more low grade ores were shipped in 2016 as compared to the same period in 2015 and as the result of cost rationalizations and greater operational efficiencies. However, the average cash operating cost (which includes cost of sales, general and administrative expenses, and shipping and distribution) per volume sold decreased to ₱619.97 per WMT in 2016 from ₱693.23 per WMT, lower by ₱73.26 per WMT or 10.6%. For the year ended December 31, 2016, the total aggregate cash costs and total sales volume were ₱2,671.4 million and 4.309 million WMT, respectively. For the year ended December 31, 2015, the total aggregate cash costs and total sales volume were ₱3,710.2 million and 5.352 WMT, respectively.

Cost of Sales

Our cost of sales was ₱2,308.2 million for the year ended December 31, 2016 as compared to ₱3,509.9 million in 2015, a decrease by ₱1,201.7 million, or 34.2%.

The significant factor in the decline in the cost of sales was due to the decrease by ₱840.5 million in contract hire from ₱2,388.9 million in 2015 to ₱1,548.4 million in 2016, or 35.2%. Moreover, there was a decrease in equipment rentals by ₱35.6 million or 50.3%, from ₱70.8 million in 2015 to ₱35.2 million in 2016 due to non-renewal of equipment lease (as all heavy equipment are now provided in full by the Contractors) and Group-owned equipment previously allowed to be used by one of the service contractors were returned upon expiration of the mining contract. Furthermore, depreciation, depletion and amortization went down by ₱209.1 million or 36.1% as a result of the change in depletion rate. For the year ended December 31, 2015 and for the period January 1 to June 30, 2016, the depletion rate used was ₱60.48 per WMT computed based on the previous Joint Ore Reserve Committee Report received from Runge Pincock Minarco in February 2015 with an indicated mineral reserve estimate of 13.2 million DMT for CAGA 2 and 0.6 million DMT for CAGA 4. For the period July 1 to December 31, 2016, the rate used in computing depletion was ₱31.71 per WMT based on the PMRC Report dated September

15, 2016 with an indicated mineral reserve estimate of 25.6 million WMT for Cagdianao Areas 2 and 4. For fuel, oil and lubricants, it went down by ₱140.5 million, from ₱151.5 million for the year ended December 31, 2015 to ₱11.0 million in 2016. However, the decrease was partially offset by the increase in personnel costs by ₱28.0 million or 22.3% as the Group re-embarked its in-house operations on the control and monitoring of contracted activities to ensure quality of work, which translated to hiring of additional local manpower in 2016.

General and Administrative

General and administrative expenses were ₱460.9 million in 2016 compared to ₱628.3 million in 2015, a decrease of ₱167.4 million, or 26.6%. The decline was mainly due to the decrease in consultancy fees and outside services, marketing and entertainment, and SEC and listing fees, which pertained to the cost incurred in 2015 related to the Group's planned follow-on offering. The decrease was partially offset by the increase in rent expense related to office rentals of PIL, new subsidiary in 2016 and increase in personnel costs as the Group hired additional manpower to complement the management team of the Group and employees of PIL.

Excise Taxes and Royalties

Our excise taxes and royalties were ₱503.3 million and ₱972.5 million in 2016 and 2015, respectively, a decrease of ₱469.2 million, or 48.2%. Since these expenses were computed and paid based on the percentage of gross sales, the decline in nickel ore price and volume shipped and change in product mix consequently lowered the excise taxes and royalties taken up.

Shipping and Distribution

Our shipping and loading costs were ₱290.4 million in 2016 compared to ₱166.5 million in 2015, an increase of ₱123.9 million, or 74.4%. Although the actual volume of nickel ore shipped for the year 2016 was lower compared to the same period last year, the shipping and distribution costs incurred rose as the Group embarked in directly handling full port operations in 2016 compared to 2015 where the Group only operated one of the two causeways.

Finance Income

Our finance income was ₱6.5 million in 2016 compared to ₱9.4 million in 2015, a decrease of ₱2.9 million, or 30.9%. Our finance income in 2016 was primarily consisted of the interest income related to finance lease arising from JLEC lease of our transportation and handling equipment.

Finance Costs

Our finance costs were ₱67.7 million and ₱88.9 million for the years ended December 31, 2016 and 2015, respectively, a decrease of ₱21.2 million, or 23.8%. The decline was primarily due to the retirement of long-term loans with ATB, and PhilEXIM.

Other Charges -Net

Our other charges were ₱32.4 million for the year ended December 31, 2016 as compared to other charges amounted to ₱115.5 million in 2015, a decrease of ₱83.1 million, or 71.9%. The decrease was brought about by the recognition of foreign exchange gains in 2016 compared to foreign exchange loss in 2015 and significant amount of loss on modification finance lease recognized in 2015.

Income before Income Tax

As a result of the foregoing, we earned an income before income tax of ₱117.1 million for the year ended December 31, 2016, compared to the income before income tax of ₱1,061.1 million realized in 2015.

Provision for (Benefit from) Income Tax

Current

The current provision for income tax represents minimum corporate income tax (MCIT) for the years ended December 31, 2016 and 2015. Effective November 2007, the Company was entitled to income tax holiday as one of the incentives granted by the Board of Investments as a non-pioneer enterprise. PGMC's income tax holiday incentive expired on November 15, 2015.

Deferred

Our provisions for income tax - deferred were ₱44.2 million for the year ended December 31, 2016 as compared to benefit from income tax of ₱54.8 million for the year ended December 31, 2015. The reversal of the deferred tax benefit was brought about by the expiration of the income tax holiday incentive of the Group towards the end of 2015 and application of net loss carry over in 2016.

Net Income

As a result of the foregoing, our net income was ₱37.5 million in the year ended December 31, 2016 as compared to ₱1,111.8 million in the year ended December 31, 2015, a decrease of ₱1,074.3 million, or 96.6%.

Other comprehensive income – Net of Tax

Cumulative translation adjustment

We had recognized cumulative translation adjustment amounting to ₱14.1 million, which pertained to the exchange differences arising on the translation of a subsidiary's functional currency to the presentation currency of the Company.

Valuation loss on AFS financial assets

The Company had a net valuation loss on AFS financial assets of ₱0.5 million in the year ended December 31, 2015 and nil in 2016.

Total comprehensive income – Net of Tax

As a result of the foregoing, our total comprehensive income - net of tax was ₱26.5 million and ₱1,111.8 million for the years ended December 31, 2016 and 2015, respectively, a decrease of ₱1,085.3 million, or 97.6%.

Financial Position

As at December 31, 2017 compared with December 31, 2016

Cash

Cash increased by ₱334.7 million or 60.6% (from ₱551.9 million as at December 31, 2016 to ₱886.6 million as at December 31, 2017). Movements in the Group's cash balance were due to the net effect of the following:

- Net cash flows from operating activities amounting to ₱1,890.6 million consists of (1) the Group's income before income tax amounted to ₱1,077.2 million adjusted for noncash expenses, mainly depreciation, depletion, and amortization, which amounted to ₱444.4 million and provision for impairment losses amounted to ₱233.3 million, (2) the net decrease in the Group's working capital amounting ₱304.7 million, which resulted from the decrease in trade and other receivables, and prepayments and other current assets and increase in inventories and trade and other payables, and (3) payments of income taxes and interest amounted to ₱235.9 million and ₱60.6 million, respectively.
- Net cash flows used in investing activities amounting to ₱344.5 million, mainly consisting of cash used for acquisitions of property and equipment and additions to mine exploration costs amounting to ₱103.4 million and ₱17.9 million, respectively; and effect of changes in advances to related parties, finance lease receivable and other noncurrent assets amounting to ₱256.6 million, ₱73.5 million and ₱46.1 million, respectively.
- Net cash flows used in financing activities amounting to ₱1,221.5 million, attributed to the net effect of the Group's loan payments and availments amounting to ₱1,382.6 million and ₱1,124.0 million, respectively; and purchase of treasury shares amounting to ₱964.5 million.

Trade and other receivables

This account decreased by ₱498.5 million or 58.8% (from ₱847.2 million as at December 31, 2016 to ₱348.7 million as at December 31, 2017) due to full collection of 2016 shipments during the year, 93.0% of the 2017 shipments were collected as at December 31, 2017 and recognition of provision of doubtful accounts for long-outstanding trade receivables amounted to ₱208.8 million (outstanding since 2015; see related discussion in the general and administrative section).

Advances to related parties

The increase of ₱257.9 million or 16.0% (from ₱1,614.1 million as at December 31, 2016 to ₱1,872.0 million as at December 31, 2017) was mainly attributable to the additional advances to related parties during the period.

Finance lease receivable

Finance lease receivable decreased by ₱72.3 million or 31.0% (from ₱233.0 million as at December 31, 2016 to ₱160.7 million as at December 31, 2017) due collections made during the year.

Inventories

The increase of ₱10.6 million or 3.8% (from ₱276.0 million as at December 31, 2016 to ₱286.6 million as at December 31, 2017) was mainly due to increase in inventory stockpile at the end of the year compared to prior year.

Prepayments and other current assets

The decrease of ₱56.8 million or 20.9% (from ₱271.3 million as at December 31, 2016 to ₱214.5 million as at December 31, 2017) was a result mainly of the decrease in restricted cash by ₱61.7 million due to the reduction in the debt service reserve account required on the Taiwan Cooperative Bank (TCB) (Manila Offshore Banking Unit) loan in May 2017.

Property and equipment

Property and equipment decreased by ₱108.7 million or 5.1% (from ₱2,112.0 million as at December 31, 2016 to ₱2,003.3 million as at December 31, 2017) as a result mainly of the additional depreciation and depletion during the year amounted to ₱399.7 million, net of ₱123.2 million acquisitions of machineries and other equipment, and others, and an increase to capitalized cost of mine rehabilitation amounted to ₱174.2 million.

Mine exploration costs

The increase of ₱17.9 million or 8.0% (from ₱223.8 million as at December 31, 2016 to ₱241.7 million as at December 31, 2017) in the mine exploration costs was attributable to the exploration activities of the Cagdianao Nickel Expansion Project in CAGAs 1, 3 and 5 conducted by the Group during the period.

Mining rights

The decrease of ₱44.7 million or 16.9% (from ₱264.9 million as at December 31, 2016 to ₱220.2 million as at December 31, 2017) was due to the amortization of mining rights during the period.

Deferred tax assets - net

The increase of ₱69.2 million or 118.7% (from ₱58.3 million as at December 31, 2016 to ₱127.5 million as at December 31, 2017) in net deferred tax assets was mainly due to the additional allowance for impairment losses on trade and other receivables and increase in net unrealized foreign exchange losses.

Investment property

The Group's investment property (Aseana Property) amounting to ₱319.9 million was sold to JSY6677 Landholdings, Inc. in March 2017. The related payment was offset against the advance payment from JSY6677 Landholdings, Inc.

Other noncurrent assets

The increase of ₱24.9 million or 5.7% (from ₱436.9 million as at December 31, 2016 to ₱461.8 million as at December 31, 2017) was mainly due to the increase in advances to suppliers and mine rehabilitation fund during the period. This was offset by the recognition of impairment losses on the Group's creditable withholding tax and claim for business tax refund carryover from 2013.

Bank loans

Bank loans decreased by ₱249.7 million or 25.0% (from ₱999.4 million as at December 31, 2016 to ₱749.7 million as at December 31, 2017) due to payments made during the period amounting to ₱1,382.6 million, net of proceeds from availment of loans amounting to ₱1,124.0 million.

Advances from related parties

The decrease of ₱338.9 million or 50.8% (from ₱666.5 million as at December 31, 2016 to ₱327.6 million as at December 31, 2017) was attributable mainly to the application of the advances from related party for the the sale of investment property (see related discussion in investment property account).

Income tax payable

The increase in income tax payable by ₱136.9 million or 1,150.4% (from ₱11.9 million as at December 31, 2016 to ₱148.8 million as at December 31, 2017) was due to higher taxable income during the year compared to the prior year.

Provision for mine rehabilitation and decommissioning

The increase of ₱178.3 million or 265.7% (from ₱67.1 million as at December 31, 2016 to ₱245.4 million as at December 31, 2017) was due mainly to the adjustment during the year to reflect the current expenditures required to settle the expected mined out areas of the Group based on the latest FMRDP submitted to the MGB on December 11, 2017.

Retirement obligation

The increase in the retirement obligation amounting to ₱3.3 million or 6.9% (from ₱47.9 million as at December 31, 2016 to ₱51.2 million as at December 31, 2017) was attributable mainly to the additional retirement benefits costs during the period.

Cumulative translation adjustment

Cumulative translation adjustment represents the exchange differences arising on the translation of a subsidiary's functional currency to the presentation currency of the Company.

Treasury shares

The increase was due mainly to the buyback of 362.6 million common shares at an average price of ₱2.66 per share during the period.

As at December 31, 2016 compared with as at December 31, 2015

Cash

Cash increased by ₱49.0 million or 9.7% (from ₱502.9 million as at December 31, 2015 to ₱551.9 million as at December 31, 2016). Movements in the Group's cash balance were due to the net effect of the following:

- Net cash flows from operating activities amounting to ₱603.9 million consists of (1) the Group's income before tax adjusted for noncash expenses, mainly depreciation, depletion, and amortization, which amounted to ₱388.1 million, and (2) the net decrease in the Group's working capital amounting ₱37.4 million, which resulted from the increase in trade and other receivables, prepayments and other current assets, trade and other payables and the decrease in inventories.
- Net cash flows used in investing activities amounting to ₱531.3 million, mainly consisting of cash used for additions to property and equipment and mine exploration costs amounting to ₱270.3 million and ₱83.0 million, respectively; and effect of changes in advances to related parties and other noncurrent assets amounting to ₱15.7 million and ₱152.4 million, respectively.
- Net cash flows used in financing activities amounting to ₱43.3 million, attributed to the net effect of the Group's loan payments and availments amounting to ₱875.0 million and ₱832.4 million, respectively.

Trade and other receivables

An increase of ₱146.4 million or 20.9% (from ₱700.8 million as at December 31, 2015 to ₱847.2 million as at December 31, 2016) was mainly attributable to the net effect of total credit export sales and total collection amounting to ₱21.8 million and increase of receivable from contractors amounting to ₱114.9 million.

Finance lease receivable

Finance lease receivable decreased by ₱254.5 million or 52.2% (from ₱487.5 million as at December 31, 2015 to ₱233.0 million as at December 31, 2016) due to the mutual agreement between the Group and FRASEC to terminate the mining contract, which resulted to the termination of the finance lease. As a result, the property and equipment subjected to finance lease amounting to ₱179.7 million was returned to the Group and the corresponding finance lease receivable was derecognized.

Advances to related parties

The decrease of ₱25.1 million or 1.5% (from ₱1,639.2 million as at December 31, 2015 to ₱1,614.1 million as at December 31, 2016) was mainly attributable to the decrease on the advances to shareholders during the period.

Inventories

The decrease of ₱367.8 million or 57.1% (from ₱643.8 million as at December 31, 2015 to ₱276.0 million as at December 31, 2016) resulted mainly from the usage of inventory in the construction of roads and trails in the mining area.

Prepayments and other current assets

The increase of ₱6.7 million or 43.2% (from ₱15.5 million as at December 31, 2015 to ₱22.2 million as at December 31, 2016) was a result of the increase in prepaid excise and royalty taxes representing advanced payments made to MGB and BIR necessary for the processing of shipments.

Other noncurrent assets

The increase of ₱150.9 million or 28.2% (from ₱535.1 million as at December 31, 2015 to ₱686.0 million as at December 31, 2016) was mainly due to the increase in restricted cash for the establishment of the Debt Service Reserve Account in relation to the loan from TCB.

Mining rights

The decrease of ₱36.7 million or 12.2% (from ₱301.6 million as at December 31, 2015 to ₱264.9 million as at December 31, 2016) was due to the amortization of mining rights during the period.

On June 15, 2016, SIRC and CLNMI executed a Deed of Assignment wherein CLNMI assigned all of its rights to exploration and mining to SIRC, as approved by MGB on June 27, 2016. The consideration in relation to the assignment of the foregoing rights is not yet indicated in the Deed of Assignment.

Mine exploration costs

The increase of ₱83.0 million or 58.9% (from ₱140.8 million as at December 31, 2015 to ₱223.8 million as at December 31, 2016) in the mine exploration costs was attributable to the exploration activities of the Cagdianao Nickel Expansion Project in CAGAs 1, 3 and 5 conducted by the Group during the period.

Deferred income tax assets - net

The decrease of ₱39.5 million or 40.4% (from ₱97.8 million as at December 31, 2015 to ₱58.3 million as at December 31, 2016) in net deferred income tax assets was mainly due to the application of net operating loss carryover amounting to ₱145.0 million during the period.

AFS financial assets

The decrease of ₱1.4 million or 23.7% (from ₱5.9 million as at December 31, 2015 to ₱4.5 million as at December 31, 2016) was attributable mainly to the decrease in the market value of Oriental Peninsula Resources Group, Inc. shares of stock.

Bank loans

Bank loans increased by ₱4.8 million or 0.5% (from ₱994.6 million as at December 31, 2015 to ₱999.4 million as at December 31, 2016) due to payments made during the period amounting to ₱875.0 million, net of proceeds from availment of loans amounting to ₱832.4 million.

Finance lease liabilities

The decrease of ₱9.4 million or 63.0% (from ₱15.0 million as at December 31, 2015 to ₱5.6 million as at December 31, 2016) was attributable to the partial settlement of the finance lease during the period.

Income tax payable

Movement pertains to the income tax payable under the regular corporate income tax for the period ended December 31, 2016.

Retirement obligation

The increase in the retirement obligation amounting to ₱7.9 million or 19.7% (from ₱40.0 million as at December 31, 2015 to ₱47.9 million as at December 31, 2016) was attributable mainly to the additional retirement benefits costs during the period.

Deferred income tax liability

The amount pertains to the deferred income tax liability on currency translation adjustment, arising from the foreign subsidiary, PIL.

Other noncurrent liabilities

The increase of ₱532.4 million (from ₱1.1 million as at December 31, 2015 to ₱533.5 million as at December 31, 2016) was the result of assignment of liabilities of Southeast Palawan to BNVI and the previous stockholders of CNMEC to the Company.

Cumulative translation adjustment

Cumulative translation adjustment amounting to ₱14.1 million represents the exchange differences arising on the translation of a subsidiary's functional currency to the presentation currency of the Company.

Treasury stock

The increase was due to the buyback of 6.3 million common shares at an average price of ₱2.81 per share during the period.

As at December 31, 2015 compared with as at December 31, 2014

Cash

Cash of the Group consists of cash with various bank accounts denominated in Philippine peso and in United States dollar and cash on hand. Decrease of ₱189.0 million or 27.3% (from ₱691.9 million as at December 31, 2014 to ₱502.9 million as at December 31, 2015) was primarily due to the net effect of the following:

- Net cash flows from operating activities amounting to ₱776.2 million primarily due to the net effect of the net operating income, increase in trade and other receivables, increase in inventories, decrease in trade and other payables and interest paid amounting to ₱1,827.6 million, ₱403.4 million, ₱397.7 million, ₱210.4 million and ₱73.8 million, respectively.
- Net cash flows used in investing activities amounting to ₱1,596.5 million primarily due to the Group's advances to related parties amounting to ₱1,499.6 million.
- Net cash flows from financing activities amounting to ₱657.2 million primarily due to the net effect of net inflows from bank loans and decrease in finance lease liabilities amounting to ₱403.7 million and ₱26.5 million, respectively.

Trade and other receivables

The increase of ₱376.3 million or 116.0% (from ₱324.5 million as at December 31, 2014 to ₱700.8 million as at December 31, 2015) was attributable to the decrease in receivables turnover. Receivables turnover decreased from 54 days in 2014 to 13 days in 2015. Nickel ore buyers shifted the terms of payment to documentary letters of credit from cash deposit basis.

Finance lease receivable

The decrease amounting to ₱379.2 million or 43.7% (from ₱866.7 million as at December 31, 2014 to ₱487.5 million as at December 31, 2015) was a result of the modification of finance lease terms during the year resulting to lesser minimum lease payments due to lower assessed value of the finance leased assets transferred to JLEC from FRASEC.

Inventories

The increase of ₱397.8 million or 161.7% (from ₱246.0 million as at December 31, 2014 to ₱643.8 million as at December 31, 2015) was mainly attributable to higher quantities of unsold nickel ore as at end of 2015 compared to end of 2014.

Prepayments and other current assets

The decrease of ₱39.8 million or 72.0% (from ₱55.3 million as at December 31, 2014 to ₱15.5 million as at December 31, 2015) pertains mainly to the decrease in deferred transaction costs amounting to ₱50.2 million expensed in 2015 since the Company did not

push through with the follow-on offering of new shares due to the decreasing nickel market price that resulted to a decrease in stock prices.

Deposits for future acquisition

In 2015, ₱1,651.2 million were advanced as deposits for future acquisition broken down as follows:

- Advances made to PIL amounting to ₱23.1 million; and
- Advances amounting to ₱1,628.1 million for the planned acquisition of Southeast Palawan and subsidiaries in connection with the Memorandum of Agreement entered into by the Company in 2014.

Property and equipment

The decrease amounting to ₱256.9 million or 11.1% (from ₱2,305.9 million as at December 31, 2014 to ₱2,049.0 million as at December 31, 2015) was due to the recognition of additional depletion expense of the Group's mining properties amounting to ₱265.7 million as a result of change in estimate used based on the latest Joint Ore Reserve Committee (JORC) Report received in February 2015.

Mining rights

The decrease of ₱94.9 million or 23.9% (from ₱396.5 million as at December 31, 2014 to ₱301.6 million as at December 31, 2015) pertains to the related amortization of mining rights.

Deferred income tax assets - net

A net increase of ₱54.5 million or 126.1% (from ₱43.3 million as at December 31, 2014 to ₱97.8 million as at December 31, 2015) in deferred income tax assets was mainly attributable to the net loss carry over resulting from the net loss calculated for the periods no longer covered under the income tax holiday incentive of the Group. The ITH incentive of the Group expired on November 15, 2015.

Trade and other payables

The decrease of ₱315.1 million or 28.4% (from ₱1,107.8 million as at December 31, 2014 to ₱792.7 million as at December 31, 2015) in trade and other payables was mainly attributable to the net effect of payment of final withholding taxes amounting to ₱507.0 million and increase in withholding taxes, excise and royalty taxes amounting to ₱138.5 million.

Bank loans

A net increase in bank loans amounting to ₱374.4 million or 60.4% (from ₱620.2 million as at December 31, 2014 to ₱994.6 million as at December 31, 2015) was the net effect of payments of maturing loans and the availment of additional service vehicle loans and short-term dollar loan from TCB amounting to US\$20.0 million or ₱941.2 million.

Advances from related parties

A net increase of ₱279.9 million or 81.3% (from ₱344.3 million as at December 31, 2014 to ₱624.2 million as at December 31, 2015) was attributable mainly to the amounts owed to GMORI related to the deposits for future acquisition.

Finance lease liabilities

The decrease of ₱26.4 million or 63.8% (from ₱41.4 million as at December 31, 2014 to ₱15.0 million as at December 31, 2015) was attributable to the payments made during the year.

Retirement obligation

The increase in the retirement obligation amounting to ₱9.9 million or 32.9% (from ₱30.1 million as at December 31, 2014 to ₱40.0 million as at December 31, 2015) was attributable mainly to the additional retirement benefits costs during the year.

Retained earnings

The increase of ₱1,119.2 million was mainly attributable to the net income earned during the year.

Liquidity and Capital Resources

In the years ended December 31, 2015, 2016 and 2017, our principal source of liquidity was cash from operations. We incurred long and short-term debt from Amsterdam Trade Bank N.V. and Trade and Investment Development Corporation of the Philippines, (formerly known as Philippine Export Import Credit Agency), BDO, Bank of China, and TCB Offshore Unit. The revenue that we receive from the sale of ore has typically been sufficient to service both our long and short-term debts.

As of December 31, 2016 and 2015 our working capital, defined as the difference between our current assets and current liabilities, was ₱1,156.0 million and ₱1,229.5 million, respectively. As of December 31, 2016 and 2015, we had ₱3,383.7 million and ₱3,670.1 million of current assets, respectively, and ₱2,227.7 million and ₱2,440.6 million of current liabilities, respectively. Cash, trade and other receivables, advances to related parties and inventories - at cost, prepayments and other current assets, in the amounts of ₱3,311.4 million and ₱3,502.1 million as of December 31, 2016 and 2015, respectively, comprised the bulk of our current assets. Trade and other payables, current portion of bank loans, advances from related parties and dividends payable, in the amounts of ₱2,213.4 million and ₱2,424.5 million as of December 31, 2016 and 2015, respectively, comprised the bulk of our current liabilities.

We expect to meet our working capital, capital expenditure and investment requirements primarily from the proceeds of the Offer, cash flows from operations and approximately US\$20.0 million in the availment of export packing credit line from BDO and the outstanding amount from the short-term loan from TCB Offshore Unit. We may also from time to time seek other sources of funding, which may include debt or equity financings, depending on our

financing needs and market conditions. We believe that we have sufficient working capital for the operations of the Group for the next 12 months.

Cash Flows

The following discussion of our cash flows for the years ended December 31, 2015, 2016, and 2017 should be read in conjunction with the statements of cash flows included in the consolidated financial statements included herein. The table below summarizes the Company's consolidated statements of cash flows for the years ended December 31, 2015, 2016, and 2017:

	For the year ended				
	December 31, 2015	December 31, 2016		December 31, 2017	
	(Audited) (₱ Thousands)	(Audited) (₱ Thousands)	(Unaudited) (US\$ Thousands)	(Audited) (₱ Thousands)	(Unaudited) (US\$ Thousands)
Net cash flows from operating activities	776,154	354,916	7,125	1,890,644	37,871
Net cash flows used in investing activities	(1,593,944)	(264,490)	(5,310)	(344,540)	(6,901)
Net cash flows from (used in) financing activities	602,883	(61,094)	(1,226)	(1,221,537)	(24,468)
Net increase (decrease) in cash	(214,907)	29,332	589	324,567	6,502
Effect of exchange rate changes on cash	25,914	19,734	396	10,057	201
Cash at beginning of year/period	691,869	502,876	10,095	551,942	11,056
Cash at end of year/period	502,876	551,942	11,080	886,566	17,759

Cash flows from Operating Activities

Our net cash flows from operating activities resulted to ₱1,890.6 million for the year ended December 31, 2017 compared to ₱354.9 million of the same period in 2016. The increase in the cash generated from operations was due to higher sale of ore during the year compared to the prior year as a result of the increase in volume shipped and realized nickel ore price.

Our net cash flows from operating activities was ₱776.2 million for the year ended December 31, 2015, primarily comprising operating income before changes in working capital of ₱1,827.6 million adjusted for changes in working capital of ₱971.7 million, and interest paid of ₱73.8 million.

Cash flows from Investing Activities

Our net cash flows used in investing activities for the years ended December 31, 2017 and 2016 amounted to ₱344.5 million and ₱264.5 million, respectively. The net cash outflows in 2017 arise mainly to the net acquisitions of property and equipment amounted to ₱103.4 million, additional mine exploration costs incurred amounted to ₱17.9 million, additional advances to related parties amounted to ₱256.6 million and increase in other noncurrent assets by ₱46.1 million.

Our net cash outflows in 2016 arise mainly to the net acquisitions of property and equipment amounted to ₱270.3 million, additional mine exploration costs incurred amounted to ₱83.0 million, additional advances to related parties amounted to ₱15.7 million and decrease in other noncurrent assets amounted to ₱96.7 million. The net cash used in investing activities for the year ended December 31, 2015 was ₱1,593.9 million, which primarily consisted of an increase of ₱1,499.6 million in advances to related parties for shareholder advances, ₱31.1 million increase in property and equipment and partially offset by a ₱41.6 million increase in other noncurrent assets.

Cash flows from Financing Activities

For the years ended December 31, 2017 and 2016, the net cash flows used in financing activities amounted to ₱1,221.5 million and ₱61.1 million, respectively. The net cash outflows in 2017 arise mainly from the proceeds from availment of bank loans amounted to ₱1,124.0 million, net of payments of bank loans amounted to ₱1,382.6 million and repurchase of treasury shares amounted to ₱964.5 million.

Our net cash outflows in 2016 arise mainly from the proceeds from availment of bank loans amounted to ₱832.4 million, net of payments of bank loans amounted to ₱875.0 million.

Our net cash flows from financing activities for the year ended December 31, 2015 was ₱602.9 million, which primarily reflected a ₱2,339.0 million proceeds from availment of bank loans, which was partially offset by ₱1,989.6 million payment of bank loans, and a ₱279.9 million increase in advances from related parties for shareholder advances.

Capital Expenditure and Investments

Capital expenditures totaled ₱0.3 million and ₱36.1 million for the years ended December 31, 2015 and 2016, respectively.

The Group does not have any outstanding commitment on capital expenditures as of December 31, 2017.

Dividend Distributions

On June 15, 2014, PGMC's Board of Directors approved the declaration of cash dividends in the amount of ₱5,069.1 million to stockholders of record as of June 15, 2014, which was settled on December 29, 2014. On July 15, 2014, PGMC's Board of Directors approved the declaration of cash dividends amounting to ₱1,084.6 million at ₱0.09 per share. The dividends were settled on August 29, 2014.

On December 16, 2017, PGMC's shareholders and BOD declared a cash dividend of ₱480.00 per share to stockholders of record as at December 31, 2017 and stock dividend amounting to ₱1,200.0 million divided into 12,000,000 shares at the par value of ₱100.00 per share to be issued out of the increase in the authorized capital stock of PGMC on December 29, 2017. The cash and stock dividends declared by PGMC were taken out of its unrestricted retained earnings as at December 31, 2016. Portion of the cash dividends payable was settled on

December 29, 2017 by offsetting the cash advances to stockholders classified under “Advances to related parties”.

On March 14, 2018, the Company approved the declaration of property dividends consisting of the Company’s listed shares at the ratio of 0.06 share for every FNI share to all shareholders of record by April 02, 2018 based on the March 14, 2018 listed price. The declaration is subject to approval by the SEC. Payment for the property dividend shall be fifteen (15) trading days from receipt of the approval by the SEC of the property dividend.

Debt Obligations and Facilities

We are party to financing arrangements with BDO and TCB, and service vehicle loans with BDO.

BDO

On February 14, 2013, the Group obtained a term loan amounting to ₱240.0 million from BDO to finance 75.0% of the purchase price of Aseana property located in Parañaque City. The loan is payable in six (6) semi-annual payments every August and February with an interest of 5.5% subject to monthly repricing based on the prevailing market rate of interest. The agreement is secured by a real estate mortgage over the Aseana property and other conditions. On December 16, 2013, the Group assigned its title, rights and interest in the Aseana property to JLI. (a company owned by Mr. Joseph C. Sy) and JLI agreed to assume the outstanding balance for the BDO loan. The loan was fully repaid in February 2015.

In 2014, the Group drew down various short-term loans from BDO amounting to US\$4.1 million payable within a year.

In May 2015, the Group was extended an additional US\$10.0 million on top of its existing US\$10.0 million export packing credit line for working capital purposes granted by BDO in May 2014. As at December 31, 2016 and 2015, the remaining balance of the loan availed to nil.

In 2015, the Group entered into several service vehicle loans with BDO amounting to ₱11.2 million. The loans are payable within three (3) years at an interest rate ranging from seven percent (7.0%) to nine percent (9.0%) per annum.

The Group has an existing US\$20.0 million export packing line for working capital purposes. As at December 31, 2017 and 2016, the remaining balance is nil.

The Group also entered into several service vehicle loans with BDO with a three-year term at an interest rate ranging from seven percent (7.0%) to nine percent (9.0%) per annum.

The terms of the loans are complied by the Group as at December 31, 2015, 2016, and 2017.

Taiwan Cooperative Bank Manila Offshore Banking Branch

On July 04, 2013, PGMC entered into a loan agreement with TCB to obtain a US\$10.0 million loan for capital expenditure and general corporate purposes including refinancing of existing obligations. As of the date of this Prospectus, this loan has already been fully paid.

On April 17, 2016, the Group was granted by TCB a loan facility in the amount of US\$20.0 million for general corporate purposes, with a maturity date of one (1) year from the date of initial borrowing or date of borrowing in case of there is more than one (1) borrowing.

On May 17, 2017, the Group repaid the US\$20.0 million loan extended by TCB on April 17, 2016.

On May 17, 2017, the Group was re-granted by TCB a one-year loan facility in the reduced amount of US\$15.0 million or ₱757.0 million for the same general corporate purposes, with the same terms and conditions. The outstanding amount of US\$10.0 shall be paid by PGMC no later than December 31, 2018.

The interest shall be payable quarterly in arrears. The interest rate for the loan is the aggregate of the reference rate plus spread of three point seventy five percent (3.75%) per annum. The reference rate is the applicable London Interbank Offered Rate (LIBOR) displayed on the Bloomberg and Reuters' page for the three (3)-month yield as of approximately 11:15 am on the interest rate setting date. In the event that the LIBOR will be replaced by a new benchmark as determined by the Banker's Association of the Philippines or the BSP, the new benchmark may be adopted as the new reference rate upon mutual agreement of the parties.

The other conditions of the agreement follow:

- (a) The Group shall maintain a waterfall account with TCB wherein all amounts collected by TCB from the buyers of nickel ore shall be deposited;
- (b) The security is of two (2) kinds and shall amount to an aggregate value, in any combination, at least equal or twice (2x) the amount or equivalent to US\$30.0 million as follows:
 - i. Accounts receivables from the PGMC's customer;
 - ii. Import letters of credit (LC) issued in favor of PGMC by its customers and clients;
 - iii. Demand Deposit Account, which shall be opened and set-up by the collateral provider or pledger acceptable to TCB; and
 - iv. Guarantee issued by any individual, juridical person or any combination thereof acceptable to TCB.
- (c) TCB is irrevocably appointed as the collecting agent for the account receivables from the Group's export orders of nickel ore and as a collecting and advising bank for the import LC opened by the buyers of the nickel ore of the Group. The amount collected shall be deposited in the waterfall account of the Group;
- (d) If the Group fails to make payment when due of any sum (whether at the stated maturity, by acceleration or otherwise), the Group shall pay penalty on such past due and unpaid

amount/s at the rate of eighteen percent (18%) per annum, in addition to the interest rate from due date until the date of payment in full. The penalty shall be payable from time to time and upon demand by the bank; and

- (e) A DSRA shall be opened by the Group, which shall have in deposit an amount of US\$3.75 million. The amount in said account may be reduced proportionately as the Group pays the principal and its interest by express agreement of the parties.

Interest expense related to TCB loan amounted to ₱50.7 million, ₱52.2 million, and ₱35.1 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Amortization of discount on bank loan related to TCB loan amounted to nil for the years ended December 31, 2017 and 2016, and 0.6 million for the year ended December 31, 2015.

The terms of the loan are complied with by the Group as at December 31, 2017, 2016, and 2015.

Qualitative and Quantitative Disclosures about Market Risk

Commodity price risk

The price of nickel is subject to fluctuations due to factors such as government policies, changes in global demand and global production of similar and competitive mineral products. We are exposed to commodity price risk based on fluctuations in the price of nickel on the SMM. The amounts payable under the contracts that govern our nickel ore sales to our customers are based upon payable nickel delivered with the nickel ore. The percentage varies depending on the customer, the ore type and nickel grade. Although the payments that we receive from sales of nickel ore to our customers are not directly correlated with the market price of nickel, high or low nickel prices can increase or decrease their demand for our limonite ore and thus also have an effect on our revenues.

We are also subject to risk with respect to the market price of coking coal and prevailing shipping rates. The production of NPI using limonite ore requires the use of blast furnaces, which use large amounts of coking coal. Accordingly, high world-wide demand for coal can result in an increase in the market price of coking coal, which can decrease the demand for nickel ore from our customers. Similarly, during periods when dry bulk shipping rates are relatively high, the increased cost of shipping our nickel ore to China can make the use of our nickel ore by the Chinese customers uneconomical for them, which may also result in a reduction of nickel ore sales to our customers.

Foreign currency risk

Our foreign currency risk results primarily from movements of the Peso against the U.S. dollar and results primarily from the transaction exposure associated with transactions in currencies other than in Philippine Pesos. Such exposure arises from cash and sales of nickel ore denominated in U.S. dollars. Almost all of our revenues are earned in U.S. dollars, and although our contractors are paid in U.S. dollars, approximately half of our expenses are paid in Pesos. Hence, the appreciation of the Peso against the U.S. dollar effectively reduces our revenue without a corresponding reduction in our expenses and can result in a reduction in

our net income. In addition, because a portion of our cash is denominated in U.S. dollars, the appreciation of the Peso against the U.S. dollar reduces the value of our total assets in Peso terms in our consolidated financial statements. We are not currently party to any foreign currency swap agreements and our policy is not to hedge or engage in derivative investment to mitigate foreign currency exchange risk.

Off-balance sheet arrangements

We have not entered into any off-balance sheet transactions or obligations (including contingent obligations), or other relationships with unconsolidated entities or other persons.

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BUSINESS

Overview

FNI is a holding company with a 99.98% interest in PGMC. As of December 31, 2017, PGMC is the third largest nickel ore producer in the Philippines by volume of nickel ore shipped and the second largest nickel ore producer in the Philippines by value of shipment, one of the largest single-mine lateritic exporters in the world and one of the largest global suppliers of nickel ore, accounting for 12.0% of the country's nickel ore production as per MGB statistics. We currently operate two (2) deposit sites known as CAGA 2 and CAGA 4 within our lateritic nickel mine in Cagdianao, Claver, Surigao del Norte, Philippines, known as the Cagdianao Mine. We have further identified five (5) additional deposit sites at Cagdianao that have not yet been exploited. We employ a surface mining method that is relatively lower cost compared with other mining methods and we carry out our mining activities without the need for explosives, chemicals or complex waste handling. Almost all of PGMC's products sold in the Asia-Pacific Region go to the production of stainless steel products, NPI, and nickel cathodes. Low-grade ore can be mined from the upper layer of the deposit and generally consists of lower nickel and higher iron content while medium and high-grade ore is generally found beneath the low-grade layer and typically consists of higher nickel and lower iron content. Since 2012, we have a low waste to ore ratio of 0.05:1, which means that about 95% of what we mine is ore.

Our CAGA 2 and CAGA 4 deposit sites are located approximately two (2) to eight (8) kilometers, respectively, inland from our loading piers. The short hauling distance from our mine to the piers and the inherent advantage of our mine's location results in greater accessibility and enables us to economically market our ore to a variety of customers in the Asia-Pacific region. Our piers are located within a naturally protected cove with calm waters, which allow for consistent loading. In addition, our piers are relatively large, which helps to minimize congestion and stimulate competition among the barge operators. We believe having two (2) piers helps minimize delivery risk by not being reliant on only one (1) pier that could become damaged or congested. Our mine is also in relative close proximity to our end customers in China, as compared to other international mining companies such as those in New Caledonia, Russia, and Canada, which, we believe, minimizes the shipping costs for our customers and the related risks involved with long transit.

Since we began commercial operations in 2007 through to December 31, 2017, we have delivered an aggregate of over 43.0 million WMT of nickel ore to our customers. As of June 23, 2017, our Cagdianao Mine had measured and indicated mineral resources of 54.2 million DMT with an average grade of 1.1% nickel and inferred mineral resources of 24.0 million DMT with an average grade of 1.2% nickel, and have an estimated remaining mine life of about eight (8) years. Our proved and our probable ore reserves are at 36.3 million WMT with an average grade of 1.2% nickel, as estimated in accordance with the PMRC Report dated October 15, 2017. We had ore sales of ₱5,815.6 million, ₱3,773.7 million, and ₱6,533.2 million, and net income of ₱779.7 million, ₱37.5 million, and ₱1,111.8 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Since we began commercial operations in 2007 through December 31, 2017, we have shipped the following from each CAGA mine site per year:

Total Volume Shipped from 2007 to December 31, 2017 (in WMT)

	CAGA 2	CAGA 4	TOTAL
2007	–	470,207	470,207
2008	–	506,477	506,477
2009	–	1,954,343	1,954,343
2010	–	3,406,802	3,406,802
2011	–	4,353,698	4,353,698
2012	–	5,928,637	5,928,637
2013	–	4,501,229	4,501,229
2014	2,724,513	3,578,479	6,302,992
2015	2,263,814	3,088,009	5,351,823
2016	738,154	3,570,485	4,308,639
2017	1,216,021	4,754,592	5,970,613
Total	6,942,502	36,112,958	43,055,460

On November 27, 2014, we entered into a Memorandum of Agreement with the shareholders of GMORI and eight (8) individuals for the purchase of 100.0% of the outstanding capital stock of FRI. However, on March 16, 2015, the Company’s Board of Directors approved the termination of the Memorandum of Agreement for the acquisition of FRI due to non-fulfillment of pre-conditions.

On November 27, 2014, we entered into a Memorandum of Agreement with the shareholders of Southeast Palawan to purchase 100.0% of the outstanding capital stock of Southeast Palawan, which owns directly and indirectly 97.6% of the outstanding capital stock of INC as well as the control of CNMEC, the holder of the MPSA over the mineral production rights at the INC Mine. INC was granted the right to operate the INC Mine under an operating agreement with CNMEC. The MGB’s approval for this operating agreement was issued in 2015. Currently, both CNMEC and INC are our affiliated companies that are beneficially wholly-owned by our Chairman, Mr. Joseph C. Sy. On February 26, 2015, during a special stockholders’ meeting of the Company, the stockholders representing at least two-thirds (2/3) of the outstanding capital stock approved the acquisition of 100.0% of the outstanding shares of Southeast Palawan for US\$50,000,000.00, or its Philippine Peso equivalent. On August 06, 2015, the Company and the shareholders of Southeast Palawan signed the contract to sell and subscription contract for the acquisition of Southeast Palawan. As of December 31, 2017, the Company has made various cash advances for the acquisition of Southeast Palawan and treated these as “Deposits for Future Acquisition” amounting to ₱2,217.4 million. We believe that our expanded portfolio of mines will reduce the risks of our single operating mine, extend our overall mining season and extend the life of our mining operations. The INC Mine contains an estimated proved and probable reserve of 28.6 million WMT with an average grade of 1.4% nickel, in accordance with the PMRC. See “Business—Mine to be acquired.”

We supply different grades of saprolite ore and limonite ore to multiple customers, primarily comprising a combination of trading companies and end users. Our customers mainly use the ore we provide to produce intermediate products for the manufacture of stainless steel, NPI and for the production of nickel cathodes. High grade nickel ore are purchased by our customers for the production of higher grade stainless steel such as the 300 Series, and low grade nickel ore is used by our customers for the production of lower grade stainless steel such as the 200 Series. Our margins on sales of nickel ore vary depending on the type and

grade of nickel ore that we sell, with high grade saprolite ore providing higher margins than medium grade saprolite ore and limonite ore. See “—Further Exploration and Development—Production Data” and “—Sales and Marketing.” We sold approximately 80.0%, 79.0%, and 80.0%, of our nickel ore to our five (5) largest customers, in the years ended December 31, 2017, 2016 and 2015, respectively. In the year ended December 31, 2017, 2016, and 2015, 100.0% of sales were from China contributing ₱5,815.6 million, ₱3,773.7 million, and ₱6,533.2 million of sale of ore, respectively.

In the year ended December 31, 2015, we delivered 0.6 million WMT, 4.4 million WMT and 0.4 million, of low, medium and high grade ore, respectively, and generated ₱6,533.2 million in total sales of ore for the year then ended. In the year ended December 31, 2016, we delivered 2.4 million WMT, 1.9 million WMT and 0.1 million WMT, of low, medium and high grade ore, respectively, and generated ₱3,773.7 million in total sales of ore for the period. In the year ended December 31, 2017, we delivered 3.641 million WMT, 2.330 million WMT and nil WMT, of low, medium and high-grade ore, respectively, and generated ₱5,815.6 million in total sales of ore for the period. Our production target for the Cagdianao Mine is 6.0 million WMT nickel ore each for the years 2018, 2019, and 2020. We also expect the INC Mine to produce 0.50 million WMT, 1.50 million WMT and 1.50 million WMT of ore for 2018, 2019, and 2020, respectively, upon the completion of the acquisition for the INC Mine and completion of infrastructure development and obtaining all necessary government approvals, permits, and licenses. See “– Further Exploration and Development – Production Plans” and “– Mine to be acquired.”

The final selling price of our ore is determined through an internal evaluation process including an assessment of nickel ore prices in the Chinese market and international mineral price indicators such as the SMM and LME, as well as prices set by our local competitors. We set our fixed prices each month after careful consideration of the market demand for our products. The greater the demand for our products, the higher the fixed price we set for that particular month. Because of the high demand for our products in the Chinese markets, we believe that there is limited room for negotiation from our customers. This is especially evident after the implementation of the mineral export ban by the Indonesian government in January 2014, which, we believe, is advantageous for the demand of our ore. See “– Sales and Marketing – Market developments: Export ban of nickel ore by the Indonesian government.”

Key Strengths

We believe that our key strengths include the following:

Leading nickel ore producer with significant resources and reserves and high exploration potential

As of December 31, 2017, PGMC is the third largest nickel ore producer in the Philippines by volume of nickel ore shipped and the second largest nickel ore producer in the Philippines by value of shipment, one of the largest single-mine lateritic exporters in the world and one of the largest global suppliers of nickel ore, accounting for 12.0% of the country’s nickel ore production as per MGB statistics. As of June 23, 2017, our Cagdianao Mine had PMRC compliant measured and indicated mineral resources of 54.2 million DMT with an average grade of 1.1% nickel and additional inferred mineral resources of 24.0 million DMT with an

average grade of 1.2% nickel. Our proved and probable ore reserves are at 36.3 million WMT with an average grade of 1.2% nickel, as estimated in accordance with the PMRC Report dated October 15, 2017. See “Mineral Resources and Ore Reserves” for further details. The current resources and reserves are contained in mining areas CAGA 1 to 5. We believe that the mining areas have further ore resource potential; we have yet to conduct exploration in CAGA 6 and 7 areas, which have similarities to the CAGA 3 and 5 deposits, and there is further resource potential from peripheral and infill extension drilling in existing CAGA 1 to 5 deposits. We have a defined drilling program in place which, we believe, will over time increase the overall mineral resource and ore reserve inventory at Cagdianao and significantly extend the mine life of the project.

Flexible ore supply to optimize revenues and profitability while serving our customer base

We believe our ore supply is highly flexible in terms of the quality and nickel content we can mine, giving us a natural competitive advantage compared to other mining companies with more uniform ore resources. We are able to mine a range of low grade ore (with high iron and low nickel content), which accounted for a majority of our sales by volume in the past three (3) years. At the same time, our Cagdianao Mine produces a significant supply of high and medium grade ore, which accounted for 15.7% of our ore sales volume in the last three (3) fiscal years. The flexibility in the ore that we can supply is important for our core customers in China, many of whom require a range of nickel grades and iron contents in their specific products. Sales of high and medium grade ore provide us with higher margins, and we aim to optimize our production schedule over time in light of relative market prices and relative demand from our customers. During the year ended December 31, 2016, our average realized price for low grade ore was US\$12.58 per WMT, for medium grade ore it was US\$25.33 per WMT, and for high grade ore it was US\$34.50 per WMT. For the year ended December 31, 2017, revenues from sale of ore were ₱5,815.6 million, an increase of 54.1% over the same period in 2016. This increase was a result of the increase in volumes shipped for both the low-grade and medium-grade ores, registering growths of 52.0% and 25.4%, respectively, with a combined growth of 40.4%. In addition to the growth in volume, low-grade ore price also increased from an average realized price of \$12.58 per WMT to \$15.83 in 2017, equivalent to a 25.9% increase, albeit the 2.5% decline in the average realized price per WMT of medium-grade ores from \$25.33 per WMT in 2016 to \$24.70 per WMT in 2017 and the non-sale of high-grade ore versus the 55,516 WMT shipment in 2016 with an average realized price of \$34.50 per WMT.

Cost efficient operations with relatively low operational risk

We benefit from favorable geologic conditions at our Cagdianao Mine. Our lateritic nickel deposits are near-surface, blanket-like layered deposits with minimal overburden and generally five (5.0) to thirty (30.0) meters thick. This allows us to conduct simple surface mining using trucks and excavators without blasting, the use of chemicals or complex waste handling. Since 2012, we have a low waste to ore ratio of 0.05:1, which means that about 95% of what we mine is ore. The nickel deposits at our Cagdianao Mine are located within two (2) to eight (8) kilometers from the applicable tidewater loading area, enabling easy hauling and transportation by barges and LCTs to our customers’ ships. The short hauling distance from our mining operations to our loading facilities substantially contributes to our favorable cost position. Because our lateritic nickel deposits are relatively shallow, we also expect the progressive rehabilitation of our mining areas to be relatively low cost. Going

forward, upon completion of the acquisition of the INC Mine, the two (2) mines will have complementary mining season patterns, with INC production expected during the months that CAGA is not in operation due to wet weather. Hence, we expect to enjoy a steady ore supply throughout the year.

Starting 2016, our operating expenses have been reduced to make our mining operations as efficient as it has ever been. We have appointed a total of eleven (11) different service contractors to do different facets of the mining operations in the CAGA Mine. We have continuously reviewed the performance of our service contractors to ensure that our operations will continue to be cost-efficient. The service contractors are evaluated annually based on the following factors: (a) minimum production per day; (b) stockpile inventory; (c) volume of ore shipped; (d) equipment efficiency; (e) environment policies; and (f) safety policies.

Experienced management and technical team

Our management team and technical team have a combined 19 years' worth of working experience in the mining industry, (with experience in top level government positions and local and foreign private firms). We believe that this is a key asset for operations, marketing and strategic development. The management is led by our Chairman, Mr. Joseph C. Sy, who is a Filipino-Chinese entrepreneur with long-standing experience in nickel and commodity trading, and who has developed trusted relationships with key nickel customers in China.

Our technical team comprises experienced mining engineers, geologists and mechanics with significant experience in their respective fields, including leading technical positions at international mining companies. Given our long history of mining in the Philippines, we have steadily hired individuals into our team who possess relevant skills and have been exposed to other types of mining operations that we believe enhances our operations framework. As an example of this, our environmental compliance team has effectively utilized their experience to improve our environmental protection and rehabilitation programs.

Established partnerships with service contractors to optimize capital investment

We have entered into arrangements with eleven (11) Philippine service contractors: Nickelbase, CKDI, and MRMJ for operations at our CAGA 2 deposit, and BTTPI, Landstar, IPM, CTB, PVTSI, Anseca, Aguilo, and Loufran for operations at our CAGA 4 deposit. Each of these contractors is well-established in the Philippines and brings experience, manpower and expertise to conduct our operations in an efficient manner. These contractors have further added value through the continuing refinement of our operations, as well as providing expertise in ancillary aspects of the business. We believe that by utilizing these contractors rather than operating all aspects of the mines ourselves, we have more flexibility in our operations and reduce our overall capital outlay and operational risk. We believe this flexibility has led to cost savings and reductions in asset intensity, increased mining efficiency and an increase in overall production.

Key Strategies

Our strategy is designed to maximize the profitability of our existing base of operations while driving growth through the development and operation of the INC Mine and potentially other suitable properties, continued exploration and development of the Cagdianao Mine, expansion of our customer base, and ongoing monitoring of value-added opportunities, particularly in downstream processing. The key elements of our strategy are:

Maintain compliance with all applicable environmental laws

As far as the Company is concerned, the Company is compliant with all laws, rules and regulations applicable to its mining operations, including environmental laws.

On August 3-11, 2016, a multi-sectoral team formed by DENR conducted a mine audit for PGMC's Nickel Project under its MPSA No. 007-92-X covering 4,376 hectares located in Brgy. Cagdianao, Claver, Surigao del Norte, which covers CAGA 1 to 5. In October 28, 2016, PGMC received the "DENR Mine Audit Team 10 Report for Platinum Group Metals Corporation" (the "Audit Team Report"), which contains a "final" recommendation stating that the "company should continue to operate" because: "(a) The company is ISO 14001 certified; (b) The company is compliant with the policies, environmental laws, rules and regulations of the Philippine Mining Act and on the issued ECC particularly on the establishment of adequate environmental protection and enhancement measures including safety and housekeeping, and implementation of progressive rehabilitation of mined-out areas; and (c) Social acceptability of the mine operation is high with several social development projects in place that are all well implemented. In addition, PGMC was awarded in July 13, 2016 with an ISO 14001 certification showing that its operations are environmentally compliant even based on international standards.

Furthermore, the Company won three (3) Presidential Mineral Industry Environmental Awards from the DENR in November 2016 further proving that the Company is compliant with all environmental laws.

The Company will continue to maintain its compliance with all laws, including environmental laws, so that its operations in the CAGA Mine will not be cancelled or suspended by any valid order from the Government after observance of the required due process.

Complete the acquisition of INC Mine and commence production and development

In November 2014, we entered into a Memorandum of Agreement for the acquisition of Southeast Palawan and control of CNMEC, the shareholder and MPSA holder of the INC Mine in south-eastern Palawan. We expect to complete the acquisition after the closing of this Offer. As of October 03, 2014, the INC Mine had PMRC-compliant measured and indicated mineral resources of 50.0 million DMT with an average grade of 1.23% nickel, which includes PMRC proved and probable reserves of 28.6 million WMT with an average grade of 1.43% nickel. In addition, the INC Mine has inferred mineral resources of 7.0 million DMT with an average grade of 1.09% nickel.

We believe that the INC Mine will be a critical part of our future growth trajectory. We plan to mine the INC Mine using the same surface mining method at the Cagdianao Mine during the mining season in Palawan, which is between November and July. The mining season of the INC Mine very well complements the mining season of the Cagdianao Mine, i.e. INC Mine is expected to produce when the Cagdianao Mine is in off-season. This will provide FNI with a steady supply of nickel ore all year round, which is expected to increase and stabilize our revenue streams throughout the year.

Develop and upgrade existing resources and reserves within, and adjacent to, the Cagdianao Mine site

Our existing mine site in Cagdianao has several additional areas with mine deposits, from which, we believe, we can efficiently extract a steady supply of low, medium, and high grade ore. Although each of these additional deposits is in varying stages of development, we intend to commence production of these deposits in 2018, subject to market conditions. In addition, we aim to explore additional mine sites on the 843-hectare parcel of land adjacent to our existing mine. As of the date of this Prospectus, we have acquired this parcel of land. The application for an exploration permit (EPA-000101-XIII) for this parcel of land was held by SIRC and has been assigned to CLNMI, a company that is 70.0% owned by our Chairman, Mr. Joseph C. Sy, through a deed of assignment entered into August 31, 2013. On June 15, 2016, CLNMI has assigned its rights to exploration and mining to SIRC, as approved by MGB on June 27, 2016. A new MPSA will not be required as we believe we will be able to extend our existing MPSA to include this area. An application for the amendment of our existing MPSA to include this area has been filed with the MGB on June 22, 2016. As of the date of this Prospectus, our application has not yet been approved by the MGB. In the event that the amendment of the MPSA to include the additional area will not be granted, we cannot mine in the additional area.

A preliminary assessment of this area was conducted on April 1 to May 15, 2016 by virtue of a DENR-MGB issued memorandum dated March 28, 2016 giving the company “Authority to Verify Minerals.” A potential for a Ni-laterite deposit exists at the tenure area as verified by the reconnaissance survey and discussed in the Exploration Results Report dated May 16, 2016. We believe that the potential acquisition of this additional parcel of land presents a significant opportunity to enhance our nickel ore resources without requiring significant expenditures for mine infrastructure development.

Strengthen our customer base in China, including direct sales to smelters in China

We intend to further develop the existing relationships in our market in China, and also explore new opportunities in other countries. We believe that there is currently a favorable economic and business climate for mining companies such as ours, and we aim to take full advantage of our flexible and large nickel ore supply, as well as our proximity to key markets to progressively expand our customer base. We also intend to increase our proportion of direct sales to end users, most notably smelters in China, as we believe that this will generate consistent demand for our products while minimizing our overall credit risk.

Evaluate and selectively pursue value-added opportunities

We currently evaluate, and will continue to evaluate, opportunities for value-added process, including but not limited to acquiring or entering into further mining agreements and/or joint ventures, as well as downstream processing / vertical integration opportunities. The long term objective is to increase the scale and scope of our operations and to potentially further expand the variety of our ore.

With regard to upstream operations, we may seek to acquire additional mining assets that are located in regions other than our existing mine. We will also consider potential downstream acquisitions, including smelters, which would allow us to vertically integrate our operations and potentially increase margins. We may use debt, cash, equity, or a combination of all three, in order to finance any mining or downstream acquisitions.

One of these opportunities is the proposed development of a stainless steel plant in the Philippines. On October 21, 2016, the Company signed a Memorandum of Cooperation with China's state-owned enterprise, Baiyin, to evaluate the economic feasibility of providing trade financing to the Company's operations in the INC Mine and of constructing an integrated 200-series stainless steel plant in the Philippines with an annual capacity of one million tons using lower grade nickel ore sourced in the Philippines (an estimated total investment of around USD\$500.0 to USD\$700.0 million).

Diversify into other minerals

We believe that there are opportunities to acquire additional mines in the Philippines containing other minerals, such as chromite and other platinum group metals, which we are continuing to examine as part of our future expansion strategy. However, the commercial viability of the other potential acquisition targets is uncertain and we would be required to invest time and resources to determine which particular mineral mine is feasible for acquisition. We intend to continue to evaluate any potential acquisition and diversify into other mineral varieties if suitable opportunities arise. We believe that we and our contractors, have the technological know-how to exploit the additional mineral resources in other mines in the future.

History and Corporate Reorganization

The Issuer was incorporated in 1994 to invest in, purchase or otherwise acquire, own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stock, and other securities or obligation of any corporation. The Issuer is a holding company that operates its business through its subsidiaries in the Philippines, primarily PGMC. PGMC was incorporated in 1983 to develop nickel ore deposits and smelting plants in the Philippines.

SIRC (formerly Adlay Mining Corporation) was incorporated in 1999 as a joint venture company between QNI and CTPCMC to operate the Cagdianao and Adlay tenements. The Cagdianao tenement was originally owned by CMDC, while the Adlay tenement was originally owned by CTPCMC. Both of these tenements were assigned to SIRC under royalty arrangements with CMDC and CTPCMC.

In 2006, PGMC acquired 40.0% of SIRC from QNI. In the same year, PGMC signed an operating agreement with SIRC to operate the Cagdianao tenement. CTPCMC subsequently opted out of the joint venture, causing the Adlay tenement to revert to CTPCMC.

In January 2011, the remaining 60.0% of SIRC that was held by CTPCMC was transferred to PGMC.

PGMC acquired a 100.0% ownership of SIRC in 2011. In June 2007, PGMC commenced mining operations at the Cagdianao Mine site and made its first commercial shipment in November 2007.

PCSSC was incorporated under PGMC in June 2013 to own and operate the barges at our mine site.

FNI was formed and operated as a cement company under the laws of the Philippines on May 3, 1994 and listed on the PSE on December 14, 1994.

On July 09, 2014, iHoldings, Inc., Kwantlen Development Corporation, and Januarius Resources Realty Corporation entered into a share purchase agreement with the Thirteen Shareholders for the sale of 6,291,132,047 common shares equivalent to 89.82% of the Company's outstanding shares. As part of the share purchase agreement, the buyers assumed receivables of the Company from the sellers in the amount of ₱2,591,855,000.00. On September 04, 2014, an Addendum to the Share Purchase Agreement was entered into, thereby modifying certain terms and conditions affecting the launch of the tender offer to acquire the shares held by the minority stockholders in the Company, among others.

On September 05, 2014, the Thirteen Shareholders filed a tender offer report with the SEC and the PSE offering to purchase the shares held by the minority stockholders. The tender offer period expired on October 10, 2014. Pursuant to the tender offer, the Thirteen Shareholders purchased 6,291,132,047 common shares in the Company.

On September 10, 2014 and October 22, 2014, the Board of Directors and the stockholders of the Company, respectively, approved the increase in the authorized capital stock of the Company to ₱12,555,000,000.20 divided into 35,871,428,572 common shares with a par value of ₱0.35 per share. The Board also approved the issuance of 10,463,093,371 new shares of the Company resulting from the increase in the authorized capital stock to the Thirteen Shareholders who are also the stockholders of PGMC in exchange for the sale and transfer to the Company of 99.85% of the outstanding capital stock of PGMC. On December 22, 2014, the SEC approved the Company's application to increase its authorized capital stock as well as the amendment of its articles of incorporation and by-laws to reflect the change in the corporate name, principal address, number of directors and fiscal year. As of the date of this Prospectus, the BIR has already issued the Certificate Authorizing Registration of the transfer of the shares from the Thirteen Shareholders to the Company.

On October 23, 2014, a deed of exchange was entered into between PGMC and the Thirteen Shareholders for the acquisition of a 99.85% ownership interest in PGMC. Currently, FNI and PGMC have secured the certificate authorizing registration for the PGMC shares that were transferred in the name of FNI. Effectively, SIRC and PCSSC are our subsidiaries.

On the same day, the Thirteen Shareholders filed and paid for the capital gains tax due on the transaction in the total amount of ₱56,718,055.00. As of the date of this Prospectus, the BIR has already issued the Certificate Authorizing Registration of the transfer of the shares from the Thirteen Shareholders to the Company.

On November 27, 2014 we entered into a Memorandum of Agreement with Giantlead Prestige, Inc., Alpha Centauri Fortune Group, Inc., Antares Nickel Capital Inc., and Huatai Investment Holding Pty Ltd., the shareholders of Southeast Palawan, to purchase a 100.0% shareholding in Southeast Palawan, which directly and indirectly owns a 97.6% shareholding in INC as well as the control of CNMEC, the holder of the MPSA No. 017-93-IV over the mineral production rights at the INC Mine. INC was granted the right to operate the INC Mine under an operating agreement signed between INC and CNMEC. The MGB's approval of the operating agreement was issued in 2015. Although Mr. Joseph C. Sy has controlling shareholding interests in Southeast Palawan, our acquisition in the shareholdings in Southeast Palawan was negotiated at arm's length and under comparable commercial terms. Due to the related party nature of the transaction, the acquisition is therefore subjected to the following conditions precedent before the completion of the acquisition could take place:

- (a) the Company has conducted a due diligence examination of Southeast Palawan and INC and the results of such due diligence examination is satisfactory to the Company;
- (b) the sale of the shares in Southeast Palawan in exchange for the purchase price is found to be fair by P&A and the results of such report is acceptable to both parties;
- (c) RPM has issued its updated technical report on the quantity and quality of the resources in the mineral property owned by INC, and the results of such report is acceptable to both parties;
- (d) the purchase of the shares in Southeast Palawan is approved by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Company during a stockholders' meeting duly called by the Company for said purpose;
- (e) the SEC has approved the increase in the authorized capital stock of the Company as well as the change in the corporate name; and
- (f) the payment of the purchase price shall be made by the Company either after the conduct of the follow-on offering to the general public and for which a permit to sell has been secured from the SEC, whenever the Company has generated sufficient funds to pay the purchase price from its operations, or the conduct of other fund raising activities.

On February 26, 2015, during a special stockholders' meeting of the Company, the stockholders representing at least two-thirds (2/3) of the outstanding capital stock approved the acquisition of 100.0% of the outstanding shares of Southeast Palawan for US\$50,000,000.00, or its Philippine Peso equivalent. On October 09, 2015, P&A issued its valuation report confirming that the agreed price is fair and reasonable.

On August 06, 2015, the Board of Directors of the Company approved the following: (a) the execution of the Contract to Sell for the purchase of 500,000 common shares and 6,250,000,000 preferred shares or one hundred percent (100.0%) interest of Southeast Palawan for US\$50.0 million or its Philippine peso equivalent; and (b) the subscription of the

Company to the remaining unissued and unsubscribed shares of Southeast Palawan consisting of Three Hundred Thousand (300,000) common shares with a par value of One Peso (₱1.00) per share, and Three Billion Seven Hundred Fifty Million (3,750,000,000) preferred shares with a par value of One Centavo (₱0.01) per share, for a total subscription price of Thirty Seven Million Eight Hundred Thousand Pesos (₱37,800,000.00).

On September 01, 2016, the Company subscribed to 300,000 common shares of Southeast Palawan with a total par value of ₱300,000.00 by converting its earlier advances to equity.

The Group is not subject to any bankruptcy, receivership or any similar proceeding.

Corporate Organization

Before the transfer of the PGMC shares to the Company, the Company did not have any subsidiaries.

The following chart shows our principal subsidiaries and associates and their mineral assets. Except where otherwise noted, all of our subsidiaries are wholly owned, directly or indirectly.



Summary of Our Mines

We currently have the mining rights to one (1) mine, located in Mindanao, in the southern half of the Philippines. INC has been granted rights to operate the INC Mine, by virtue of the operating agreement over the mine, subject to the outstanding approvals from relevant authorities. See “—Mine to be acquired.” The locations of our CAGA Mine and the INC Mine (of which INC shares are expected to be acquired through the acquisition of Southeast Palawan) are illustrated on the following map.



Source: Company

Southeastern Philippines, where our Cagdianao Mine is situated, is in the tropical zone between 4° 40' and 21° 10' latitude. The climate is characterized by high rainfall during the rainy season that generally runs from November to April.

Our mining operations at Cagdianao generally run from April to October of each year; in the off-season, we perform rehabilitation work on our mining facilities and equipment. Upon the completion of the acquisition of the mining rights for the INC Mine, which is located in a different region of the Philippines and consequently has a different mining season from the Cagdianao Mine, we believe that we can conduct mining operations at different sites and minimize production downtime throughout the year.

Cagdianao Mine

Location

The Cagdianao Mine is located in Sitio Kinalablaban, Barangay Cagdianao, Municipality of Claver, in the province of Surigao del Norte in the northeast corner of Mindanao island. The Cagdianao Mine is located within the Surigao Mineral Reservation (SMR) and in a geological area known as the Surigao Laterite Domain, characterized by substantial deposits of both limonite and saprolite. The mine location and its accessibility are shown in the map below. It is accessible via domestic flights from Manila, Cebu, and other domestic locations, which can land either in Surigao City or Butuan City; Surigao City is approximately 89 kilometers, while Butuan City is approximately 170 kilometers away from our Cagdianao Mine. The mine is connected to two (2) separate pier facilities connecting to the mining operation via causeways, which facilitate the loading of ore and the un-loading of supplies to and from ships anchored offshore in the Philippine Sea. Our mine also features extensive infrastructure to support our mining operations, including stockyards, administration buildings, testing and sampling laboratory, staff accommodation and access roads.

Mineral Production Sharing Agreement

An MPSA is an agreement between the Government and the operator of the mine that grants the right to mine and governs the terms by which the sharing of revenue from production of the minerals are to be shared. Our mining and exploration rights at Cagdianao is derived from a single MPSA covering an area of 4,376 hectares, which was entered into between the Republic of the Philippines, represented by the DENR and CMDC (formerly known as Case Construction and Development Corporation) on January 13, 1992 for a period of 25 years with a right for renewal in 2017. A deed of assignment was approved by the DENR on July 20, 2005, where CMDC assigned the MPSA to SIRC, allowing SIRC to explore, develop, mine, determine production rates, mining methods, processing methods and carry out construction at the mine, while complying with government requirements and on the condition that PGMC pays royalties to CMDC for the ore sold, at an average approximate rate of 3.0% to 7.0% of its gross revenues, based on a formula that takes into account the grade of ore sold and nickel price. Subsequently, through an operating agreement dated September 15, 2006, SIRC granted the exclusive operating right to PGMC for the Cagdianao Mine under the same MPSA. Prior to its expiration, the MPSA was renewed on June 21, 2016 for another 25 years from its initial term ending in 2017. The MPSA is now valid until February 14, 2042.

The MPSA of PGMC is within the ancestral domain of the Mamanwa Tribe in the municipality of Claver, Province of Surigao del Norte and covered by Certificate of Ancestral Domain Title (CADT) No. R13-CLA-0906-048. On July 05, 2010, PGMC entered into a Memorandum of Agreement with the Mamanwa Tribes and the NCIP, which provides for, among others, the payment of royalty to the Mamanwa Tribes, as stated in sections 44 (m), 46 (a), 57, 58, 59 and 7(b) and (c) of IPRA, and other related provisions, the Revised Guidelines for the issuance of the Free and Prior Informed Consent (FPIC) or Administrative Order No. 01, series of 2006.

On July 07, 2010, the NCIP issued a Certificate Precondition certifying that the Mamanwa Tribe of Barangay Cagdianao, Municipality of Claver, Surigao del Norte, and PGMC, in connection with the MPSA relating to the Cagdianao Mine has satisfactorily complied with

the procedures and process requirements for the issuance of Certificate of Precondition under Section 31 in relation to Section 34 of NCIP Administrative Order No. 1, Series of 2006. Based on Section 59 of R.A. 8371 and Section 31 of Administrative Order No. 1, Series of 2006, the Mamanwa Tribe has given their consent to the community initiated MPSA of PGMC.

CAGA Deposit Sites

Within our Cagdianao Mine, we have seven (7) known nickel ore deposit sites. Each deposit site is identified with a specific number with the “CAGA” pre-fix. Mining activities are currently focused on CAGA 2 and 4 with operations beginning in 2011 and 2007, respectively. We have entered into arrangements with eleven (11) Philippine service contractors: Nickelbase, CKDI, and MRMJ for operations at our CAGA 2 deposit, and BTTPI, Landstar, IPM, CTB, Anseca, PVTSI, Aguilo, and Loufran for operations at our CAGA 4 deposit.

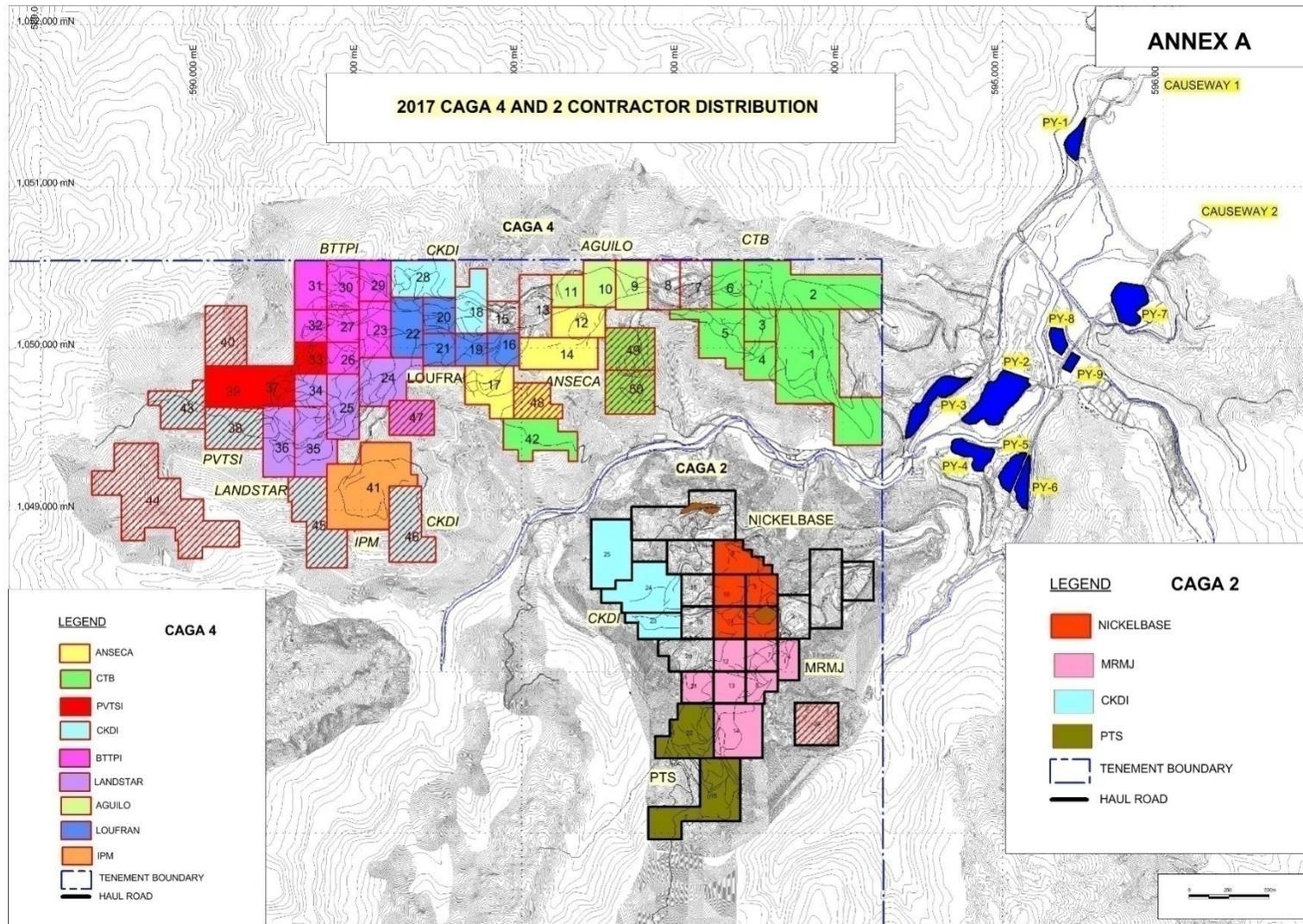
All of these contractors carry out mining, loading and hauling, stockyard management, barge loading, equipment management, support and maintenance services at Cagdianao.

We strategically chose to engage eleven (11) contractors as against only three (3) contractors namely 4K, FRASEC and JLEC in 2015, in order to foster competition among them and reduce the concentration of operational risks. PGMC ended its mining contract with 4K and FRASEC in the end of the mining season of 2015.

Although our service contractors are expected to carry out the majority of the mining activities at CAGA 2 and 4, some fundamental activities remain our responsibility, such as quality and grade control, environment, health and safety, community relations, administration and human resources, mine planning and development, accounting and finance, light vehicle maintenance and barging operations.

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The map below shows the location of our mine sites at Cagdianao and where our contractors are currently operating:



Source: Company

Operational Data

The table below sets forth production volume at our Cagdianao Mine for each of the years ended December 31, 2015, 2016, and 2017.

Cagdianao Mine Production Volume

Cagdianao	2015				2016				2017			
	Low-grade	Medium-grade	High-grade	Total	Low-grade	Medium-grade	High-grade	Total	Low-grade	Medium-grade	High-grade	Total
Production Saleable ore mined (WMT)	944,678	2,961,252	1,872,360	5,778,290	1,844,460	1,583,925	95,235	3,523,620	3,408,599	2,552,752	31,208	5,992,559
Waste handled (WMT)	574			574	1,043,775			1,043,775	229,629			229,629
Ratio of waste handled to saleable ore mined	1:1646			1:10067	1:2.8			1:4.4	1:15.8			1:27.1
Sales Volume of ore sold (WMT)	607,660	4,367,940	376,225	5,351,823	2,395,529	1,857,594	55,516	4,308,639	3,640,814	2,329,799	-	5,970,613
Volume of ore sold (DMT)	384,995	2,969,826	217,855	3,572,676	1,555,761	1,327,606	36,191	2,919,558	2,283,020	1,514,755	-	3,797,775
Nickel grade	1.17%	1.52%	1.74%	1.64%	1.04%	1.54%	1.76%	1.26%	1.10%	1.48%	-	1.25%
Contained nickel (tons)	4,509	45,272	3,781	53,561	25,929	27,774	972	54,674	40,105	34,573	-	74,678
Net revenue (US\$ million)	8.3	120.9	13.7	142.9	30.1	47.1	1.9	79.1	57.7	57.5	-	115.2
Average realized price (US\$ per WMT)	13.64	27.67	36.42	26.69	12.58	25.33	34.50	18.36	15.83	24.70	-	19.29

Source: Company

Geology and Mineralization

Geological Setting

The Cagdianao Nickel Project is located within the Surigao Laterite Domain in the northeastern region of Mindanao Island, southern Philippines. The nickel laterites in the Surigao Domain were derived from the weathering of Cretaceous ultramafic rocks of the Bicol-Eastern Mindanao Ophiolite Belt. The ophiolite belt is comprised of sections of oceanic crust that have been thrust or uplifted onto or next to calc-alkaline rocks of island arc association through complex tectonic processes and later superposed by younger multiple stage island arc volcano-sedimentary sequences. It consists of sequences of ultramafic rocks, predominantly peridotites (harzburgite and dunite), pyroxenites and gabbros. The peridotite host rocks have been serpentinized and locally metamorphosed to greenschist facies. Uplift and a wet tropical weathering environment have resulted in the development of surficial residual Ni laterite deposits on the olivine-rich harzburgite rocks. Where pyroxenite and gabbros have undergone such weathering, the resulting laterites have low and insignificant Ni content not prospective for nickel mineralization.

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The regional geology map is shown below:

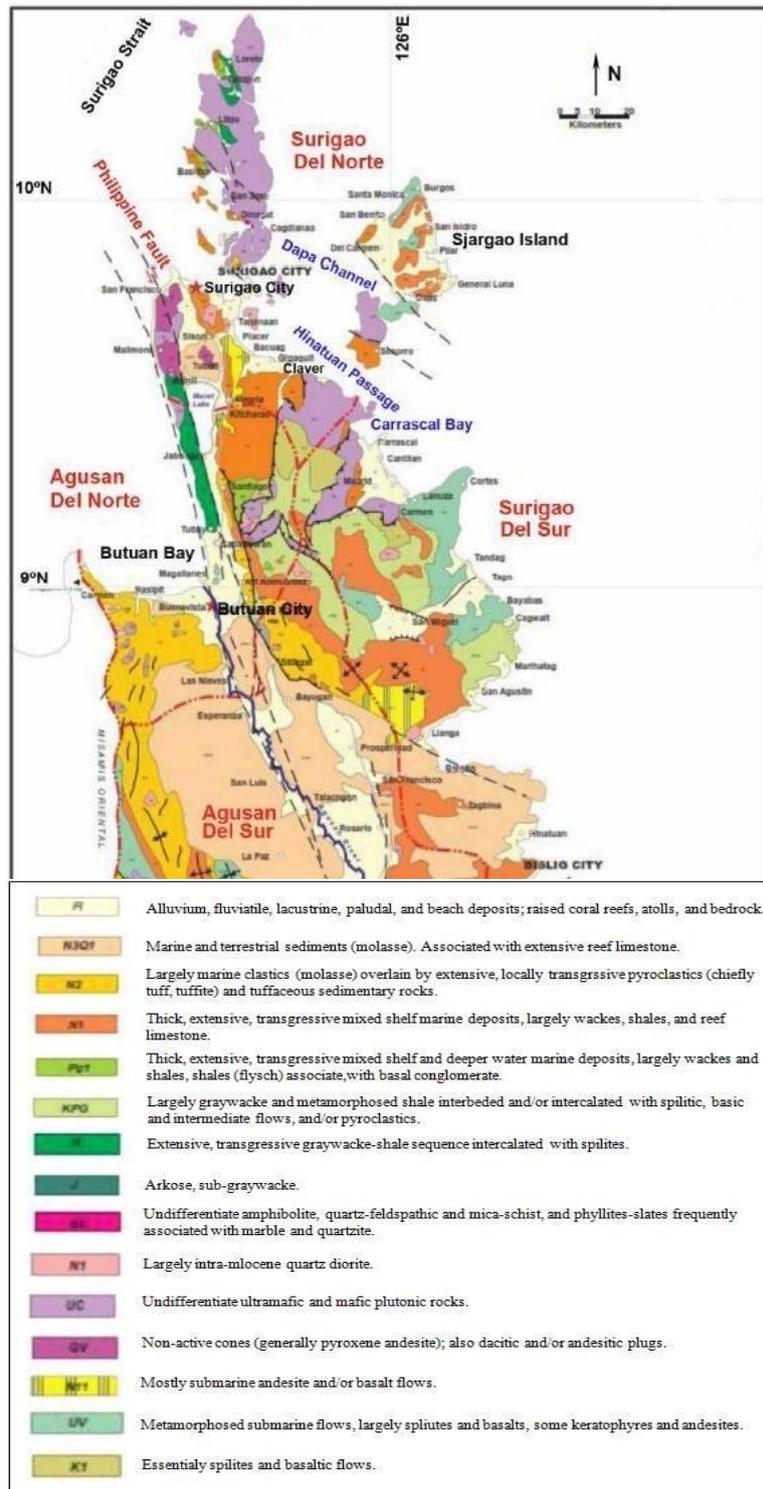


FIGURE – Regional Geological Map – Caraga Region

Mineralization

The nickel laterites in the Project are the result of intense chemical weathering of the parent ultramafic rocks, particularly harzburgite and dunite. The tropical climate of the area with high humidity, high rainfall, and warm temperatures encourages the formation of the laterite profile and the concentration of nickel and other elements from the underlying ultramafic rocks in the profile. Laterization is a prolonged process of chemical weathering that produces a wide variety in the thickness, grade, chemistry, and ore mineralogy of the resulting laterites. Two (2) types of nickel ore are of commercial importance; limonite (oxide) ore and saprolite (nickel silicate) ore. Nickel content is higher in the saprolite zone compared to the limonite zone while iron content is higher in the limonite zone than in the saprolite zone.

Both limonite and saprolite are relatively soft ore materials that can generally be extracted using earthmoving equipment, with no drilling or blasting.

A generalized cross-section illustrating the formation process is shown below.

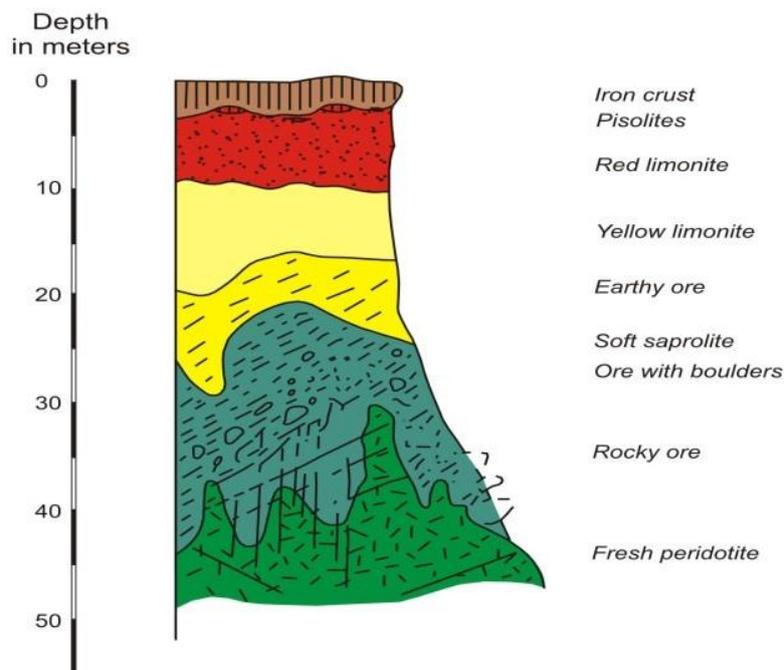


FIGURE - Laterite Weathering Profile

Source: Company

Limonite is essentially composed of iron hydroxides with the structure of original host rock compressed, completely weathered and destroyed. Yellow-brown in color, it contains localized, black manganese-oxide veins and staining. Mineralization is consistent with nickel grades increasing downward towards the transition zone or saprolite contact. Cobalt is significantly higher at 0.1 to 0.2% when associated with manganese occurrence. Iron grades, which are high at 40.0% to 50.0%, generally decreases slightly with depth. Magnesium-oxide is generally low at 0.5% to 5.0%. As used in this Prospectus, limonite generally has 20.0% or greater iron content. We classify our limonite ore as high-grade limonite ore, containing 1.2% to 1.4% nickel and low-grade limonite ore, containing 0.9% to 1.2% nickel.

Saprolite is located below limonite, and it is the product of a less advanced weathering process. Fragments and boulders of weathered to fresh rock are usually present until the saprolite passes into the slightly weathered and serpentinized bedrock. Silica and magnesia characteristically are main constituents of the saprolite. Nickel grades generally range from 1.5% to 3.0% and decreases towards the fresh bedrock. Iron grades are generally low at 4.0% and occasionally exceeds 30.0% with localized soft saprolite. Magnesium-oxide is markedly higher than in limonite at 15.0% to 35.0% while cobalt is characteristically low at 0.02 to 0.1%. As used in this Prospectus, saprolite generally has less than 20.0% iron content, but may have more than 30.0% iron content provided the nickel content is greater than or equal to 1.5%. We classify our saprolite ore as high grade saprolite ore, containing 1.8% or more nickel and medium grade saprolite ore, containing approximately 1.5% nickel.

Infrastructure

Transportation

Cagdianao is located approximately 89 kilometers from Surigao City and 170 kilometers from Butuan City; Surigao City has its own commercial airport and seaport. Supplies are sourced mainly from Surigao City or Butuan and nearby municipalities. Haul road networks linking the CAGA 2 and CAGA 4 sites to the causeways are extensive. However, additional road networks will need to be developed once CAGA 1, 3 and 5 commence commercial operations. While there are existing roads linking the undeveloped mines to the operation for the exploration phase, we believe it is necessary for the roads to be widened to allow for ore haulage.

Water

Water requirements for mining are minimal as operations only involve extraction of the nickel ore. Approximately twenty (20) water trucks patrol the mine yards and disperse water into the air for dust suppression. Raw water is sourced from various drainage systems for domestic and industrial use. The mine site also has a water well that catches and receives water from nearby springs. As these raw water sources are not treated and are not potable, bottled drinking water is delivered from Claver, Surigao del Norte.

Power

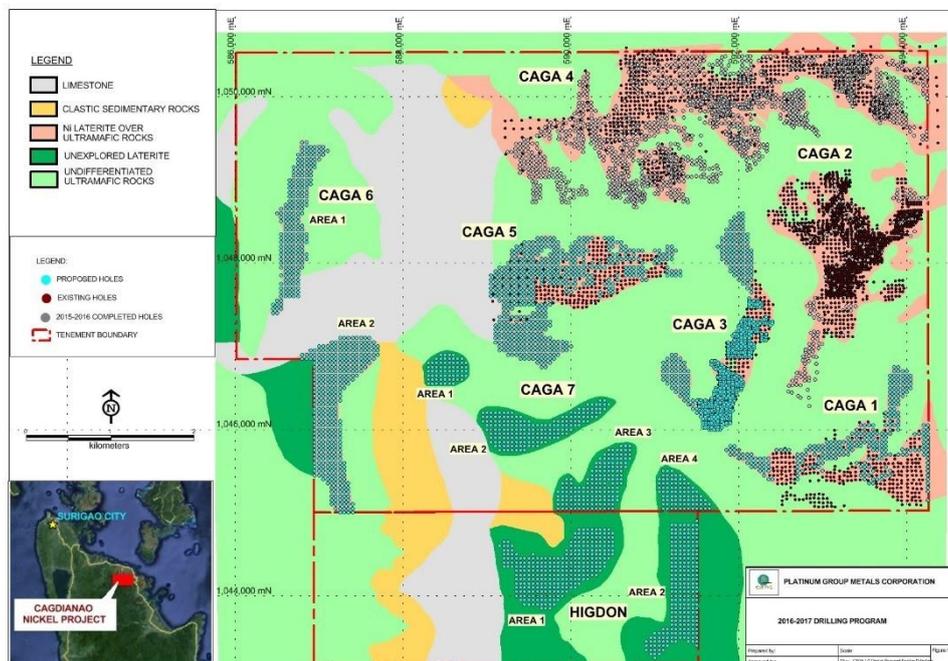
Electricity is required for mine lighting, offices, laboratory, shops, mine camp and logistical requirements. Power is supplied by the local electric company, Surigao del Norte Electric Cooperative. 2 x 200 kW Diesel-powered generators and an additional generator with a capacity of 500 kW and 400 kW are on standby to provide emergency power at the site. We believe that our backup supply will be able to support our operations for the life of the mine.

Further Exploration and Development

Nickel Resources

We have an extensive portfolio of exploration sites and an exploration program encompassing both brownfield exploration, which consists of work at our existing operations to extend resources and to upgrade resources to reserves; and greenfield exploration, which involves exploring and delineating nickel lateritic deposits in our existing properties. We have sixteen (16) available drill rigs designed specifically for drilling near surface lateritic deposits in a quick, efficient and economical manner for use in our exploration drilling. We also have an experienced pool of geologists and a laboratory at our mine sites to conduct assaying of samples as required.

The figure on the following page shows the coverage of our proposed exploration program at our existing mine and expansion areas:



The following table sets forth a summary description of our proposed exploration activities at our existing mine:

Proposed PGM Exploration/Drilling Program 2017-2018

Priority No.	Area	Size	DHs	Meterage	Schedule	Amount (₱)	Amount (\$)
1	CAGA-1	138.13	834	12,510	6.0 months	₱26,899,800.00	\$534,787
2	CAGA-6	139.62	421	6,315	4.5 months	₱ 15,436,200.00	\$306,883
3	CAGA-7	167.22	502	7,530	3.5 months	₱18,081,150.00	\$359,466
4	HIGDON	280.70	535	8,025	4.0 months	₱ 23,929,000.00	\$475,726
5	CAGA-5	127.87	536	8,040	4.0 months	₱16,332,992.00	\$324,712
Total		853.54	2,828	42,420	22 months	₱100,679,142.00	\$2,001,574

Notes:

- (1) Above table presents the estimated cost details and schedules for the Proposed Drilling Program for the PCSSC.
- (2) Costs must be allotted a 20.0% contingency as actual drill holes may increase during actual implementation. Say, costs may increase to US\$2,401,890. Exchange Rate is US\$1:P50.30 (Average March to September 2017). Above data are based on previously completed drilling programs.
- (3) Total Schedule (22 drill-months) is based on individual drilling programs undertaken separately. But, if performed simultaneously this may be shortened.
- (4) CAGA-1, 6 and 7 drilling programs approved already and will be implemented starting end September 2017. Schedule is for 6-8 months.
- (5) CAGA-5 and Higdon drilling programs will be implemented later upon settlement of issues with IPs and DENR-MGB, respectively.

Mine Exploration Costs

The amount spent on mine exploration costs and its percentage to revenues as of the periods ended December 31, 2017, 2016, and 2015 is as follows:

Mine Exploration Costs (Amounts in ₱ Thousands)

	December-15	December-16	December-17
Mine exploration costs	140,790	223,807	241,729
Revenue	6,533,218	3,773,669	5,815,596
Percentage	2.15%	5.93%	4.16%

Cagdianao - Deposit Areas

The Cagdianao Mine has a total area of 4,376 hectares and the Company is currently operating the deposits in CAGA 2 and 4. Our rights to the property are governed by the MPSA and the ECC allows PGMC to produce 5.0 million DMT or 7.7 million WMT of ore each year. The current outlook of the mine's life, based on current probable reserves and current production levels, is expected to last approximately five (5) years from 2015, with possible extension after further exploration of CAGA 6 and 7. Exploration plans through core drilling are focused on the upgrading of inferred resources to measured resources, peripheral extensions on the CAGA 1 to 5 deposit areas as well as in new areas, CAGA 6, CAGA 7 and Higdon expansion area. Proposed exploration at these sites covering approximately 853.54 hectares could potentially delineate additional mineral resources.

Mineral resources at the Cagdianao Nickel Project as estimated by the PMRC Competent Person as at June 23, 2017 are shown in the table below:

Statement of Mineral Resources as of June 23, 2017 (Measure and Indicated)

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
Low Grade (Ni >= 0.7%, Fe >= 48%)	CAGA-4 (as of June 23, 2017)	Measured	3,736,000	1.0	49.8	1.0
		Indicated	1,159,000	1.0	50.1	1.0
		Subtotal	4,895,000	1.0	49.9	1.0
	CAGA-2 (as of June 23, 2017)	Measured	1,477,000	1.0	49.8	1.2
		Indicated	767,000	1.0	49.6	1.2
		Subtotal	2,244,000	1.0	49.7	1.2
	CAGA-3 (as of June 23, 2017 (unmined)*)	Measured	1,307,000	1.0	49.1	1.1
		Indicated	87,000	1.0	48.7	1.1
		Subtotal	1,394,000	1.0	49.0	1.1
	CAGA-1 (unmined)*	Measured	1,257,000	0.9	49.4	1.2
		Indicated	293,000	0.9	49.5	1.2
		Subtotal	1,550,000	0.9	49.4	1.2
	CAGA-5 (unmined)*	Measured	536,000	1.0	49.5	1.2
		Indicated	147,000	0.9	49.3	1.2
		Subtotal	683,000	1.0	49.5	1.2
Combined	Measured	8,313,000	1.0	49.6	1.1	
	Indicated	2,453,000	1.0	49.7	1.1	
	Total	10,766,000	1.0	49.6	1.1	
Medium Grade (Ni >= 0.8%, Ni < 1.5%, Fe < 48%)	CAGA-4 (as of June 23, 2017)	Measured	4,868,000	1.1	41.8	1.0
		Indicated	4,341,000	1.2	21.9	1.1
		Subtotal	9,209,000	1.1	32.4	1.1
	CAGA-2 (as of June 23, 2017)	Measured	5,456,000	1.2	22.5	1.3
		Indicated	4,380,000	1.1	26.4	1.3
		Subtotal	9,836,000	1.1	24.2	1.3
	CAGA-3 (as of June 23, 2017 (unmined)*)	Measured	6,710,000	1.2	28.3	1.2
		Indicated	2,878,000	1.1	23.0	1.2
		Subtotal	9,588,000	1.1	26.7	1.2
	CAGA-1 (unmined)*	Measured	3,092,000	1.0	43.7	1.2
		Indicated	3,071,000	1.0	26.9	1.2
		Subtotal	6,163,000	1.0	35.3	1.2
	CAGA-5 (unmined)*	Measured	866,000	1.0	43.8	1.2
		Indicated	1,502,000	1.0	21.0	1.2
		Subtotal	2,368,000	1.0	29.3	1.2
Combined	Measured	20,992,000	1.1	32.8	1.2	
	Indicated	16,172,000	1.1	24.2	1.2	
	Total	37,164,000	1.1	29.1	1.2	

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
High Grade (Ni >= 1.5%, Fe < 48%)	CAGA-4 (as of June 23, 2017)	Measured	517,000	1.8	19.2	1.1
		Indicated	2,311,000	1.8	12.7	1.2
		Subtotal	2,828,000	1.8	13.9	1.2
	CAGA-2 (as of June 23, 2017)	Measured	1,276,000	1.7	11.9	1.3
		Indicated	179,000	1.7	12.7	1.3
		Subtotal	1,455,000	1.7	12.0	1.3
	CAGA-3 (as of June 23, 2017 (unmined)*)	Measured	1,670,000	1.7	15.2	1.2
		Indicated	157,000	1.6	14.1	1.2
		Subtotal	1,827,000	1.7	15.1	1.2
	CAGA-1 (unmined)*	Measured				
		Indicated	106,000	1.7	16.2	1.1
		Subtotal	106,000	1.7	16.2	1.1
	CAGA-5 (unmined)*	Measured	7,000	1.6	42.9	1.2
		Indicated	7,000	1.5	25.7	1.2
		Subtotal	14,000	1.6	34.3	1.2
	Combined	Measured	3,470,000	1.7	14.7	1.2
		Indicated	2,760,000	1.8	12.9	1.2
		Total	6,230,000	1.7	13.9	1.2
Combined	CAGA-4 (as of June 23, 2017)	Measured	9,121,000	1.1	43.8	1.0
		Indicated	7,811,000	1.3	23.3	1.1
		Subtotal	16,932,000	1.2	34.4	1.1
	CAGA-2 (as of June 23, 2017)	Measured	8,209,000	1.2	25.8	1.3
		Indicated	5,326,000	1.1	29.3	1.3
		Subtotal	13,535,000	1.1	27.1	1.3
	CAGA-3 (as of June 23, 2017 (unmined)*)	Measured	9,687,000	1.2	28.9	1.2
		Indicated	3,122,000	1.1	23.3	1.2
		Subtotal	12,809,000	1.2	27.5	1.2
	CAGA-1 (unmined)*	Measured	4,349,000	1.0	45.3	1.2
		Indicated	3,470,000	1.0	28.5	1.2
		Subtotal	7,819,000	1.0	37.9	1.2
	CAGA-5 (unmined)*	Measured	1,409,000	1.0	46.0	1.2
		Indicated	1,656,000	1.0	23.5	1.2
		Subtotal	3,065,000	1.0	33.8	1.2
	Combined	Measured	32,775,000	1.1	35.2	1.2
		Indicated	21,385,000	1.2	25.7	1.2
		Total	54,160,000	1.1	31.4	1.2

Notes:

- (1) The PGMC Statement of Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Codes.
- (2) All Mineral Resources figures reported in the table above represent estimates at June 2017. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
- (3) Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition) which was adopted from JORC.
- (4) The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Project, namely: CAGA-1 to CAGA-5. However, estimates* for CAGA-1 and CAGA-5 remain the same as reported on May 31, 2014 as no additional exploration/drilling and mining operations have been undertaken since then.
- (5) The increase in PGMC's Mineral Resources at CAGA-2 and CAGA-3 (2016:2017) was a result of additional resources estimated upon completion of additional exploration drilling from 2016 – 2017.

Additional Exploration

The potential for further resources is within our current MPSA area as we have yet to conduct exploration for the CAGA 6 and 7 areas. These areas consist of outcropping ultramafic lithologies with laterite development similar in topographic features and size to the CAGA 3 and 5 deposits. There may also be other areas of smaller, isolated laterite profiles that may become feasible if mined in conjunction with the existing deposits.

Our current resources include measured and indicated resources for all deposits that have undergone reconnaissance to resource definition drilling programs (CAGA 1 to CAGA 5). Further resource potential exists in limited extensions at the periphery of these deposits and additional resources at CAGA 6, CAGA 7 and Higdon expansion area.

Based on the original proposed exploration plan and budget for the CAGA mine dated October 03, 2014, PGMC conducted exploration drilling at CAGA 2 and CAGA 4 areas from October 2015 to May 2016 covering some 1,791 drill holes and 18,405.30 meters. This exploration program was used as basis for update on mineral resource estimates in 2016. Further, additional drilling at CAGA 2 and CAGA 3 from 2016-2017 of 2,233 drill holes and 23,167.25 meters resulted in the update of mineral resource estimates on June 2017.

Our updated proposed exploration plan and budget for the CAGA mine and expansion area dated August 30, 2017 considers priority drilling based on deposit/prospect potential as presented in the Proposed PGMC-CNEP Exploration/Drilling Program 2017-2018. Drilling on each priority area includes drilling schemes as applicable:

- Scheme 1: Infill drilling at resource blocks to upgrade inferred resources to measured resources
- Scheme 2: Peripheral drilling at resource blocks to define extensions of current resources
- Scheme 3: Reconnaissance drilling at unexplored CAGA 6, CAGA 7, and Higdon expansion area

Prior to commencement of the drilling program, each prospective area will be evaluated by geological mapping to determine the occurrence and thickness of the laterite profile. The proposed drilling program will be modified based on this evaluation.

We have identified exploration target ranges for each area as shown in the summary of the updated proposed exploration program in the table below. The current estimated additional cost of this exploration program is approximately ₱101.1 million to ₱121.3 million (US\$2.0 million to US\$2.4 million). It is expected to take approximately 22 months to complete, including the sample preparation, analysis and PMRC reporting. Implementation of the updated exploration program commenced on October 2017 with the drilling at CAGA 1 area and drilling will also be undertaken at CAGA 6 and CAGA 7 based on recently approved drilling program which is part of the overall program presented in this Prospectus.

Exploration Target/Proposed Drill Holes

Deposit	Size (Has)	DHs / Meterage	Exploration Target (DMT)
1.0 CLNMI (Higdon) Deposit			
Area-1 (WEST)	174.6	300/4,500	5,000,000 – 10,000,000
Area-2 (EAST)	106.1	235/3,525	2,500,000 – 5,000,000
Sub-total	280.7	535/8,025	7,500,000- 15,000,000
2.0 CAGA-7 Deposit			
Area-1	20.25	67/1,005	700,000 - 1,400,000
Area-2	61.66	183/2,745	2,200,000 - 4,400,000
Area-3	55.49	15/2,475	2,000,000 - 4,000,000
Area-4	29.82	87/1,305	1,100,000 - 2,200,000
Sub-total	167.22	502/7,530	6,000,000 - 12,000,000
3.0 CAGA- 1 Deposit			
Saprolite Dev't Drilling	30.91	368/5,520	1,100,000 – 2,200,000
In-fill	60.26	270/4,050	2,200,000 – 4,400,000
Peripheral	46.96	196/2,940	1,700,000 – 3,400,000
Sub- total	138.13	834/12,510	5,000,000 - 10,000,000
4.0 CAGA- 5 Deposit			
In-fill	63.68	207/3,105	1,115,000 - 2,230,000
Peripheral	64.19	329/4,935	2,900,000 - 5,800,000
Sub- total	127.87	536/8,040	4,015,000 - 8,030,000
5.0 CAGA-6 Deposit			
Area-1	53.57	157/2,355	1,900,000 – 3,800,000
Area-2	86.05	264/3,960	3,100,000 – 6,200,000
Sub- total	139.62	421/6,315	5,000,000 – 10,000,000
Total	853.54	2,828/42,420	31,515,000 – 63,030,000

Notes:

- (1) *The above table is part of the over-all exploration/drilling program for the whole PGMC- CAGA Project wherein CAGA 2, CAGA 3 and CAGA 4 are included. Drilling at CAGA 2, CAGA 3 and CAGA 4 have been prioritized and completed which paved the way for the 2017 Mineral Resource update for the Project.*
- (2) *Drilling will then continue for the other identified (CAGA 1, 5, 6 and 7) and new (Higdon) areas.*
- (3) *With the interesting results for CAGA 2, CAGA 3 and CAGA4 where substantial additional mineral resources were estimated, it is anticipated that further confirmatory drilling may be undertaken as necessary.*

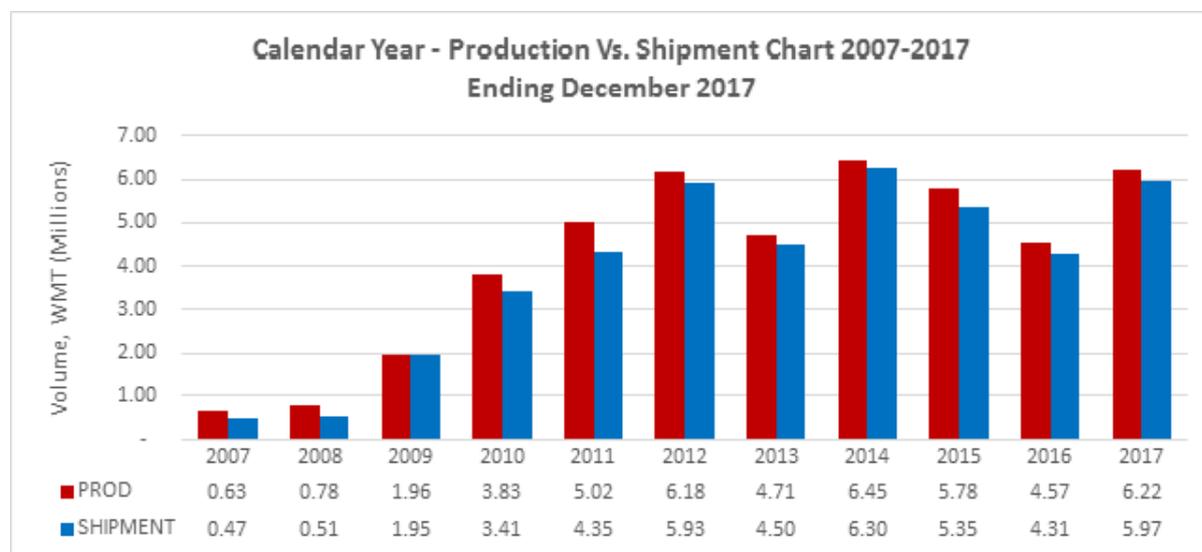
As reviewed by the PMRC Competent Person, our proposed exploration program is sufficient to adequately increase the Mineral Resource and Ore Reserve inventory and extend the mine life of the CAGA mine site.

Production Data

Most of the ore that we have mined from Cagdianao was shipped and sold to our customers, with a small portion kept at our stockpiles for delivery to our customers at the commencement of the next mining season. Mine production has generally increased since 2007 and reached a peak yearly production of 6.2 million WMT in the calendar year 2012. Production declined in 2013, which was primarily due to a combination of weather conditions and change in our sales and marketing strategy; that is, reducing sales of nickel ore in anticipation of Indonesia nickel export ban. Our production volume for the calendar year

ended 2014 was 6.50 million WMT, which was an increase of 35.4% compared to the calendar year ended 2013.

The graph below represents the Cagdianao Mine’s production history compared with its shipment volume history for the following years.



Source: Company data

Shipment and Mine Production Plans

The shipment and mine production plan projections below were prepared by the PMRC Competent Person using standard industry practices for completion of mine planning and scheduling for each of the mines. The following table contains shipment and mine production targets for the Cagdianao Mine for the next three (3) years:

Cagdianao Mine Shipment and Mine Production Targets

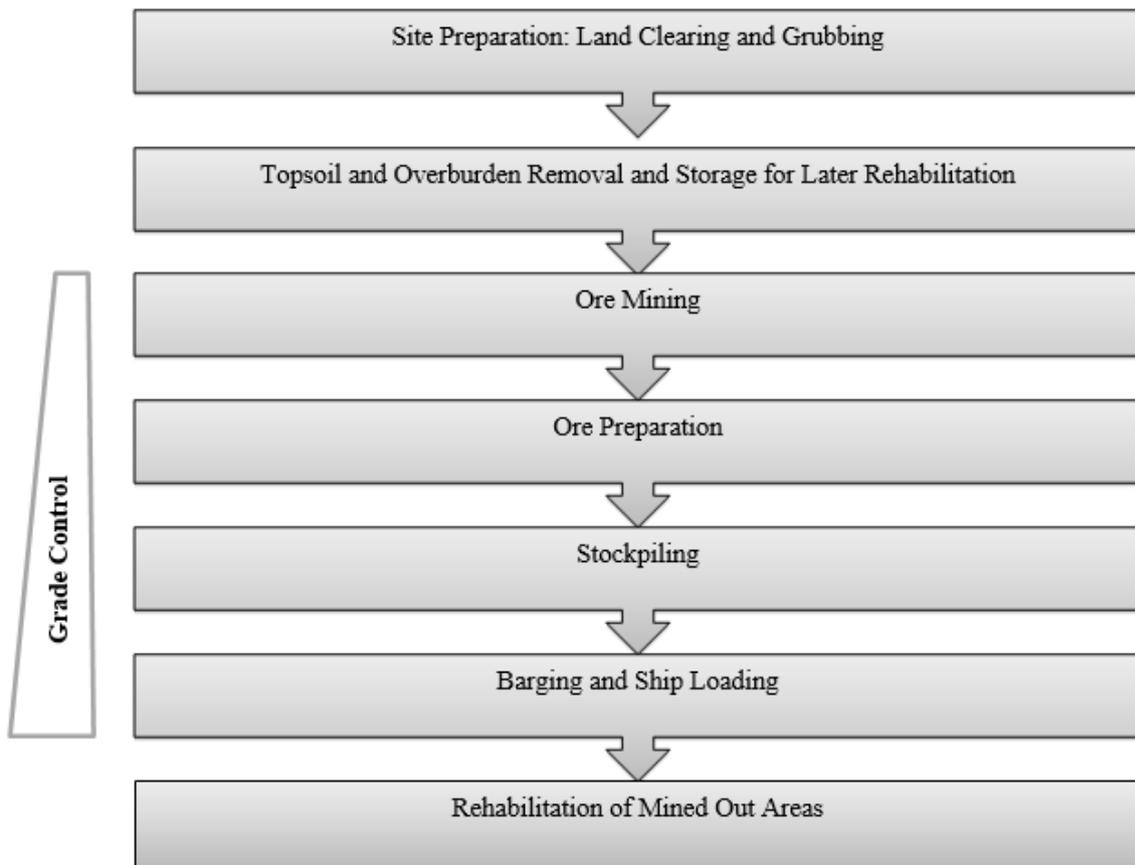
<i>In million WMT</i>	2018	2019	2020
Cagdianao Mine	5.0	5.0	5.0
Available Mineral Reserves	32.3	27.3	22.3

Source: PMRC Report dated October 15, 2017

Mining Operation and Production

Overview of Operation Process

A diagram showing our operating process is shown below:



Site Preparation and Overburden Removal

We use surface mining methods, specifically using a backhoe excavator and dump truck arrangement to extract the nickel ore. No drilling or blasting is required due to the soft nature of the topsoil and overburden. Topsoil of around 0.5 meters is located throughout the deposit and must first be removed from the surface as it contains tree roots that may be deleterious to smelters. The topsoil is removed by a bulldozer and stockpiled for later use in land rehabilitation or backfilling of mined out areas. Some high iron limonite ores are lost in this layer.

Bench contouring is carried out by excavators in backhoe mode and dump trucks to form two-and-a-half (2.5) to three (3.0) meters bench heights. In this process, overburden materials are also removed and stockpiled at the mine yard, which, depending on ore grade, may be used for product blending in the future.

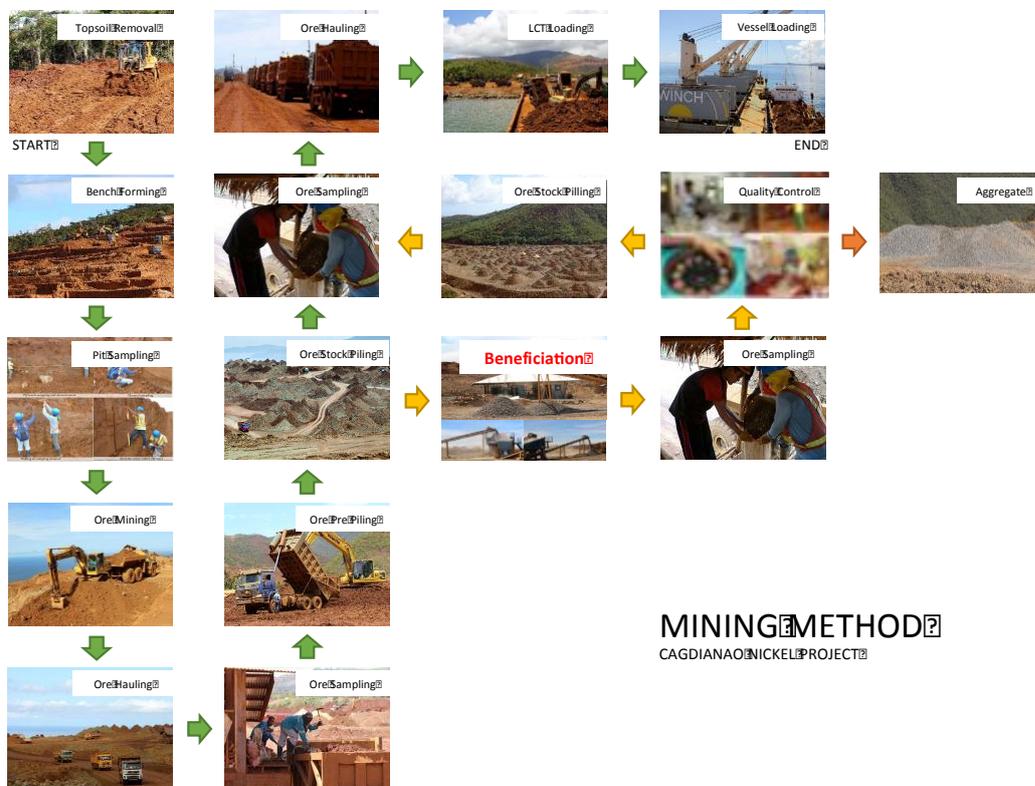
In addition, we utilize the top soil removed from the mine sites for mine site rehabilitation and boulders are used for the construction of siltation ponds, road construction and maintenance of the causeway and piers.

Ore Mining

Once benches are formed, hydraulic backhoes with bucket capacities ranging from 0.8 to 1.6 cubic meters load the mineralized materials and wastes onto 25 tons dump trucks or 40 tons articulated trucks. Each truck trip aims to load 14 tons and 28 tons for a dump truck and an articulated truck respectively. Front-end wheel loaders and excavators are used in the yards to transfer, load ore and harvest boulders between stockpiles. Bulldozers are used to shape and maintain the ramp stockpiles.

No drilling and blasting is required due to the soft nature of the material. Oversized boulders found in the saprolite and base rock contacts may occasionally require mechanical rock breakers, while laterite material may occasionally require loosening by backhoes and bulldozers. All limonite material can be free-dug by backhoes.

Our mining cycle is shown in illustration below:



Source: Company

Ore preparation

Overview

Cagdianao produces direct shipping ore and requires only minor ore preparation. Extensive grade control procedures, numerous sampling points and sorting of the ore allows for the pre-separation of different grades of ore required for shipment. Cagdianao also has designated areas for drying wet ore and boulder breaking of those greater than 200 mm. The only aim of the operation is to prepare the ore as stipulated into the supply contracts as signed with our customers.

Bench-face channel sampling is undertaken to provide an indication of the nickel and iron grades at the mine working face. Once excavated by backhoes and loaded onto dump trucks, the ore will pass ore truck sampling stations where samples are collected and delivered to the site laboratory for analysis. The onsite laboratory and preparation area is located near the mine camps to carry out our extensive grade control and quality assurance procedures. This is used mainly to determine the ore properties using chemical analysis techniques.

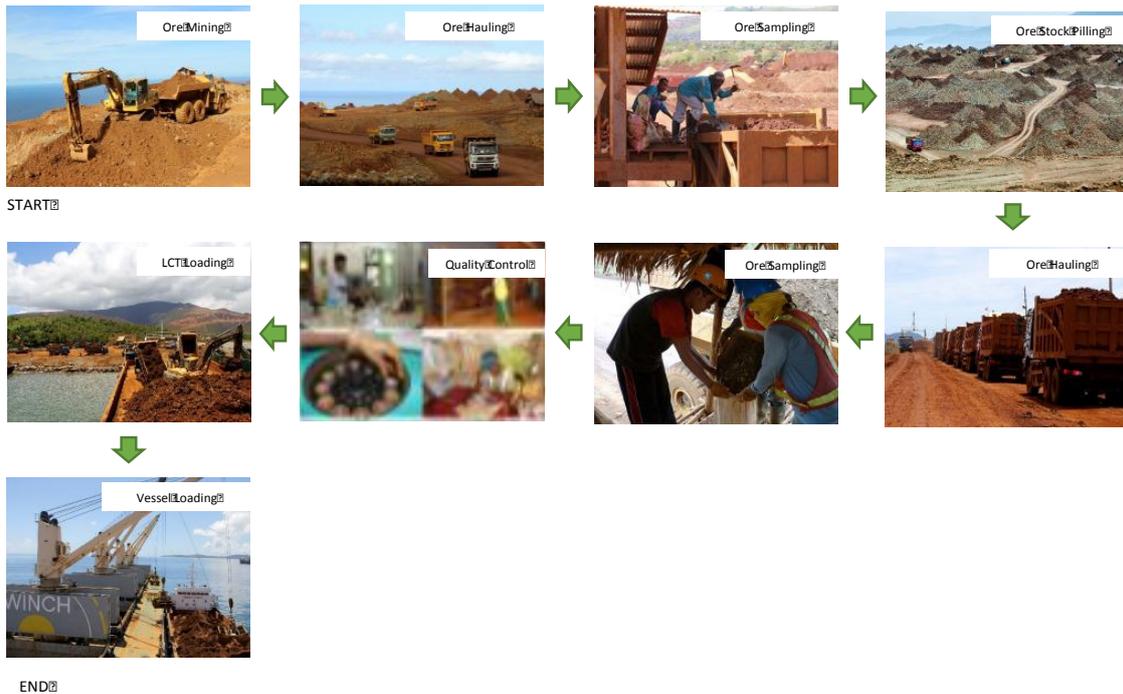
The trucks are first directed to stockpiles of different material types in the mine and pre-piling yards based on the initial channel sample. The laboratory analysis will return a more representative grade composition of the individual stockpiles thus reclassified and color-coded to the material type based on these results. Bucket sampling occurs at the yards to separate the retrievable sellable crushed ore from the waste. The results from the final truck sampling stand at the piers allow the grade controllers to blend different material types to achieve our customers' shipment specifications.

Preparation lines

The ore undergoes one of the two preparation lines depending on the material type mined. Low-grade material may be transported directly to the barge whereas high-grade material may require more extensive sorting and boulder breaking. Material with a total moisture content that exceeds the transportable moisture limit (above 35.0%) cannot be safely shipped as it can cause the cargo to liquefy. Therefore the material with moisture above this limit will require sun drying at the designated ore drying yards. The ore is also monitored to be kept at above 28.0% moisture to prevent dusting of nickel.

The low grade ore, typically limonite (L1, L2, and L3), generally does not contain boulders of significant nickel grade, which are still sorted and removed by excavators and front-end loaders. Once the boulders are separated from the fine ore stockpile, they are transferred to the aggregate stockpile and used for road maintenance or the environmental management program.

The low-grade ore preparation line is shown in the flowchart below.



Low Grade Ore Flowchart

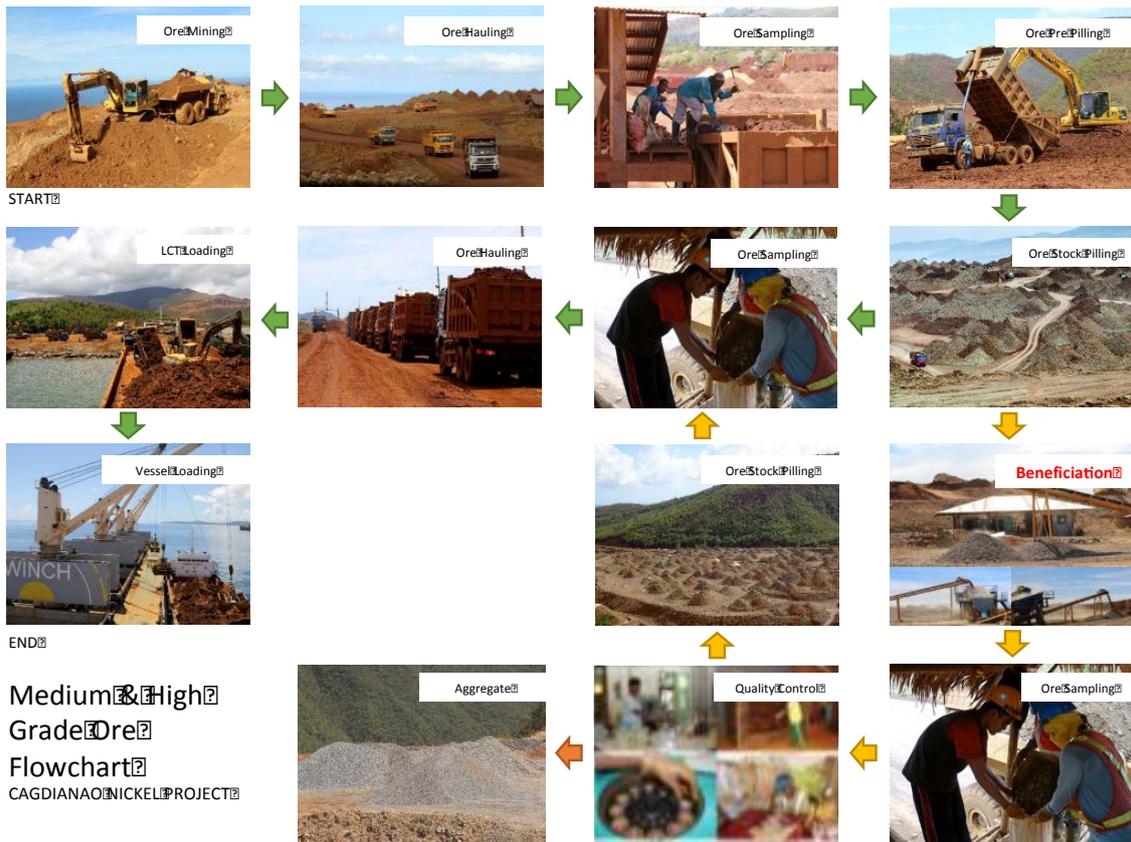
CAGDIANAO NICKEL PROJECT

Source: Company

The high grade ores, typically saprolite and the saprock (S1, S2, S3 S4, L4, L5, and L6), generally contain boulders of significant nickel grades. Thus, this ore preparation line includes bucket sampling of the crushed boulders to separate the crushed ore from the crushed waste. The crushed ore is dumped in 100 cubic meters stockpiles and then transferred to the crushed ore yard, which can be blended with other sellable products during ship loading.

The medium and high-grade ore preparation line is shown in the flowchart below:

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Source: Company

Stockpiling

Extracted ore is transferred to stockpiles for sorting, sun drying and loading onto shipping vessels according to our customers' requirements specified in the supply agreements. We produce DSO, where the unprocessed ore are transported directly to nickel smelters and processors in China after they were excavated from our mine site. Our stockyards keep more than 17 different types of ore in separate stockpiles at the mine and pre-piling yards. Though no processing is involved in this operation, ore preparation and grade control are required to ensure the material types are properly blended to meet shipment specifications. Grade control procedures on site are well developed and involve bench face channel sampling, truck sampling out of the pit and truck sampling at the causeway. The samples are taken for analysis at our onsite laboratory to classify the material types that will dictate where it is to be stockpiled. The different stockpiles are then used to determine ore blends to meet the ore quantities and grade specifications for the shipping requirements.

We aim to store at least 350,000 WMT of ore in our stockpile inventory before the beginning of the mining season. This ensures that saleable ore is ready to be shipped once the mining season commences. Beginning in 2016, it is the sole responsibility of all of the 11 contractors to maintain the required levels of ore inventory at the designated stockpile areas. As of December 31, 2015, 2016 and 2017, we had 664,071 WMT, 503,982 WMT and 687,181 WMT of nickel ore stockpiled at Cagdianao, respectively.

Cagdianao currently has the capacity to stockpile approximately 3.0 million WMT of nickel laterite ore of different material types. Stockpiles are covered with canvases during the wet season to prevent absorption of additional moisture. Numerous ditches are made around the stockpile to catch water draining from the ore, and then the water flows to a settling pond before discharging into river tributaries.

Barging and Ship Loading

Causeways and Piers - The pier at Causeway 2 handles nickel ore from CAGA 2 with a maximum capacity of accommodating eight (8) LCTs for simultaneous loading. Based on current LCT availability and the total daily ship loading rate of 22,550 WMT per day, the current annual ship loading capacity at Causeway 2 is estimated to be approximately 3.3 million WMT. Based on the current equipment quantities and capacities, CAGA 4's designated loading pier Causeways 1 and 1A, is able to load in excess of 4.5 million WMT annually. Causeways 1 and 1A are able to support up to 14 LCTs simultaneously. The picture in the following page shows Causeways 1, 1A, and 2 at the Cagdianao Mine. We believe that having two (2) piers helps to minimize delivery risk by not being reliant on only one (1) pier that could become damaged or congested.

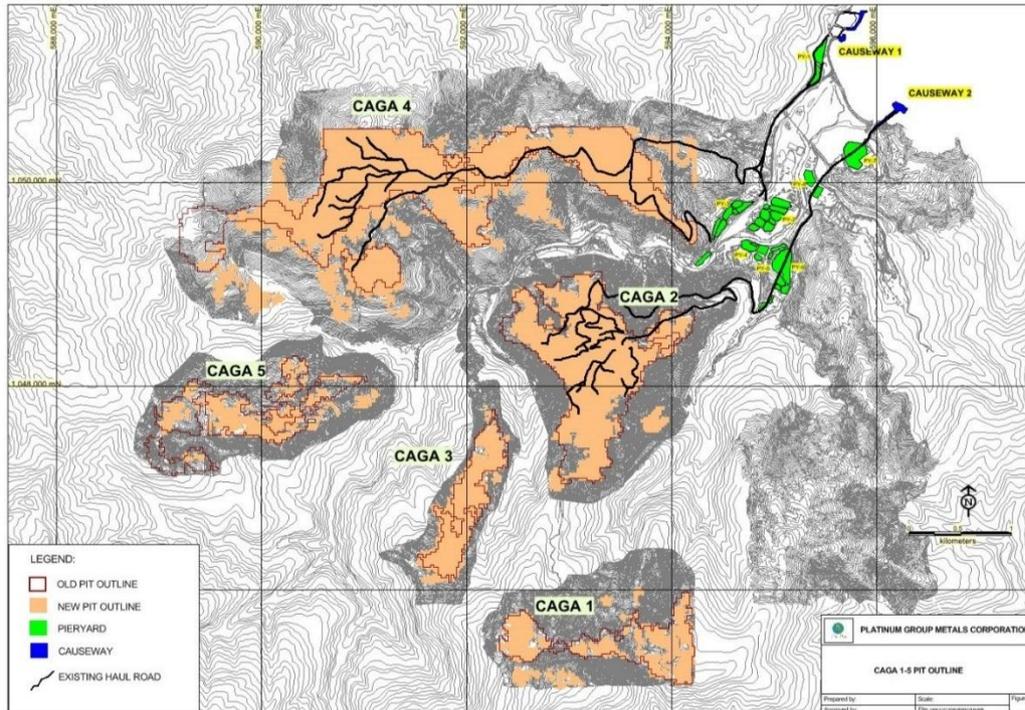
Shipment contracts generally specify that moisture content of the ore should not exceed 35.0% as this will add weight to the shipping vessel and can cause liquefaction that can be dangerous for ocean-going vessels. The ore is kept above 28.0% moisture so as to prevent the occurrence of nickel dusting.

The shipment contracts also stipulate that the metal grade of products in each shipment that do not meet the contract specification will attract a penalty, depending on how much the products deviate from the minimum requirement. In accordance with the contracts, the penalty imposed is a range from US\$1.00 to US\$2.00 reduction from the contract price per 1.0% Fe or 0.01% Ni grade per WMT.

Our barging subsidiary, PCSSC, was formed in June 2013 and owns five (5) barges for hauling nickel ore from the piers to the shipping vessel. Our contractors pay PCSSC for hauling nickel ore to the shipping vessel. We have applied for a commercial license to operate outside of Surigao. In 2015, our application for a commercial license has been granted and is valid for twenty-five (25) years. With such commercial license, we intend to serve other mining companies in parts of the Philippines with longer mining seasons. We expect this to result in greater utilization of PCSSC's barge fleet during what would otherwise be idle time during the wet season in Surigao.

We signed a memorandum of agreement with Taganito Mining Corporation in 2003 for the use of the land surrounding the pier facilities adjacent to our mine sites for a period of 20 years, and we pay no fees under the agreement.

The picture below shows the relative orientation of the CAGA 2 and CAGA 4 mine:



Grade Control

Bench-face channel sampling is undertaken to provide an indication of the nickel and iron grades at the mine working face. The ores are then loaded onto dump trucks to be taken to the pre-piles and stockpiles. Prior to unloading of ore into pre-piles and stockpiles in the mine yard, all dump trucks pass a truck sampling stand. Upon parking up against the stand, a truck sampler collects a sample using a sampling scoop from the top of the truck. The purpose of truck sampling is to obtain a representative sample of a stockpile to confirm the grade and ore classification. The stockpile is re-classified to a composite grade once the results from the lab analysis become available. From stockpiles, the ore is loaded onto dump trucks and hauled to the piers. Prior to loading of the LCTs, the trucks will pass another truck sampling stand located just before the piers for analysis of the ore following the same truck sampling procedures as before.

The grade of the shipment is controlled by a mixing ratio prepared by the grade control engineer. Our supply contracts generally specify that an ocean-going vessel is to be provided by our customers. The truck sampling and mixing ensures that the vessels are loaded with correct grades and specifications required by the customer. An independent third party confirms the shipment quality by taking samples at the truck sampling point just before the piers at the same time as we conduct our truck sampling procedures.

Rehabilitation of Mined Out Areas

In order to restore the natural habitat and environment of the disturbed areas, we have been actively involved in the restoration and revegetation of the mined out sites. We have made certain financial provisions for mine closure and have an approved FMRDPAs required by regulators. We have established a nursery, under contract with local communities, for developing seedlings to be used in the reclaimed areas, as well as to supply seedlings for greening programs outside the mining areas. In addition, we have planted mangroves in the bay to the north of Hinadkaban Bay.

Every year, we have budgeted and planned for landscape reshaping, revegetation, nursery operations, maintenance of vegetated areas and slope stabilization. A total of approximately 929,300 seedlings were grown and 729,872 planted (surviving tree) as of 2017, 49.10 hectares declared mined out area was rehabilitated and 675.10 hectares was reforested as of December 31, 2017 as part of our commitment to the Government's National Greening Program.

Contractors

Service contractors

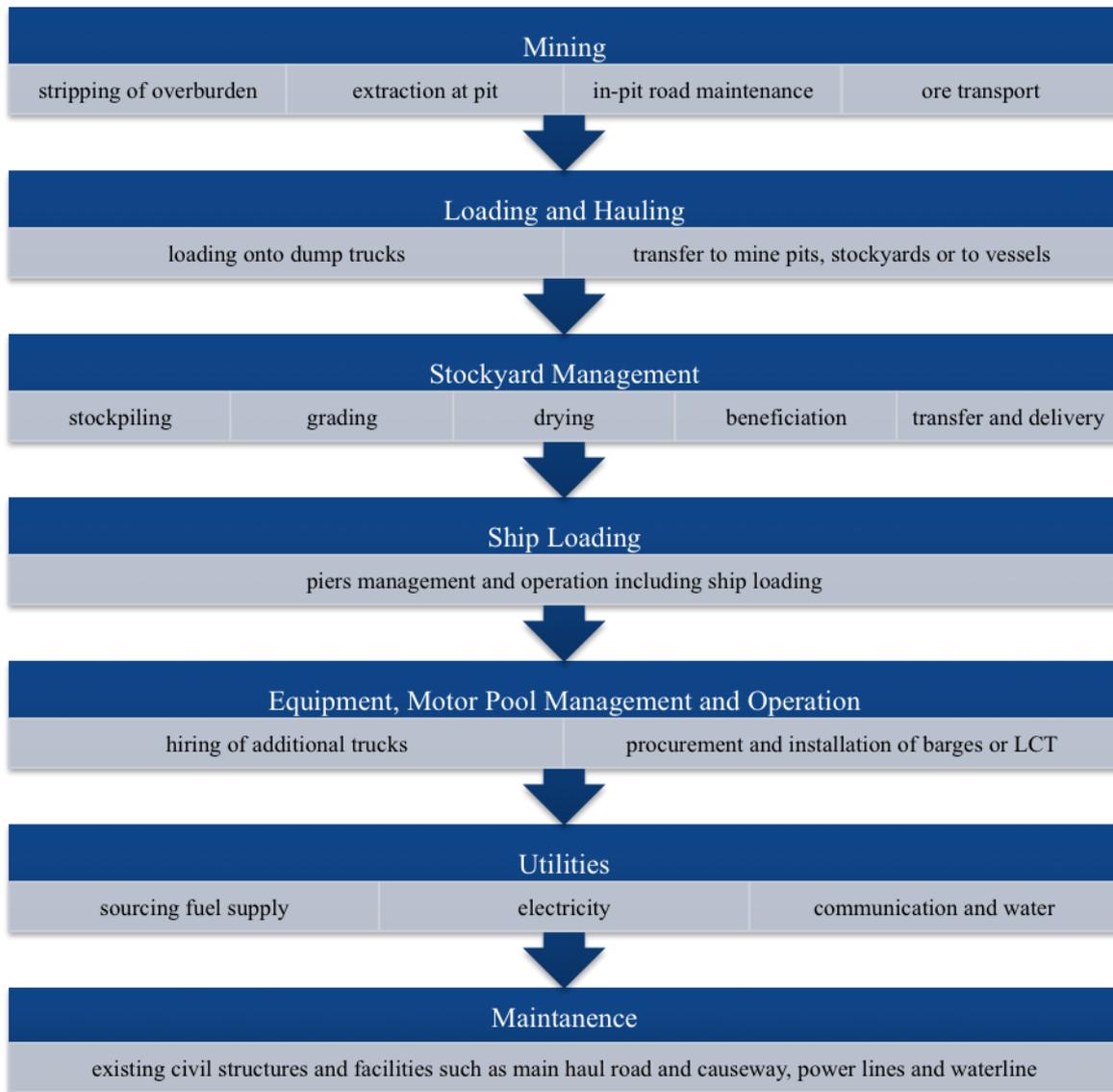
We currently hired eleven (11) service contractors: Nickelbase, CKDI, MRMJ, BTTPI, Landstar, IPM, CTB, Anseca, PVTSI, Aguilo, and Loufran to operate the mining activities at our Cagdianao Mine. We believe that using contractors provides us with flexibility to adjust to immediate and seasonal resource requirements in a cost efficient manner. Compared to other mining companies, we believe that our business model of engaging contractors allows us to forego expensive investments in mining equipment, helping to free up our resources to focus on other aspects of our operations. In addition, our use of contractors provides us with flexibility to undertake tasks that are not necessarily within our core competency. We intend to utilize contractors at the INC Mine upon its acquisition.

Copies of the contracts with the eleven (11) service contractors conducting operations in the CAGA Mine have been submitted to the SEC. Under these contracts, the service contractors shall generally be responsible for mining the ore from the mine pit, delivering the same to the barge or LCT after the ore has been properly prepared and cleared for shipping by the Company, ship loading and mine maintenance operations within its mining tenement.

For every tonne of ore mined and shipped by the contractor, the Company shall pay the relevant contractor at a certain rate depending on the classification of the products shipped. Under the contracts, the service contractors also guarantees minimum daily mine production within the estimated operating days.

We will continue to review the performance of our service contractors to ensure that the operations will be very cost-efficient.

The contractors are generally required to carry out the majority of the mining activities at our mine, including the activities reflected in the flow process:



As all of the contractors are remunerated based on the activity rate, it is their responsibility and in their interest to purchase or subcontract sufficient equipment necessary to achieve the production targets that are set by us.

In order to allow us to begin shipping to our customers as soon as the mining season begins in April of each year, all of the contractors are contractually responsible to maintain a certain level of stockpile and the maintenance of the stockyards. At the beginning of the mining season, there should be at least 350,000 WMT of ore available ready to be shipped. As of December 31, 2017, the stockpile inventories had an aggregate of 687,181 WMT of nickel ore stockpiled from CAGA 2 and 4. The achievability of these rates depends heavily on weather conditions, contractor operational ability, equipment capacity and piers handling capability.

Security contractors

We also engage a third-party contractor to provide security services at our mine site. In addition, all of the contractors also engage their own security force. We have engaged Chevron Security and Investigation Agency Inc. since December 2011. The original term of the security service contract expired on November 30, 2012; however, the contract is automatically renewed every year, until a notice of termination is served to the other party. All armory and equipment are provided for by the contractor itself, and comprehensive training is also provided to the security guards stationed at our mine by the contractor.

In addition to our security force and that of our contractors, a Special Civilian Armed Auxiliary (SCAA) force comprised of approximately 120 para-military trained personnel managed by the Philippine Army, are tasked with securing the perimeter of our mining operation. Under the Memorandum of Agreement of the Group with the Philippine Army, PGMC has the obligation to provide allowances, uniform and equipment, any claims arising from personal damages caused by or to any of the SCAA when the related injury or damage is incurred in the course of lawful performance of the SCAA's duty.

Each of the neighboring mining companies in the area of our mine also cooperates and shares information pertaining to the security situation in the vicinity.

As a result of an incident in 2011 wherein militants attacked our Cagdianao site burning and causing damage to a number of our trucks and equipment (See "Risk Factors—Risks Related to our Existing Business and Industry—Our insurance coverage may not be sufficient to fully cover the risks related to our operations and losses"), we increased our security detail to include both military and civilian units. Neighboring mine sites have also increased security protection over their properties, which, we believe, contributes to enhanced security and safety overall for the mining players in the area. Each of the neighboring mining companies in the area of our mine also cooperates and shares information pertaining to the security situation in the vicinity.

Suppliers

The main supplies that our service contractors require to operate our business include diesel fuel, tires, and spare parts for our mining equipment. We buy diesel fuel from Petron Corporation and Phoenix Petroleum Philippines, Inc. and heavy mining equipment such as trucks and excavators from two (2) manufacturers, Komatsu and Caterpillar, through their Philippine distributors Maxima Machineries and Monark. In addition, we have our own fleet of barges. These barges, together with the heavy mining equipment, are provided to our contractors on a lease arrangement, for use at our Cagdianao site during the mining season. We believe that there are a number of alternative suppliers for all of our requirements.

Products

Product grading and production data

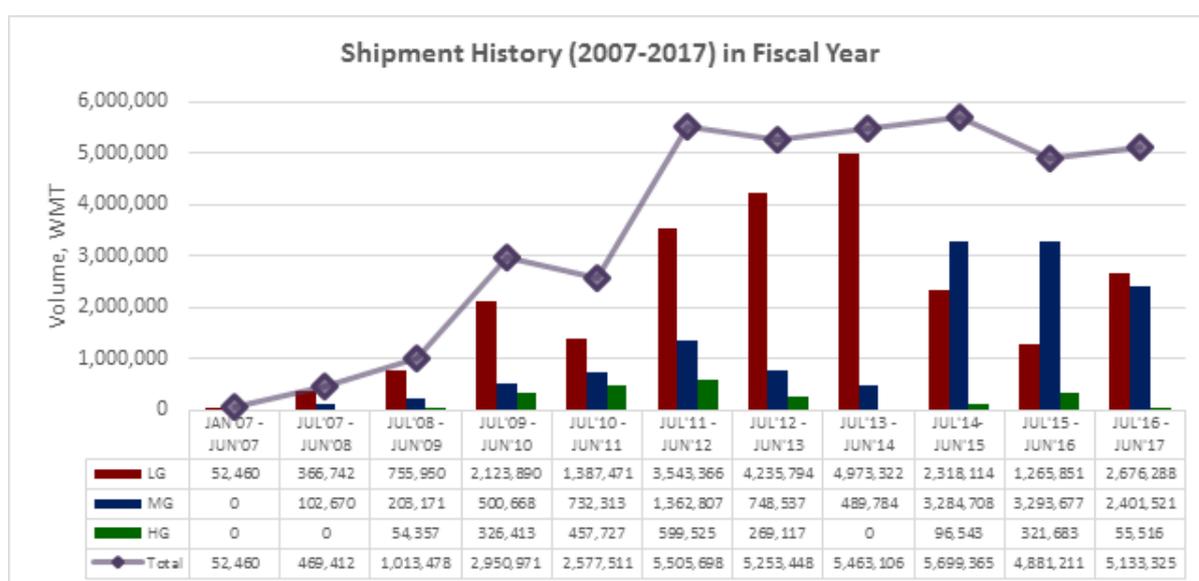
Depending on the customer's requirements, the product classifications (Low-grade, Medium-grade and High-grade) and their ranges may vary. However, based on historical shipment records, previous product specifications were generally classified in the categories in the table below. Though there is a category for waste that falls outside of the saleable grade ranges, we keep waste stockpiles for future blending purposes or when it becomes marketable.

Historical Product Categories

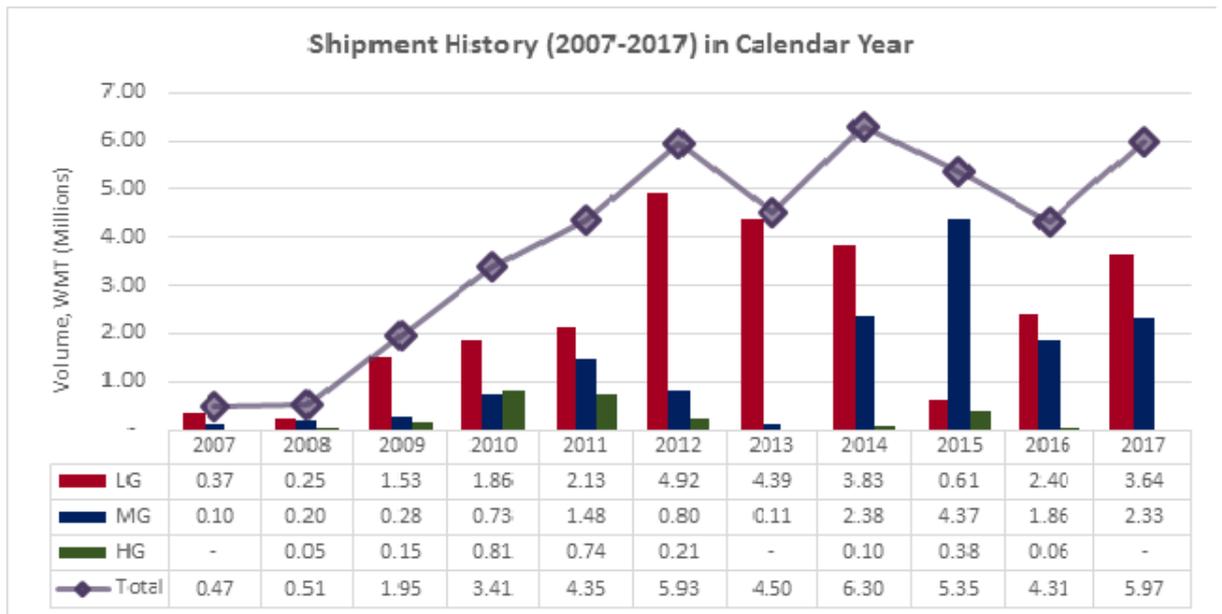
Product Categories	Grade Specifications
Low-grade Nickel Ore	Ni \geq 1.3%; Fe < 40.0%
Low-grade Nickel-High Iron Ore	0.9% \leq Ni < 1.2%; Fe \geq 48.0%
Low-grade Nickel-Medium Iron Ore	1.2% \leq Ni < 1.3%; 45% \leq Fe < 49.0%
Medium-grade Nickel-High Iron Ore	Ni \geq 1.5%; Fe \geq 30.0%
Medium-grade Nickel-Low Iron Ore	Ni \geq 1.5%; Fe \leq 25.0%
High-grade Nickel Ore	Ni \geq 1.8%; Fe < 25.0%

In general, low grade nickel high iron products have the greatest volumes sold, which represented approximately 60.2% by mass of total ore shipped followed by medium grade nickel products at approximately 34.0% and high grade products at approximately 5.8% for the calendar years 2007 to 2017. A high proportion of low nickel grade nickel materials have been sold as this material is closest to the surface; they are the easiest to be mined and most abundant at Cagdianao.

Historical ore shipments of equivalent product types are presented for both fiscal and calendar years in the graphs ensuing.



Source: Company data



Source: Company data

For more details on our ore production and shipment for the years ended December 31, 2017, 2016, and 2015, see “—Operational Data”

The calendar year 2015 shipment history highlighted in the graph above, shows that we are mining significantly more quantity of medium and high-grade ores with approximately 0.6 million WMT of low-grade ore and 4.7 million WMT of medium and high-grade ore products. In 2015, we mined and sold more of the medium-grade ore as we excavated deeper in the ore deposit sites to expose the higher grade ores for production.

Nickel ore can be blended into six (6) product categories to meet the specifications stipulated in our supply contracts entered into with our customers. The shipping grades and tonnages may vary yearly depending on customer specifications and demand for different product types.

Sales and Marketing

We supply various types, grades and volumes of saprolite ore and limonite ore to customers located in China. We sell our nickel ore to a combination of end users and trading companies. We have been selling nickel ore to China since 2007. Our sales are made through short-term agreements with customers.

We typically require an up-front payment of 50.0% of our invoice by telegraphic transfer prior to each shipment, another 40.0% by telegraphic transfer is required upon loading, and the remaining 10.0% upon reconciliation, which generally occurs within 45 days of delivery. Alternatively, certain customers pay 95.0% of free on board (FOB) shipment value by letter of credit within seven (7) days from submission of shipment documents to the customer’s letter of credit issuing bank, with the remaining 5.0% due upon reconciliation within 45 days from the date of the bill of lading. We invoice our customers on a preliminary basis for ore delivered based upon our estimates of tonnage, grade and quality for each shipload. Typically, we sample and assay the ore and check the tonnage at the loading port. A third-

party inspector (i.e. Intertek Philippines, Inc. or SGS Philippines, Inc.), appointed in the individual purchase and sale contract executed between PGMC and the buyer, examines and certifies the quality of each load through the sampling and assaying of chemical elements (nickel, iron & moisture) of the commodity before it is shipped, thereby eliminating the possibility of returned shipments. None of our products have been returned to us in the past. We also employ an in-house laboratory that tests the quality of our shipments.

For our sales of saprolite ore to the Chinese mineral trading companies and nickel and iron ore smelters and limonite ore to Chinese mineral trading companies and refineries, which constitute approximately 100.0% of our nickel ore sales (based on the year ended December 31, 2015 revenues), our invoices are generally based upon fixed prices, which are negotiated prior to the scheduled delivery of the shipment each month. The price is negotiated based on the demand of our ore from our customers. The greater the demand for our products, the higher the fixed price set for that particular month.

Supply contracts securing the agreed shipment tonnage and product specifications for the entire year were negotiated with the customers at the beginning of the year. Based on the annual supply contract, we negotiate and agree on the final price for the shipments on a monthly basis. The monthly agreed fixed price is based primarily on the demand of our ore from our customers. The greater the demand for our product the higher the fixed price set for that particular month. Aside from the price of the ore per WMT, the supply contracts also specify the nickel and iron range requirements and the maximum allowable moisture content per shipment. Ore in each shipment found to be above or below the grade specifications will attract either a bonus or a penalty. These discrepancies are measured in increments of 0.01% for nickel and 1.0% for iron. Once the deviation reaches below an acceptable limit, the price may be renegotiated. It is therefore important for us to mine, stockpile and blend the ores to the correct shipment specification in order to maximize earnings.

The diagram on the following page outlines the flow of our different product types from raw nickel ore to stainless steel or nickel metal and the applicable pricing method, as well as the general end use by our customers. Our customers may buy nickel ore from us and blend it with other materials that they may have purchased from other suppliers or producers for other uses.

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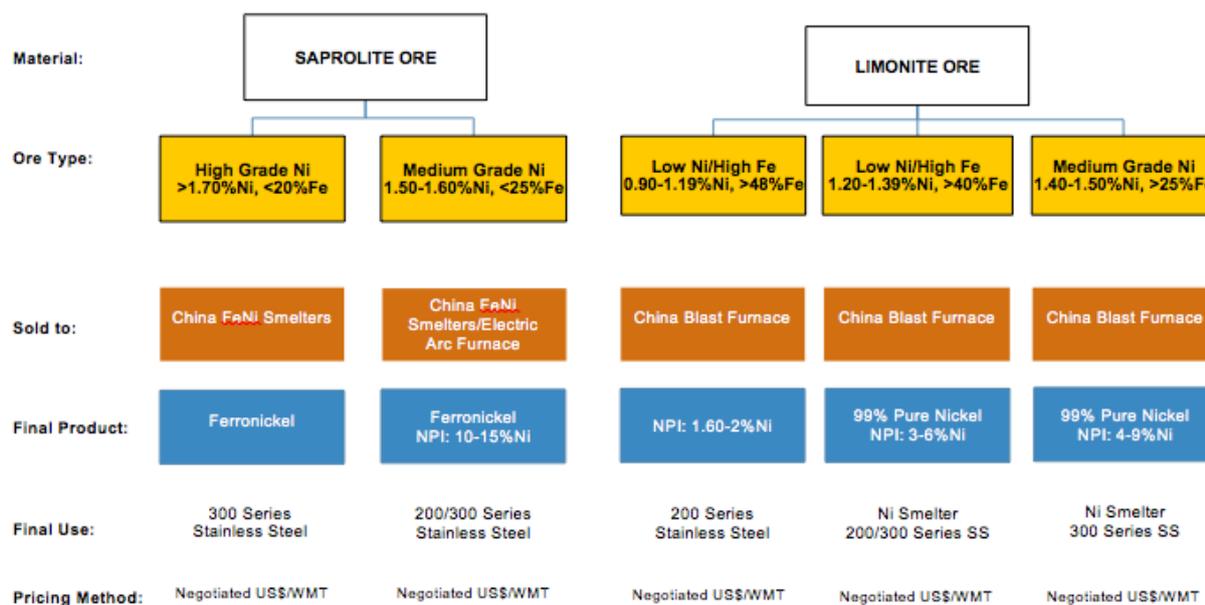


FIGURE – Marketing Overview Summary

Market Developments: Export ban of nickel ore by the Indonesian government

Due to the increasing scarcity of mineral resources containing high-grade saprolite ore in the Asia-Pacific region, coupled with the export ban on nickel ore from Indonesia, which began in January 2014, regional demand for limonite ore has been steadily growing over the past several years. Historically, Indonesia’s nickel exports accounted for over 50.0% of the supply going to China according to a report prepared by CRU Consulting, a management consulting company specializing in the international metals, mining, and electricity industries in 2015. Due to the shortage of nickel ore in the market after the implementation of Indonesia’s export ban, we have benefited significantly from the increase in prices across all grades of limonite and saprolite ore. The price of high-grade saprolite ore has tripled since 2013, which has facilitated a trickling down effect to the increase of prices for the medium and low-grade nickel ore. The export ban of nickel ore by the Indonesian government has brought about a positive effect on the sale of our nickel ore. As the supply for high-grade nickel ore was significantly reduced and no feasible new source of supply was found, our customers have increased their purchase of our medium-grade ores to blend with high-grade ore for their production of the 300 Series stainless steel. Furthermore, some customers have increased their production of the 200 Series stainless steel, which requires low-grade limonite while reducing the production of the 300 Series. As a result, since the ban’s implementation, we have been selling increasing quantities of medium and low-grade limonite ore to our Chinese customers. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

We expect demand in the short to medium term for low-grade limonite ore to continue to increase, as customers are adjusting their demands for high-grade saprolite ore to low-grade limonite ore. The imbalance between supply and demand of nickel ore will continue to subsist and currently there are no signs that the demand for nickel ore in China will be decreasing in the near future.

Customers

Our primary customers include trading companies as well as end users in China. One Hundred Percent (100.0%) of our sales for the years ended December 31, 2015, 2016, and 2017 were sold to our customers in China and we expect that China will continue to be a large contributor to our sale of nickel ore in the future.

As of December 31, 2017, our top five (5) customers are Baosteel Resources International Co. Ltd., Golden Harbour International Pte. Ltd., Guangdong Century Tsinghan Nickel Industry Company Limited, SIIC Shanghai International Trade (Group) Co., Ltd. and Viva Global Group, Ltd. in terms of volume purchased. Our volume of sales attributable to these five (5) customers for the year ended December 31, 2017 amounted to a total of 4.8 million WMT, which constitutes 80.7% of our total sales. We began our business relationships with these five (5) customers in 2014, 2015, 2014, 2016, and 2014, respectively. The Company is not dependent on any single customer considering the shortage in the supply of the nickel.

Baosteel Resources International Co. Ltd., Golden Harbour International Pte. Ltd., SIIC Shanghai International Trade (Group) Co., Ltd., and Viva Global Group, Ltd. are mineral trading companies in China and Hong Kong involved primarily in the business of importing minerals into China, including the importation of nickel ore from the Philippines then reselling it to smelter plants operators and stainless steel producers in China. Guangdong Century Tsinghan Nickel Industry Company Limited is a smelter plant operator in China. These customers purchase high to medium-grade saprolite ore and medium to low-grade limonite ore from us under annual or monthly supply agreements.

The Company has signed supply contracts with Baosteel Resources International Co. Ltd., Golden Harbour International Pte., Ltd. and Guangdong Century Tsinghan Nickel Industry Company Ltd. for the delivery of 4.0 million WMT of its mining production, which is equivalent to about 70.0% of its target of 6.0 million WMT mining production in 2017.

On March 19, 2018, the Company announced that PGMC has signed a supply contract for the delivery of 1.5 million WMT of nickel ore to Guangdong Century Tsingshan Nickel Industry Company Limited. The contracted product covers medium grade nickel with high iron ore ($\text{Ni} \geq 1.5\%$; $\text{Fe} \geq 30.0\%$) and will be priced based on prevailing market prices for the 2018 mining season.

On April 02, 2018, the Company announced that PGMC has signed a supply contract or the delivery of 2 million WMT of nickel ore to Baosteel Resources International Co. Ltd. The purchase agreement covers a full range of products from low grade ore with nickel content of 0.90% to high grade ore with nickel content of as high as 1.8%. The pricing will be based on prevailing market prices for the 2018 mining season.

Competition

We compete with foreign nickel ore suppliers (primarily from New Caledonia, Indonesia and Australia) in world nickel ore markets, as well as other Philippine players. The most notable domestic competitors are CTPCMC, Nickel Asia Corporation, Marcventures Mining and Development Corporation, Carrascal Nickel Corporation and Oriental Peninsula Resources Group, Inc. We compete with other nickel ore suppliers primarily on the basis of ore quality, price, transportation cost and reliability of supply.

However, competition is also affected by the enforcement by the Philippine government of the environmental laws, rules and regulations. For instance, in February 2017, DENR ordered the closure and suspension of several mining companies.

The Company believes that it can effectively compete with its competitors due to efficient systems put in place in the operations of the CAGA Mine.

Mineral Resources and Ore Reserves

PMRC

In this Prospectus, unless otherwise noted, we present estimated mineral resources and ore reserves in accordance with the PMRC, which is described below. We review and update our estimates as required, but at least annually, to reflect actual production, new exploration data or developments and changes in other assumptions or parameters. In connection with the Offer, we have commissioned a PMRC Competent Person to independently verify certain of the ore reserve and mineral resource estimates. Ore reserve estimates will change from time to time to reflect mining activities, analyses of new engineering and geological data, changes in ore reserve and mineral resource holdings, modifications of mining plans or methods, changes in nickel prices or production costs and other factors.

Mineral Resources

The table on the following page summarizes the mineral resources (including stockpiles) at our Cagdianao Mine. These were estimated by us in accordance with the PMRC and were reviewed by PMRC Competent Person who accepts that the estimation procedures meet the standards of the PMRC.

Statement of Mineral Resources as at June 23, 2017

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
Low Grade (Ni >= 0.7%, Fe >= 48%)	CAGA 4 (as of June 23, 2017)	Measured	3,736,000	1.0	49.8	1.0
		Indicated	1,159,000	1.0	50.1	1.0
		Subtotal	4,895,000	1.0	49.9	1.0
	CAGA 2 (as of June 23, 2017)	Measured	1,477,000	1.0	49.8	1.2
		Indicated	767,000	1.0	49.6	1.2
		Subtotal	2,244,000	1.0	49.7	1.2
	CAGA 3 (as of June 23, 2017 (unmined))*	Measured	1,307,000	1.0	49.1	1.1
		Indicated	87,000	1.0	48.7	1.1
		Subtotal	1,394,000	1.0	49.0	1.1
	CAGA 1 (unmined)*	Measured	1,257,000	0.9	49.4	1.2
		Indicated	293,000	0.9	49.5	1.2
		Subtotal	1,550,000	0.9	49.4	1.2
	CAGA 5 (unmined)*	Measured	536,000	1.0	49.5	1.2
		Indicated	147,000	0.9	49.3	1.2
		Subtotal	683,000	1.0	49.5	1.2
	Combined	Measured	8,313,000	1.0	49.6	1.1
		Indicated	2,453,000	1.0	49.7	1.1
Total		10,766,000	1.0	49.6	1.1	
Medium Grade (Ni >= 0.8%, Ni < 1.5%, Fe < 48%)	CAGA 4 (as of June 23, 2017)	Measured	4,868,000	1.1	41.8	1.0
		Indicated	4,341,000	1.2	21.9	1.1
		Subtotal	9,209,000	1.1	32.4	1.1
	CAGA 2 (as of June 23, 2017)	Measured	5,456,000	1.2	22.5	1.3
		Indicated	4,380,000	1.1	26.4	1.3
		Subtotal	9,836,000	1.1	24.2	1.3
	CAGA 3 (as of June 23, 2017 (unmined))*	Measured	6,710,000	1.2	28.3	1.2
		Indicated	2,878,000	1.1	23.0	1.2
		Subtotal	9,588,000	1.1	26.7	1.2
	CAGA 1 (unmined)*	Measured	3,092,000	1.0	43.7	1.2
		Indicated	3,071,000	1.0	26.9	1.2
		Subtotal	6,163,000	1.0	35.3	1.2
	CAGA-5 (unmined)*	Measured	866,000	1.0	43.8	1.2
		Indicated	1,502,000	1.0	21.0	1.2
		Subtotal	2,368,000	1.0	29.3	1.2
	Combined	Measured	20,992,000	1.1	32.8	1.2
		Indicated	16,172,000	1.1	24.2	1.2
Total		37,164,000	1.1	29.1	1.2	

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
High Grade (Ni ≥ 1.5%, Fe < 48%)	CAGA 4 (as of June 23, 2017)	Measured	517,000	1.8	19.2	1.1
		Indicated	2,311,000	1.8	12.7	1.2
		Subtotal	2,828,000	1.8	13.9	1.2
	CAGA 2 (as of June 23, 2017)	Measured	1,276,000	1.7	11.9	1.3
		Indicated	179,000	1.7	12.7	1.3
		Subtotal	1,455,000	1.7	12.0	1.3
	CAGA 3 (as of June 23, 2017 (unmined)*	Measured	1,670,000	1.7	15.2	1.2
		Indicated	157,000	1.6	14.1	1.2
		Subtotal	1,827,000	1.7	15.1	1.2
	CAGA 1 (unmined)*	Measured				
		Indicated	106,000	1.7	16.2	1.1
		Subtotal	106,000	1.7	16.2	1.1
	CAGA 5 (unmined)*	Measured	7,000	1.6	42.9	1.2
		Indicated	7,000	1.5	25.7	1.2
		Subtotal	14,000	1.6	34.3	1.2
	Combined	Measured	3,470,000	1.7	14.7	1.2
		Indicated	2,760,000	1.8	12.9	1.2
		Total	6,230,000	1.7	13.9	1.2
Combined	CAGA 4 (as of June 23, 2017)	Measured	9,121,000	1.1	43.8	1.0
		Indicated	7,811,000	1.3	23.3	1.1
		Subtotal	16,932,000	1.2	34.4	1.1
	CAGA 2 (as of June 23, 2017)	Measured	8,209,000	1.2	25.8	1.3
		Indicated	5,326,000	1.1	29.3	1.3
		Subtotal	13,535,000	1.1	27.1	1.3
	CAGA 3 (as of June 23, 2017 (unmined)*	Measured	9,687,000	1.2	28.9	1.2
		Indicated	3,122,000	1.1	23.3	1.2
		Subtotal	12,809,000	1.2	27.5	1.2
	CAGA 1 (unmined)*	Measured	4,349,000	1.0	45.3	1.2
		Indicated	3,470,000	1.0	28.5	1.2
		Subtotal	7,819,000	1.0	37.9	1.2
	CAGA 5 (unmined)*	Measured	1,409,000	1.0	46.0	1.2
		Indicated	1,656,000	1.0	23.5	1.2
		Subtotal	3,065,000	1.0	33.8	1.2
	Combined	Measured	32,775,000	1.1	35.2	1.2
		Indicated	21,385,000	1.2	25.7	1.2
		Total	54,160,000	1.1	31.4	1.2

Notes:

- (1) The PGMC Statement of Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Code.
- (2) All Mineral Resources figures reported in the table above represent estimates at June 23, 2017. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
- (3) Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition) which was adopted from JORC.

- (4) The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Project, namely: CAGA 1 to CAGA 5. However, estimates* for CAGA 1 and CAGA 5 remain the same as reported on May 31, 2014 as no additional exploration/drilling and mining operations have been undertaken since then.
- (5) The increase in PGMC's Mineral Resources at CAGA 2 and CAGA 3 (2016:2017) was a result of additional resources estimated upon completion of additional exploration drilling from 2016 – 2017.

Ore Reserves

The Cagdianao Mine ore reserve estimates by the PMRC Competent Person as of June 23, 2017 are based on mineral resource estimation data and modifying factors as summarized in the table on the following page. The PMRC Competent Person applied the modifying factors to the mineral resource estimate to calculate the ore reserves shown below. The PMRC Competent Person has adjusted some of the modifying factors where it was believed the historical data may have overestimated the ore reserves. After these adjustments, the PMRC Competent Person believes the adjusted modifying factors are reasonable for converting the mineral resources to ore reserves.

Table of Statement of PMRC Ore Reserves as at June 23, 2017

Classification	Proven			Probable			Total			
	Material	WMT	Ni	Fe	WMT	Ni	Fe	WMT	Ni	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
Total		25,081,603	1.17	35.46	11,261,068	1.34	23.37	36,342,670	1.22	31.72

Source: PMRC Report dated October 15, 2017

Table of Ore Reserves as at June 23, 2017 by Product Specifications

Pit	Classification	Proven			Probable			Total		
		Material	WMT	Ni	Fe	WMT	Ni	Fe	WMT	Ni
CAGA 1	LGHF	2,408,358	0.87	48.82	533,967	0.84	48.77	2,942,325	0.86	48.81
	LGMF	49,929	1.21	45.06	28,413	1.20	42.40	78,342	1.21	44.09
	LGLF	823	1.20	35.08	36,287	1.29	18.84	37,110	1.29	19.20
	MGMF	-	-	-	-	-	-	-	-	-
	MGLF	-	-	-	156,621	1.47	17.00	156,621	1.47	17.00
	HG	-	-	-	51,453	1.84	15.38	51,453	1.84	15.38
	Total		2,459,109	0.88	48.74	806,742	1.06	38.90	3,265,851	0.92
CAGA 2	LGHF	1,814,540	0.94	49.34	996,638	0.92	48.85	2,811,178	0.93	49.17
	LGMF	333,427	1.23	46.07	98,847	1.21	47.58	432,274	1.23	46.42
	LGLF	1,295,389	1.27	12.52	513,646	1.25	12.65	1,809,035	1.27	12.56
	MGMF	47,393	1.44	41.66	3,739	1.40	43.38	51,131	1.43	41.79
	MGLF	1,748,989	1.47	11.53	275,676	1.46	12.58	2,024,665	1.47	11.67
	HG	534,817	1.80	11.81	54,832	1.78	12.86	589,649	1.80	11.91
	Total		5,774,556	1.28	25.90	1,943,378	1.13	33.05	7,717,934	1.24
CAGA 3	LGHF	2,930,420	0.92	48.57	202,245	0.94	48.09	3,132,665	0.92	48.54
	LGMF	526,573	1.21	45.89	40,388	1.21	44.10	566,961	1.21	45.76

Pit	Classification	Proven			Probable			Total		
		Material	WMT	Ni	Fe	WMT	Ni	Fe	WMT	Ni
	LGLF	1,449,740	1.27	14.41	599,050	1.26	13.24	2,048,790	1.27	14.07
	MGMF	55,112	1.44	43.03	699	1.42	46.81	55,811	1.44	43.08
	MGLF	2,381,581	1.47	14.52	375,635	1.45	13.36	2,757,216	1.47	14.36
	HG	764,407	1.77	15.54	31,974	1.72	13.89	796,380	1.76	15.47
	Total	8,107,833	1.25	29.13	1,249,990	1.27	19.95	9,357,823	1.25	27.91
CAGA 4	LGHF	5,056,702	0.94	49.40	1,084,137	0.96	49.39	6,140,839	0.94	49.40
	LGMF	1,479,307	1.23	46.68	271,704	1.23	46.89	1,751,012	1.23	46.71
	LGLF	345,411	1.25	20.82	1,396,840	1.26	11.06	1,742,251	1.26	12.99
	MGMF	467,115	1.45	42.72	54,376	1.43	44.01	521,491	1.44	42.85
	MGLF	356,906	1.49	11.04	2,373,620	1.48	11.66	2,730,526	1.49	11.58
	HG	477,345	1.89	13.83	1,936,317	1.85	12.50	2,413,662	1.86	12.76
	Total	8,182,786	1.11	43.57	7,116,993	1.45	19.11	15,299,780	1.27	32.19
CAGA 5	LGHF	491,948	0.89	49.25	124,284	0.86	48.89	616,233	0.88	49.18
	LGMF	15,504	1.30	47.83	253	1.24	45.71	15,757	1.30	47.80
	LGLF	-	-	-	2,152	1.22	18.95	2,152	1.22	18.95
	MGMF	49,802	1.43	46.58	5,505	1.45	41.27	55,308	1.43	46.05
	MGLF	63	1.47	-	11,770	1.41	21.20	11,834	1.41	21.08
	HG	-	-	-	-	-	-	-	-	-
	Total	557,318	0.95	48.97	143,965	0.93	45.88	701,283	0.95	48.33

Source: PMRC Report dated October 15, 2017

PMRC

The PMRC has been adopted by the PSE as the minimum reporting standard for listed mining companies in the Philippines. Our nickel mineral resources and ore reserves reported in the PMRC CAGA Report have been estimated in accordance with the PMRC. The primary features of the reporting of mineral resources and ore reserves in accordance with the PMRC are summarized below.

- (a) The PMRC governs the reporting of exploration results, mineral resources, ore reserves and metallurgical assessments and design related to mining in the Philippines.
- (b) The PMRC is applicable to all solid minerals including industrial minerals and coal. PMRC does not include diamond and other gemstones.
- (c) The “Competent Person” recognized under the PMRC is a person who is a duly-licensed professional and is an active Member or Fellow of the PSEM, GSP or SMEP, duly accredited by the professional organization to which he/she belongs or of a ROPO included in a list promulgated as the need arises.
- (d) Under the PMRC, an “Ore Reserve” is defined as the economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses that may occur when the material is mined. Defining ore reserves requires that appropriate assessments, *to a minimum of a pre-feasibility study*, have been carried out, and requires consideration of, and modification by realistically assumed, mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. In the case of integrated mining operations, the pre-feasibility study will have determined an ore treatment plan that is technically and commercially viable and from

which the mineral recovery factors are estimated. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are subdivided in order of increasing confidence into probable ore reserves and proved ore reserves.

Executive Summary of the PMRC CAGA Reserves Report

PGMC engaged the “Author”, Engr. Vicente M. Jayme Jr., a Mining Engineer- Competent Person, to prepare a PMRC CP Technical Report on the Economic Assessment and Ore Reserve Estimation of the CAGA Mine located in Sitio Kinalablaban, Barangay Cagdianao, Claver, Surigao Del Norte, in northeastern Mindanao, Philippines, for PGMC’s filing of updated Project Description with the DENR-MGB and its planned Offer with the PSE.

The Project is located within a mineral reservation in the Surigao Domain in the northeastern region of Mindanao Island identified as a nickel iron laterite-rich region derived from the weathering of Cretaceous ultramafic rocks of the Bicol-Eastern Mindanao Ophiolite Belt.

The Project is covered by MPSA No. 007-92-X granted to CMDC on June 13, 1992 covering an area of 4,376.0 hectares, which is valid for 25 years (until June 12, 2017). The MPSA was extended by the DENR Secretary for another 25 years (until February 14, 2042).

CMDC entered into a life of mine agreement with the SIRC on September 15, 2006, which then was eventually 100.0% owned by PGMC by 2007.

PGMC commenced development of the CAGA 4 deposit on January 2007 with an ECC shared with CTPCMC, another company operating its Adlay Nickel Project under the SIRC Joint Venture. In 2010, PGMC purchased CTPCMC’s share in SIRC, which then became 100.0% owned PGMC. The ECC was then amended to allow an authorized annual production capacity of 5.0 million dry metric tons from the entire tenement area.

In line with PGMC’s plan to expand mine operations and increase production capacity, PGMC embarked in a comprehensive exploration program on July 2011 to November 2012, which culminated in the subsequent preparation of a CP Technical Report on the Mineral Resource of the CAGA Nickel Project on September 06, 2013, which was updated on September 22, 2014 and again on June 30, 2016. These activities were undertaken and managed by GeoPacific Resources, Inc. (GPRI) with the supervision of the Geologist-CP Edgardo G. Garcia (Geologist-CP).

The Company, thru its exploration contractor BOHRER Mining Consultants Services (“BMCS”) embarked, in another phased exploration program from October 2016 to May 2017 covering the CAGA2 and CAGA3 in-fill and peripheral extensions, which led to the preparation of an updated CP Technical Report on the Mineral Resource of the CAGA Nickel Project dated October 15, 2017. These activities were undertaken and managed by BMCS with the supervision of the Geologist-CP Edgardo G. Garcia (Geologist-CP).

The mineral resource estimate was undertaken to take into account the mine depletion that has occurred since the initial resource estimation made during abovementioned date as well as the result of the recent phased exploration that was conducted from October 2016 to May 2017. During the updated resource estimation, the Geologist-CP reviewed PGMC’s drilling and sampling procedures and indicated that appropriate practices were used during the

drilling program and that all exploration activities were accomplished to the PMRC Code standard. The Quality Assurance/Quality Control (“QA/QC”) process indicated the following: that there is no significant assay bias; that with the significant amount of samples used in the estimation and the normal distribution and small range of sample grades within each estimation domain, the observed scatter of repeat data have no material and adverse impact on the resource estimate. Using the results of QA/QC, considerations were made when assigning PMRC classifications to the resource estimates.

The Geologist-CP mineral resource estimate complied with the recommendations of PMRC (2007) as highlighted by the adoption of the guidelines listed on the PMRC “Table- 1- Checklist of Assessment and Reporting Criteria”. The PGMC PMRC Statement of Mineral Resources as reported as at June 23, 2017 has a measured and indicated mineral resource of **54.1 Million Dry Metric Tonnes at 1.1%Ni and 31.4%Fe.**

On October 15, 2017, the “Author”, in his capacity as an independent consulting Mining Engineer-CP, was engaged by PGMC to do an economic assessment and ore reserve evaluation for its Cagdianao Nickel Expansion Project and subsequently prepared an updated PMRC CP-Technical report for economic assessment and ore reserve evaluation for purposes of submission to the PSE.

Based on the 2014 Project Description as prepared by the PGMC mine engineering team, PGMC 2017 operating budget, 2016 to June 2017 actual operating cost data, and other relevant data provided by the PGMC mine engineering team, the project has been determined to be profitable as reflected in the detailed financial model prepared by the “Author”. Based on the Financial Analysis, the project with an initial investment of **₱3.4 Billion or US\$68.0 Million**, has **Net Present Value (NPV) of ₱3.74 Billion or US\$ 74.8 Million**, **Internal Rate of Return (IRR) of 72%**, and a **Payback (discounted) period of 4.5 years.**

The proven and probable ore reserves estimate for the PGMC Cagdianao Nickel Expansion Project as at ending June 30, 2016 stands at **36.3 Million WMT at 1.22%Ni and 31.7%Fe.** The ore reserves estimate was proven to be viable based on the results of the economic assessment done by the “Author”.

The “Author” recommends to PGMC the following:

Further exploration work should be done to delineate additional mineral resource with the potential to be converted to ore reserves and extend the life of the mine to beyond its projected eight (8) years mine life at an annual mine production of 5.0 Million WMT. Peripheral drilling on CAGA1, CAGA4, CAGA5 as well as grass roots drilling at CAGA6, CAGA7, and HIGDON areas should be prioritized as a new road will be constructed which will provide easy access to these ore extensions when the exploration results are favorable. Other potential resource commodities such as limestone should also be studied as the SIRC tenement contains a considerable volume located at its western side. Chromite deposits have also long been identified to occur also within the SIRC tenement. Recent geological investigation conducted by PGMC suggests possible economic volume of chromite within the areas of CAGA2 and CAGA7 areas that warrants further detailed investigation.

The viability of putting up a mine-mouth Blast Furnace plant for NPI production to tap the vast low nickel-high iron ore potential within the tenement should be thoroughly studied. This will allow PGMC to further maximize its resource and value of its property thereby

strengthening its position in the Philippine nickel mining industry as well as become a more reliable supplier to China and other potential markets.

Strategic mine planning should continue to focus on the long term outlook of the possibility of a Philippines export ban on unprocessed ore and the slow upward movement of prices and demand for carbon steel as against its effect on the ore reserves of PGMC. It should also determine the optimum production of the mine putting into consideration the future demand of nickel particularly the medium and high grade and the risk of slowing down on the low grade nickel-high iron ore exports if the prices of iron ore will not significantly increase. The strategic mine plan should address the question on the effect of the low grade nickel-high iron if it were to become a non-marketable product with the demise in demand of China.

The mine has been aggressively opening up new areas of CAGA2 and CAGA4, which could pose as an environmental risk since the disturbed areas are increasing fast and the implementation of the progressive rehabilitation program cannot cope due to possible cost constraints. In compliance to the EPEP and ECC conditionality, PGMC should continue to conduct progressive rehabilitation consistently to make up for the backlog in the area required for rehabilitation and re-vegetation to which the “Author” believes they can achieve.

PGMC should also look into acquiring additional tenements with high potential for nickel laterites in identified ultramafic domains particularly in Palawan, MIMAROPA, as well as in Dinagat Island and in the southern part of Mindanao.

The Statement of Mineral Resources (Measured and Indicated) as at May 31, 2014 and June 30, 2016 are presented below to show resource update after mine depletion and new resource estimation with completion of CAGA 2 and CAGA 4 drilling.

Statement of Mineral Resources for Total Nickel as of May 31, 2014 (Measured and Indicated)

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Co%	Fe%	Dry Bulk Density
Combined	CAGA 4 (as of May 31, 2014)	Measured	5,898,000	1.12	0.13	48.3	1.20
		Indicated	14,018,000	1.38	0.06	22.6	1.36
		Subtotal	19,916,000	1.30	0.08	30.2	1.3
	CAGA 2 (as of May 31, 2014)	Measured	10,975,000	1.26	0.08	29.1	1.25
		Indicated	6,053,000	1.20	0.05	16.1	1.22
		Subtotal	17,028,000	1.24	0.07	24.5	1.2
	CAGA 1 (unmined)	Measured	4,349,000	0.94	0.10	45.3	1.20
		Indicated	3,470,000	1.05	0.07	28.5	1.18
		Subtotal	7,819,000	0.99	0.09	37.9	1.2

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Co%	Fe%	Dry Bulk Density
	CAGA 3 (unmined)	Measured	3,199,000	1.07	0.11	44.9	1.10
		Indicated	3,986,000	1.27	0.06	19.1	1.05
		Subtotal	7,185,000	1.18	0.08	30.6	1.1
	CAGA 5 (unmined)	Measured	1,409,000	1.02	0.14	45.9	1.20
		Indicated	1,656,000	1.01	0.07	23.6	1.20
		Subtotal	3,065,000	1.01	0.10	33.9	1.2
	Total	Measured	25,830,000	1.14	0.10	39.1	1.2
		Indicated	29,183,000	1.27	0.06	21.6	1.3
		Total	55,013,000	1.21	0.08	29.8	1.2

Notes:

- (1) *The Statement of PMRC Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Code.*
- (2) *All Mineral Resources figures reported in the table above represent estimates as at May 31, 2014. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.*
- (3) *Mineral Resources are reported in accordance with the PMRC (2007 Edition).*

Statement of Mineral Resources for Total Nickel as of June 30, 2016 (Measured and Indicated)

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Co%	Dry Bulk Density
Combined	CAGA 4 (as of June 30, 2016)	Measured	10,456,000	1.1	43.8	0.1	1.0
		Indicated	8,042,000	1.3	21.9	0.1	1.1
		Subtotal	18,498,000	1.2	34.3	0.1	1.1
	CAGA 2 (as of June 30, 2016)	Measured	8,354,000	1.2	26.9	0.1	1.3
		Indicated	5,393,000	1.1	22.3	0.1	1.3
		Subtotal	13,747,000	1.2	25.1	0.1	1.3
	CAGA 1 (unmined)*	Measured	4,349,000	0.9	45.3	0.1	1.2
		Indicated	3,470,000	1.0	28.5	0.1	1.2
		Subtotal	7,819,000	1.0	37.9	0.1	1.2
	CAGA 3 (unmined)*	Measured	3,199,000	1.1	44.9	0.1	1.1
		Indicated	3,986,000	1.3	19.2	0.1	1.1
		Subtotal	7,185,000	1.2	30.6	0.1	1.1
	CAGA 5 (unmined)*	Measured	1,409,000	1.0	46.0	0.1	1.2
		Indicated	1,656,000	1.0	23.5	0.1	1.2
		Subtotal	3,065,000	1.0	33.8	0.1	1.2
	Total	Measured	27,767,000	1.1	39.2	0.1	1.2
		Indicated	22,547,000	1.2	22.6	0.1	1.2
		Total	50,314,000	1.1	31.8	0.1	1.2

Notes:

- (1) *The PGM Statement of Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Code.*
- (2) *All Mineral Resources figures reported in the table above represent estimates at June 30, 2016. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.*
- (3) *Mineral Resources are reported in accordance with the PMRC (2007 Edition).*

(4) *The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Project, namely: CAGA 1 to CAGA 5. However, estimates for CAGA 1, CAGA 3 and CAGA 5 remain the same as reported on May 31, 2014 as no additional exploration/drilling and mining operations have been undertaken.*

Environment and Rehabilitation

We adhere to the principles and practices of sustainable development. In addition, our mining operations are subject to stringent and extensive environmental regulations. As such, we are deeply committed to implementing best practices in managing the environmental impact of our operations, from exploration to rehabilitation. Upon cessation of our mining operations, we plan to restore our mining properties to their pre-mining conditions or to develop alternative productive land uses for the benefit of the affected communities.

The Implementing Rules and Regulations of the Philippine Mining Act require us to contribute 3.0% to 5.0% of our mining costs for the implementation of the annual EPEP. Activities undertaken under our annual EPEP include among others: rehabilitation of mine disturbed areas, reforestation, construction and/or maintenance of environmental facilities, solid waste management, hazardous waste management, air quality monitoring and water quality monitoring. In 2015, 2016 and 2017, we spent approximately ₱110.4 million, ₱101.9 million and ₱104.6 million, respectively, on our EPEP. We believe that our cost of compliance with environmental laws is not material.

Our compliance with ECC conditions and performance of its commitments under our annual EPEP are subject to monitoring and evaluation of the Multipartite Monitoring Team (“MMT”). The MMT is a multi-sector group headed by a representative from the MGB and representatives of local government units, other government agencies, non-government organizations, people’s organizations, the church sector and us. Funds for mine rehabilitation and other environmental guarantee funds are established and deposited in trust funds, as required by the Philippine Mining Act. As at December 31, 2015, 2016 and 2017, total rehabilitation and monitoring trust funds amounted to about ₱5.9 million. This amount complies with the minimum requirement under the law.

Our Mine Rehabilitation and Decommissioning Plan is currently being revised and will take account of an extension in the useful lives of our mine resulting from our anticipated future sales of limonite ore.

We periodically book an accretion expense and corresponding provision for mine rehabilitation and decommissioning. The basis for this expense/liability is our draft Mine Rehabilitation and Decommissioning Plan. As of December 31, 2017, 2016, and 2015, we had ₱245.4 million, ₱67.1 million, and ₱58.3 million, provisions, respectively, for the mine rehabilitation and decommissioning, which complies with the schedule given to us by MGB. On February 23, 2017, we fully funded our required ₱74.6 million FMRDF ahead of the schedule given to us by the MGB.

The operating mine of SIRC is representative of mature surface mining operations, with vast disturbed areas that require on-going restoration and rehabilitation to re-establish the natural vegetation, as well as to reduce the significant visual impact of the mining operations.

The mine has an approved EPEP and secured the required operating permits to construct and operate siltation control facilities. Consistent with the EPEP, in early 2014, our mine received an environmental award under its “Adopt a River Program” for its protection of the Kinalablan river, which is within our area of operations in the Cagdianao Mine.

The necessity to segregate each material classification and to partially reduce moisture content through solar drying involves a fairly wide open area exposed to soil erosion that will cause sediment loadings and deposition in natural drainages feeding to the ocean. To mitigate such sediment loadings from reaching the ocean, all operations constructed siltation ponds, most of them in series, to catch and contain as much run-off as possible.

The mining method, considering the geographic, geological, climatic and other relevant attributes, is not expected to lead to significant or irreversible adverse impacts to the environment provided that environmental monitoring, mitigation and rehabilitation measures are properly developed and implemented. The environmental management personnel of our mine are well-qualified and have many years of relevant experience.

The DENR requires all operating mines to submit their FMRDP for evaluation and approval. Upon approval, the mine is required to deposit annually a portion of the total FMRDP cost. The FMRDP shall be deposited as a trust fund in a Government depositary bank and shall be used solely for the implementation of the approved FMRDP. Annual cash provisions shall be made by the mining companies to a FMRDF based on the formula provided in DENR Administrative Order No. 2005-07. As of the date of this Prospectus, the Company has set up a trust fund with DBP Surigao City in the total amount of ₱76,877,711.00 to comply with such requirements under the FMRDP. We are in compliance with all such requirements in all material respects.

The DENR also requires all mining companies to secure ISO 14001 certification - Environmental Management System.

This system ensures sufficient environmental funds are available to cover full mine rehabilitation even in the event of a premature closure.

Compliance with the ECC and implementation of EPEP of all sites are audited quarterly by an MMT composed of representatives from the government regulatory agencies, local government officials of host and neighboring communities, non-governmental organizations and the church.

The DENR also requires all mining companies to secure ISO 14001 certification - Environmental Management System. In 2016, PGMC was certified with ISO 14001:2015 (Environmental Management System). In April 2017, INC was certified with ISO 14001:2015 in its Environmental Management System for Management of Mine Site Preparation.

Employees

As of March 31, 2018, we had 1,027 employees. Out of these employees, 75 are employed at our head office, while the remaining 952 are employed in our mining operations at our existing mines in Cagdianao. Of these, 184 are involved in mining operations, engineering,

and mine planning, 293 are employed on grade and quality control, 119 are handling port operations, 159 are taking care of the environment, health, and safety concerns of the Company, and 197 are performing administrative, human resource, accounting & finance, maintenance and mechanic functions, mine security, audit, and office of the vice president. The Company has employed the best all-Filipino professional and technical personnel. Further, there are six (6) technical personnel who are members of our senior and junior management.

Our service contractors had deployed an aggregate workforce of 1,243 employees at our Cagdianao site. In addition, we have chartered five (5) LCTs utilized for shipside loading operations and have about 70 personnel. We do not currently anticipate any significant increase or decrease in the number or allocation of our employees at our Cagdianao Mine for the 2018 mining season. For INC Mine, it has less than 30 employees engaged in community relations, survey, and other preparatory activities. The rest of the manpower required for the operation of the INC Mine will come from the contractors that will be engaged by the Company for the mining operations.

Although historically we have not experienced any work stoppages, strikes or industrial actions, there can be no assurance that work stoppages or other labor-related disputes, demands for increased wages or other terms or other developments will not occur in the future. Any significant dispute between the contractors and us or labor disputes between the contractors and their employees could have a material adverse effect on our business, results of operations, and financial condition. As our business grows, we will require additional key financial, administrative and mining personnel as well as additional operations staff.

There are no labor unions within the Group.

As of March 31, 2018, the following is the breakdown of the Company's employees:

Employee Breakdown

Position Level	Head Office			Total for Head Office	CAGA			Total For CAGA	Grand Total
	R	P	FT		R	P	Ft		
Executives	7	–	–	7	1	–	–	1	8
Managerial	13	–	–	13	12	–	–	12	25
Supervisory	11	–	–	11	36	6	41	83	94
Technical	3	–	–	3	38	–	237	275	278
Rank & File	36	4	1	41	11	–	570	581	622
Total	70	4	1	75	98	6	848	952	1,027

Figure was based on manpower compliment of PGM C H.O, GFNI, Surigao mine site, PCSSC H.O & mine site

Legend

R - Regular

P - Probationary

FT - Fixed Term

Occupational Health and Safety

We are committed to providing safe and healthy working conditions to protect our employees from injuries and to prevent damage to our properties and equipment.

Health and safety are integral parts of our personnel policies. Our comprehensive safety program is designed to minimize health risks arising out of work activities and to assure compliance with occupational health and safety standards and rules and regulations that apply to our operations.

We provide and strictly require the utilization of a comprehensive suite of protective equipment and safety devices for employees and visitors. First aid and emergency equipment are installed strategically in our work areas. Safety in-house inspections are regularly conducted to identify hazards and unsafe conditions or practices. Managers and supervisors regularly conduct safety briefings and meetings. Safety orientation training is also conducted for new employees and emergency preparedness training and drills are conducted periodically.

We have a rigorous system of investigating accidents and near-misses to understand causes and implement corrective measures. We record and monitor lost time injuries, medically treated injuries, minor injuries, and non-injury incidents that include serious incidents, and property damage and their frequency rates. In the past three (3) years, we have had one (1) isolated fatal accident at our mine site. See “Risk Factors—Risks Related to our Existing Business and Industry.”

We have won a number of awards for operating some of the safest and environmentally friendly surface mines in the Philippines. In addition to other awards, our operations have been recognized with the most improved safety performance by Philippine Mine Safety and Environment Association during the 61st Annual National Mine Safety and Environment Conference held at Baguio City on November 14, 2014. In addition, PGMC is also one of the nominees for the Best Mining Forest award for 2014.

On November 02, 2016, the MGB wrote PGMC that it will receive the following awards on November 18, 2016:

- (a) Most Improved Safety Performance;
- (b) Best Surface Mine Supervisor; and
- (c) Presidential Mineral Industry Environmental Award (PMIEA) Selection Committee Titanium Award, Surface Mining Operation Category.

These awards are being conferred every year to mining companies that showed exemplary practices in safety and health; environmental protection and rehabilitation; and community and social development and management.

Intellectual Property Rights

PGMC is the registered owner of the trademarks “Platinum Group Metals Corporation” and “Global Ferronickel Holdings, Inc.”

The terms of registration of the following trademarks are as follows:

Registration Terms of Trademarks

Trademark	Term
Platinum Group Metals Corporation	May 09, 2013 – May 09, 2023
Global Ferronickel Holdings, Inc.	August 27, 2015 – August 27, 2025

Since the products of the Group are mineral ores, the sale of said ore is not primarily dependent on the said trademarks.

Corporate Social Responsibility

General

We believe that we have a corporate social responsibility to protect and care for the people and the environment affected by our operations and attempt to improve the welfare and quality of life in the communities in which we operate. We believe that we contribute to the sustainable economic development of these communities and, more broadly, the nation.

The Philippine Mining Act contains specific provisions with respect to social development and management programs. The provisions require all mining companies to assist in: (a) the development of local communities to promote the general welfare of the local inhabitants; and (b) the development of mining technology and geosciences as well as manpower training and development. Under the Implementing Rules and Regulations of the Philippine Mining Act, all mining companies are required to allocate annually a minimum of 1.5% of the total operating costs for such purposes. 75.0% of the 1.5% total operating costs shall be apportioned for the development of the Host and Neighboring Communities program, 15.0% of the 1.5% total operating costs shall be apportioned for the Promotion of Public Awareness and Education on Mining Technology and Geosciences program and the remaining 10.0% of the 1.5% total operating costs shall be used to assist in the development of Mining Technology and Geosciences program as well as manpower training and development.

Community relations staff and community organizers assist us in building and establishing partnerships within the communities in which we operate, formulating programs that address the needs of such communities and also enable us to immediately address local issues and concerns. Projects for education, health, livelihood, infrastructure assistance and other social services are all designed and implemented in close coordination with relevant local government units and communities. The Community Technical Working Group, which is composed of representatives from local government units, government agencies, non-governmental organizations, community organizations, churches, and us, regularly monitors our performance in implementing our social development and management program.

Education

We believe that quality education is the best tool to fight poverty. We award scholarships and other forms of aid to deserving students, including students who are members of indigenous groups, so as to improve their education, job opportunities and their ability to support their families. These scholarships and other forms of aid include payment of tuition, stipend

allowances and provision of school supplies and uniforms. Education projects also involve the improvement of school facilities, provision of educational materials to schools, teachers' training programs and payment of teachers' honoraria. At our Cagdianao Mine, we have constructed seven (7) school buildings, a library, and one (1) atrium for the barangays in the community. The school provides free education and school materials to about 620 students from the Cagdianao and Hayanggabon barangay communities. In addition, we provide assistance under the Alternative Learning System project, an accredited program under the Department of Education. We also provide salaries for four (4) teachers who work with public schools in the communities where our Cagdianao Mine is located. We have also initiated school to school campaign promoting knowledge in mining, sponsorship for inter-school educational competitions, as well as mine site tours for students and teachers of Claver and nearby education institutions.

Health

Affordable and quality health care is provided to local community members, in addition to our employees and their dependents. We conduct medical missions designed to address the basic medical needs of local community members, including indigenous people and the indigent, where free medicine, basic dental services and ambulance service facilities are provided. Our health care projects involve the construction and improvement of Barangay health centers, provision of sanitation latrines for households, and provision of salary to local health workers, midwives, nurses and a doctor. Outpatients are being treated by the medical team and medicine is provided for free. At our Cagdianao Mine, we established a maternity clinic, where pregnant women as well as other members of the immediate community are being served.

Livelihood and Training

Members of the local communities in which we operate traditionally depend on agriculture and fishing for their livelihood. We provided a total of 45 motorboats to fishermen within the Cagdianao and Hayanggabon barangay communities. We regularly provide local community organizations with technical and financial assistance in the form of seminars, study tours, financial literacy classes, leadership and management training programs, capital funding, equipment for farming and fishing and farm inputs for crop production.

We also work with the Technical Education and Skills Development Authority ("TESDA") to provide technical education and skills development to residents of neighboring communities. We constructed a skills training center and provided equipment that are utilized by TESDA participants and trainers. We also assisted the graduates of the skills training center to establish an auto repair shop, providing employment to some of the graduates.

In addition, we established a vegetable training farm to provide training and education for farmers, who may eventually be able to supply and sell their produce to the local markets and generate extra income.

Infrastructure assistance

We undertake infrastructure projects in local communities, including water system projects, construction and improvement of buildings (such as barangay halls, daycare centers, churches and schools), road improvements and electrification projects as part of our social development and management program. These projects are implemented with the involvement of community members so as to foster cooperation and teamwork and impart a sense of ownership among them.

At our Cagdianao Mine, we funded various infrastructure projects such as, the construction of housing for indigent members of the community, through the Gawad Kalinga program, construction of sea walls to protect the neighboring communities from the effects of sea erosion, construction of a multi-purpose community hall in Barangay Cagdianao, construction of some barangay road and churches, procurement of materials for the electrification of individual households, construction of water processing stations and construction of the Cagdianao public markets.

Moreover, we have also provided and constructed shallow water pumps, a weir dam and an office building at the local water processing stations to support the local water supply system in the nearby communities.

Other social services

We actively participate in, and provide financial and non-financial assistance to, local cultural celebrations, sports competitions and other socio-cultural activities. We also assist with soliciting support from various institutions like the academe, the religious sector, local groups and government agencies.

Insurance

Our policy is to obtain insurance coverage for our business and mining facilities that is in line with industry standards and sound business practices. All of our insurance policies are subject to customary exclusions and deductibles. We do not carry business interruption insurance.

PGMC

PGMC currently maintains insurance through Trinity Insurance Brokers, Inc., for “all risks” coverage, including property loss or damage, insurance coverage related to motor vehicle loss or damage and building damage due to fire, lightning, typhoons, or earthquakes.

PCSSC

PCSSC currently maintains commercial hull insurance with QBE Seaboard Insurance Philippines, Inc. for our hulls and machineries.

Legal Proceedings

In the ordinary course of our business, we are a party to certain disputes that, we believe, are incidental to our operations. For example, on August 30, 2013, a corporation, which has demanded royalty payments from PGMCO, has gone to the DOJ and Office of the Ombudsman to sue some of our directors and officers for alleged infractions of environmental laws, such as the alleged discharge of regulated water pollutants without valid permits required under the Philippine Clean Water Act. The directors and officers filed their respective responses to the complaints disputing the claims of the corporation. The corporation later signed a memorandum of agreement with respondents and executed an affidavit of desistance while respondents filed separate motions to dismiss the complaints in both offices. The DOJ has yet to resolve the complaint while the Office of the Ombudsman dismissed the complaint for lack of basis in a Joint Resolution dated February 23, 2018.

Mr. Joseph C. Sy was the subject of a letter-complaint for deportation filed before the BI. Mr. Joseph C. Sy was also the subject of a complaint for violation of the Philippine Immigration Act of 1940, Anti-Dummy Law, Philippine Mining Act of 1995, Revised Penal Code on simulation of birth, falsification of public documents and perjury, and Section 17 of the Corporation Code before the SEC. In supporting the allegations against Mr. Joseph C. Sy, the complainant questioned the Filipino citizenship of Mr. Joseph C. Sy. Mr. Joseph C. Sy has received favorable resolutions from both the BI and the SEC. However, in the BI, the complainant filed a belated motion for reconsideration in October 2014. Mr. Joseph C. Sy opposed it by way of a motion to expunge the complainant's motion for reconsideration in November 2014. The BI decided to entertain the motion for reconsideration of the complainant and the original complaint was reinstated. On February 26, 2015, the Board of Commissioners of the BI unanimously dismissed the said case against Mr. Joseph C. Sy. Uncontented, the complainant forum-shopped by appealing to the Office of the President and filing a substantially similar complaint before the DOJ. Mr. Joseph C. Sy has vigorously objected to both actions. No resolution has yet been rendered by either agency. As of date, no resolution overturning the decision of the BI has been issued. Mr. Joseph C. Sy was issued a Philippine passport and is a holder of a Philippine National Statistics Office (NSO) birth certificate (as a Filipino), thus, he is presumed to be a Filipino citizen unless otherwise declared.

Despite the favorable decisions from the BI and the SEC, there can be no assurance that Mr. Joseph C. Sy's citizenship will no longer be contested before administrative bodies or courts in the Philippines. In the unlikely event that courts or administrative bodies in the Philippines make a determination against the Filipino citizenship of Mr. Joseph C. Sy, the Company's subsidiaries may be found to be in breach of the foreign ownership restrictions (a) relating to mining companies in the Philippines, which could result in disqualification to conduct mining operations under MPSAs in the Philippines and/or the cancellation, revocation, and termination or the non-renewal of MPSAs and its corresponding operating agreements or (b) relating to the ownership of lands.

Mr. Joseph Sy is also the subject of a complaint for violation of Republic Act No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act. On November 10, 2017, Mr. Joseph Sy filed for a Motion to Dismiss for violation of his right to speedy disposition of his case and for lack of probable cause. Mr. Joseph Sy argued that more than ten (10) years have passed from the time the Commission on Audit denied the appeal of the audit allowance when the Ombudsman filed the case in the Sandiganbayan in 2017. In addition, Mr. Joseph

Sy asserted that he did not violate the law because he was only a corporate officer of the entity that secured the supply of a tractor to the municipal government. He took no part in any phase of the transaction. On February 22, 2018, the Sandiganbayan denied the Motion to Dismiss. On February 27, 2018, Mr. Joseph Sy filed a Motion to Recuse asking for the inhibition of the division of the Sandiganbayan. Also, on March 05, 2018, he filed a Motion for Reconsideration of the February 22, 2018 Resolution. Both motions are now pending resolution.

Mr. Dante R. Bravo is a subject of a complaint for violation of the Philippine Mining Act, the Philippine Water Act, Anti-Graft and Corrupt Practices Act, Presidential Decree No. 1829 on Obstruction of Justice, and Presidential Decree No. 77, otherwise known as the Forestry Reform Code. As of date, the case on the violation of the Philippine Mining Act and the Philippine Water Act is still pending for resolution before the DOJ. On the violation for Obstruction of Justice, a Motion for Voluntary Inhibition of the Investigating Prosecutor and the whole Office of the Provincial Prosecutor of Palawan was filed. As of date, the Motion for Voluntary Inhibition insofar as the Investigating Prosecutor has been granted.

On August 30, 2013, PGMC commenced an insurance claim against Mercantile Insurance Co. before the Regional Trial Court of Makati City to recover the proceeds of approximately ₱208,410,988.00 under an insurance policy covering several trucks that were destroyed in an armed attack on October 03, 2011 at the Cagdianao Mine site. On November 06, 2017, the Regional Trial Court granted the complaint of PGMC, directing the insurance company to pay ₱183,260,779.32. This ruling is subject of a pending motion for reconsideration.

On the other hand, PGMC filed a petition on September 15, 2015 assailing the sustainability tax assessment for year 2014 in the amount of ₱37,757,940.00 by the Provincial Treasurer of Surigao del Norte; and another petition on August 26, 2016 assailing the local business tax assessments for 2014 and 2015 in the amounts of ₱83,981,477.43 and ₱61,833,811.88, respectively, by the Municipality of Claver. The first petition is pending resolution by the Regional Trial Court of Surigao City while the second petition was decided in favor of PGMC in a Decision dated February 14, 2017. After the Regional Trial Court nullified the assessment in the second petition, the municipality went up to the Court of Tax Appeals, which has yet to rule on the petition.

On August 18, 2016, in a Letter-Petition, CMDC asked the DENR to modify the renewal of the MPSA granted to SIRC and alleged that the MPSA should have been renewed under the name of CMDC. The administrative proceeding is entitled In Re: Renewal of MPSA No. 007-92-X Granted to Surigao Integrated Resources Corporation and docketed as DENR Case No. 9768. On October 28, 2016, SIRC filed its Answer. SIRC argued that the petition is frivolous and must be dismissed because: (a) CMDC has transferred all its rights and interests in the MPSA to SIRC through an Assignment Agreement, making SIRC the real party who has the right to seek a renewal of the MPSA; (b) the petition is essentially an opposition to the renewal of the MPSA in the name of SIRC, which, in turn, amounts to a mining dispute that falls within the original and exclusive jurisdiction of the DENR Panel of Arbitrators; (c) the renewal of MPSA in favor of SIRC became incontrovertible as CMDC failed to appeal from the prior denial of its own request for renewal; and (d) the authority of the signatory to the Letter-Petition to act for CMDC was not properly established. The case is pending resolution.

We believe that none of the cases mentioned above are likely to materially affect the financial condition or results of operations of our business.

Mine to be Acquired

Ipilan Nickel Corporation Mine

On November 27, 2014 we entered into a Memorandum of Agreement with Giantlead Prestige, Inc., Alpha Centauri Fortune Group, Inc., Antares Nickel Capital Inc., and Huatai Investment Holding Pty Ltd., the shareholders of Southeast Palawan, to purchase a 100.0% shareholding in Southeast Palawan, which directly and indirectly owns a 97.6% shareholding in INC as well as the control of CNMEC, the holder of the MPSA No. 017-93-IV over the mineral production rights at the INC Mine. INC was granted the right to operate the INC Mine under an operating agreement signed between INC and CNMEC. The MGB's approval of the operating agreement was issued in 2015. Although Mr. Joseph C. Sy has controlling shareholding interests in Southeast Palawan, our acquisition in the shareholdings in Southeast Palawan was negotiated at arm's length and under comparable commercial terms. Due to the related party nature of the transaction, the acquisition is therefore subjected to the following conditions precedent before the completion of the acquisition could take place:

- (a) The Company has conducted a due diligence examination of Southeast Palawan and INC and the results of such due diligence examination is satisfactory to the Company;
- (b) The sale of the shares in Southeast Palawan in exchange for the purchase price is found to be fair by P&A and the results of such report is acceptable to both parties;
- (c) RPM has issued its updated technical report on the quantity and quality of the resources in the mineral property owned by INC, and the results of such report is acceptable to both parties;
- (d) The purchase of the shares in Southeast Palawan is approved by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Company during a stockholders' meeting duly called by the Company for said purpose;
- (e) The SEC has approved the increase in the authorized capital stock of the Company as well as the change in the corporate name; and
- (f) The payment of the purchase price shall be made by the Company either after the conduct of the follow-on offering to the general public and for which a permit to sell has been secured from the SEC, whenever the Company has generated sufficient funds to pay the purchase price from its operations, or the conduct of other fund raising activities.

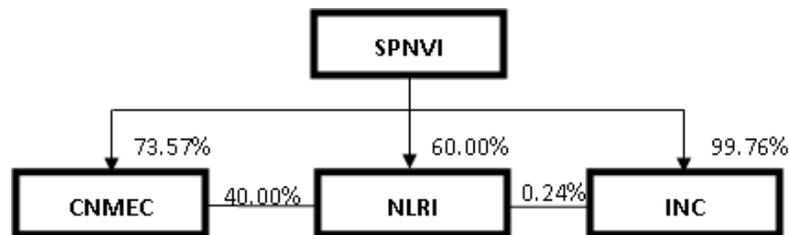
On February 26, 2015, during a special stockholders' meeting of the Company, the stockholders representing at least two-thirds (2/3) of the outstanding capital stock approved the acquisition of 100.0% of the outstanding shares of Southeast Palawan for US\$50,000,000.00, or its Philippine Peso equivalent and P&A's valuation report on October 09, 2015 confirming the agreed price is fair and reasonable is pending.

On August 06, 2015, the Board of Directors of the Company approved the following: (a) the execution of the Contract to Sell for the purchase of 500,000 common shares and 6,250,000,000 preferred shares or one hundred percent (100.0%) interest of Southeast Palawan for US\$50.0 million or its Philippine peso equivalent; and (b) the subscription of the Company to the remaining unissued and unsubscribed shares of Southeast Palawan consisting of Three Hundred Thousand (300,000) common shares with a par value of One Peso (₱1.00) per share, and Three Billion Seven Hundred Fifty Million (3,750,000,000) preferred shares with a par value of One Centavo (₱0.01) per share, for a total subscription price of Thirty Seven Million Eight Hundred Thousand Pesos (₱37,800,000.00).

In December 2016, the DENR cancelled the ECC for the INC Mine allegedly due to its failure to launch the Ipilan Nickel Project within the five (5) -year period from the issuance of the ECC. INC has filed with the Office of the DENR Secretary a letter seeking to have the order of cancellation reconsidered stating the significant programs and activities that INC has implemented and continue to implement to pursue the project. INC also discussed in its letter the timeline of major approvals it has obtained from the different DENR offices and other pertinent agencies in relation to the INC Mine. INC believes that the lone basis for the cancellation of its ECC (i.e. that “the Project was never implemented”) has no factual basis.

Corporate Organization

The diagram below represents the shareholding structure of INC as of the date of this Prospectus:

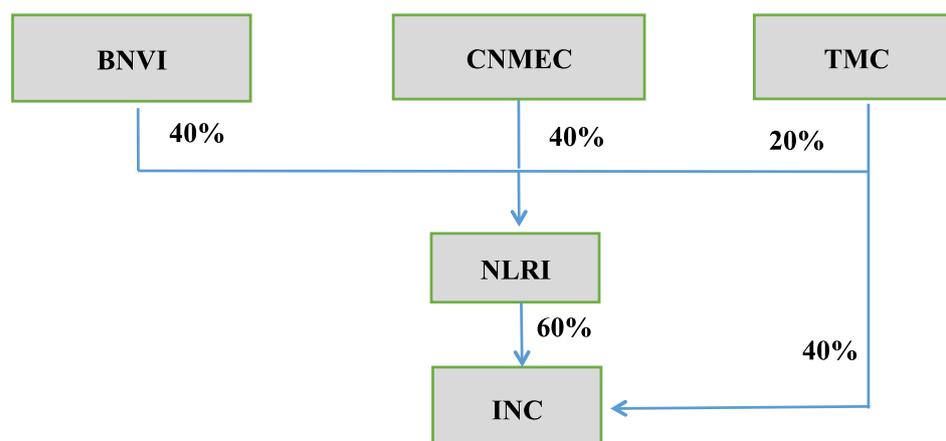


Subject to completion of payment and such other conditions under the relevant Sale and Purchase Agreement dated May 13, 2014, and the Share Purchase Agreements dated June 04, 2014, and June 09, 2014, Southeast Palawan will be the beneficial owner of the interest in INC held by Nickel Laterite Resources, Inc. and Toledo Mining Corporation Plc., hence Southeast Palawan will effectively hold 100.0% shareholding in INC.

History of INC

As a result of a Venture Agreement dated January 19, 2005 (“Venture Agreement”), TMC, CNMEC (MPSA Holder), and BNVI formed a holding company named NLRI. CNMEC, BNVI, and TMC owned 40.0%, 40.0%, and 20.0% of NLRI, respectively. Also pursuant to the Venture Agreement, INC was formed wherein NLRI owned 60.0% and TMC owned 40.0% of INC. INC was designated as the operator of the INC Mine through an Operating Agreement between CNMEC and INC on January 19, 2005. The MGB approval of this operating agreement was issued in 2015. The following diagram illustrates the structure of INC prior to May 13, 2014:

**NLRI and INC Original Structure
(Before Acquisition of SPNVI)**



Legend:

NLRI - Nickel Laterite Resources, Inc.
TMC - Toledo Mining Corporation
INC - Ibilan Nickel Corporation

BNVI - Brooks Nickel Ventures, Inc.
CNMEC - Celestial Nickel Mining Exploration Corporation

On May 13, 2014, TMC and PGMC executed a Sale and Purchase Agreement whereby TMC agreed to sell and/or assign in favor of PGMC, the following: (a) its 40.0% shareholdings in INC and its 20.0% shareholdings in NLRI (or a total of 52.0% interest in INC); (b) its loan receivables of ₱468,826,300.00 or US\$10,418,362.00 from BNVI; (c) its advance payment of ₱40,500,000.00 to CNMEC pursuant to an Assignable Option to Purchase Agreement executed between TMC and CNMEC; and (d) its receivables from INC of approximately ₱120,358,283.00 (items (b) to (d) collectively referred to as “Receivables and Advances”). On August 05, 2014, PGMC assigned its rights under the SPA to Southeast Palawan. For and in consideration of the foregoing, Southeast Palawan shall pay a total of US\$14.0 million, in three (3) installments, all of which have already been completed. Nevertheless, pursuant to the provisions of the SPA requiring the election of Southeast Palawan’s nominees to INC and NLRI’s board after payment of the first installment, Southeast Palawan should have control over INC and NLRI after its payment of the first installment.

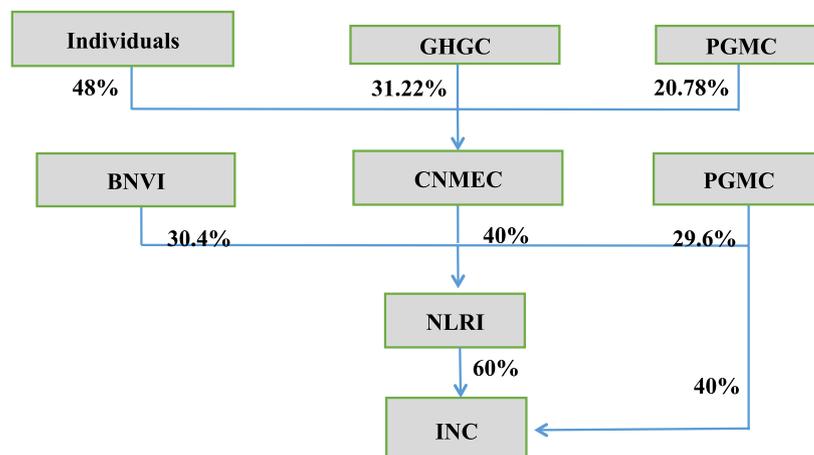
On June 04, 2014, PGMC, BNVI, and GMORI executed a Share Purchase Agreement whereby: (a) BNVI agreed to sell to PGMC its 40.0% shareholdings in NLRI; and (b) GMORI assigned its US\$200,000.00 receivable from BNVI from an earlier agreement to PGMC. For and in consideration of the foregoing, PGMC shall pay a total of US\$5.0 million to BNVI and assume all BNVI’s rights and obligations under the Venture agreement. Out of the US\$5.0 million purchase price, US\$1.2 million has been paid. The balance of US\$3.8 million will be paid in 12 equal monthly installments, within one (1) year from the date of first shipment (i.e., reckoned from the date of departure of the vessel covering the first shipment) and every month thereafter until fully paid. On August 05, 2014, PGMC assigned its rights under the SPA to Southeast Palawan.

On June 09, 2014, PGMC, the stockholders of CNMEC, and GMORI executed a Share Purchase Agreement whereby the stockholders of CNMEC agreed to sell their 68.8%

shareholdings in CNMEC to PGMC for and in consideration of US\$13.0 million payable in 14 installments. Out of US\$13.0 million purchase price, PGMC has paid a total of US\$4.4 million. The remaining balance of US\$8.6 million will be payable in 10 equal monthly installments beginning 30 days from the date of first shipment (i.e., reckoned from the date of departure of the vessel covering the first shipment) and every month thereafter until fully paid. However, the CNMEC shares covered by such payment are still not registered in PGMC's name. Nevertheless, pursuant to the provisions of the SPA dated June 04, 2014 requiring the election of Mr. Joseph C. Sy as officer of CNMEC and requiring him to be made a signatory to all of CNMEC's transactions after payment of the first installment, PGMC should have control over INC and NLRI after payment of the first installment.

The following diagram illustrates the structure of INC after the foregoing Share Purchase Agreements were executed:

INC Structure
(After Share Purchase Agreements)



Legend:

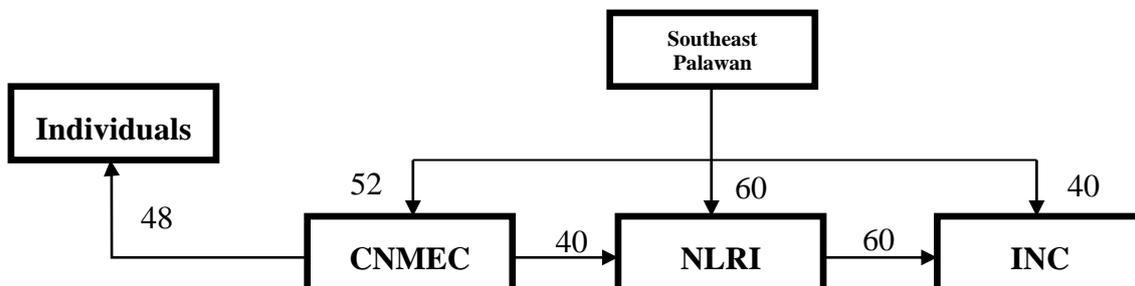
NLRI - Nickel Laterite Resources, Inc.
 GHGC - GHGC Metallic Ore Resources, Inc. (GHGC)
 INC - Ipilil Nickel Corporation

BNVI - Brooks Nickel Ventures, Inc.
 CNMEC - Celestial Nickel Mining Exploration Corporation
 PGMC - Platinum Group Metals Corporation

Subsequently, on August 05, 2014, Southeast Palawan acquired the interests of PGMC and GMORI in CNMEC, NLRI and INC through a Deed of Assumption dated August 05, 2014 whereby: (a) PGMC assigned in favor of Southeast Palawan all the rights and obligations in all contracts, agreements, documents and arrangements entered into by PGMC with the stockholders of CNMEC, BNVI, TMC and DMCI Mining Corporation covering the transfer of shares, interests, advances and/or rights and obligations of CNMEC, NLRI, and INC in respect of the INC Mine; (b) GMORI assigned in favor of Southeast Palawan all the rights and obligations in all contracts, agreements, documents and arrangements entered into by GMORI with the stockholders of CNMEC covering the transfer of the shares, interests, advances and/or rights and obligations of CNMEC in respect of the INC Mine; and (c) any payments made by PGMC and GMORI the contracts in (a) and (b) shall be reimbursed by Southeast Palawan without interest. Also, in lieu of the Receivables and Advances being assigned by PGMC, the Deeds of Assignments for the assignment by TMC of the Receivables and Advances were executed by DMCI directly in favor of Southeast Palawan.

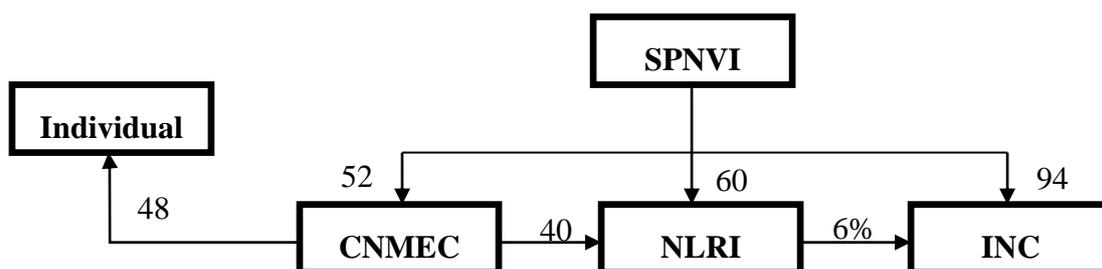
Thus, the following diagram illustrates the resulting structure after the Deed of Assumption was executed:

INC Structure after Deed of Assumption



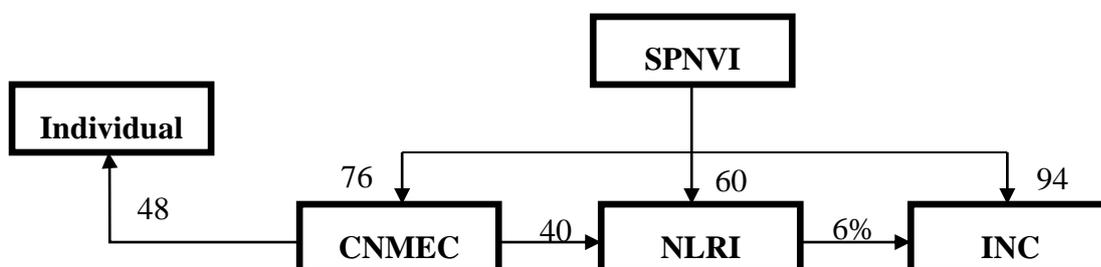
Subsequently, INC’s application to increase its authorized capital stock was approved by the SEC on October 27, 2014. Southeast Palawan subscribed to 22,500,000 shares, representing 90.0% of INC’s outstanding capital stock, which resulted in the following structure:

INC Structure after Increase in ACS



On October 17, 2016, the SEC approved CNMEC’s application to increase its authorized capital stock. Southeast Palawan subscribed to 2,000,000,000 shares, which resulted to the increase in Southeast Palawan’s ownership in CNMEC from 52% to 76%. The currently structure of INC as of the date of this Prospectus is as follows:

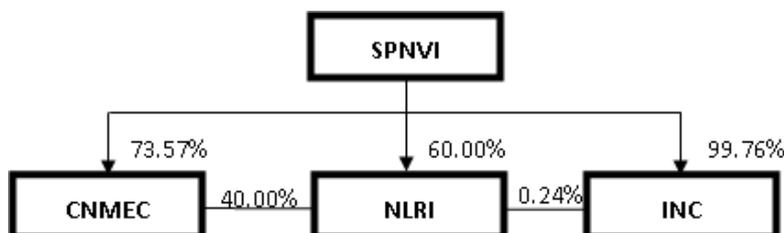
INC Structure after Increase in ACS



On June 29, 2017, the SEC approved CNMEC’s application to its authorized capital stock. Southeast Palawan subscribed to 1,993,574,800 shares, which resulted to the increase in Southeast Palawan’s ownership in CNMEC from 60.39% to 73.57%.

On June 14, 2017, the SEC approved INC’s application to its authorized capital stock. Southeast Palawan subscribed to 603,668,140 shares, which resulted to the increase in Southeast Palawan’s ownership in INC from 94% to 99.76%.

INC Structure after Increase in ACS of CNMEC and INC



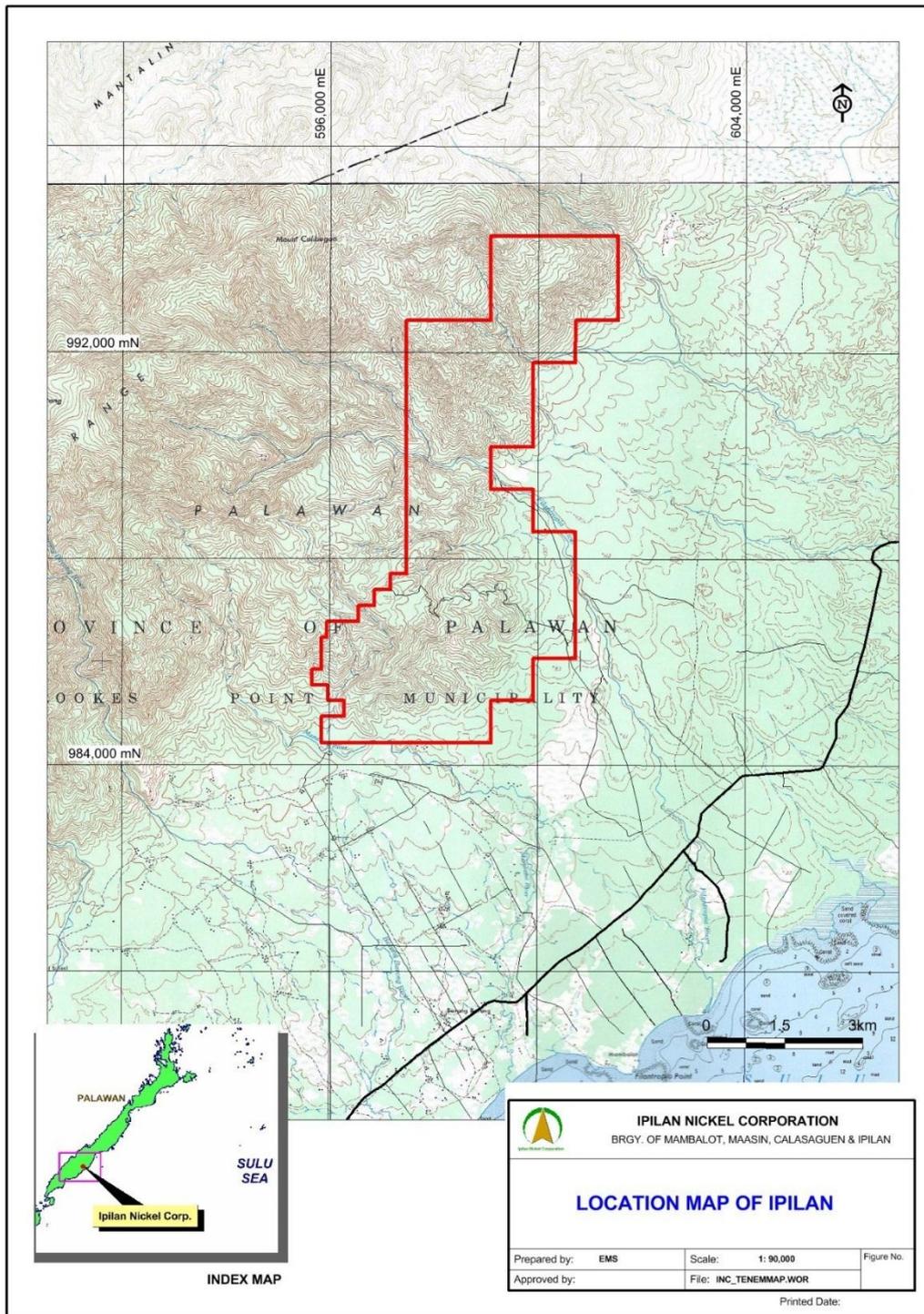
As of the date of this Prospectus, the following are the current shareholders of INC:

INC Shareholders

Stockholder	Number of the Shares Subscribed	Percentage of Ownership
Southeast Palawan	627,168,138	99.8%
NLRI	1,499,997	0.2%
Joseph C. Sy	1	nil
Dante R. Bravo	1	nil
Noel B. Lazaro	1	nil
Kirby Erin Ng	1	nil
Mary Belle D. Bituin	1	nil
Total	628,668,140	100.0%

Location

The INC Mine is located in Barangays Maasin, Ipilan, Mambalot, and Calasaguen, Municipality of Brooke’s Point in south-eastern Palawan. The southern part of the mine area where most laterite deposits can be found has gently-sloping, broad ridges and plateaus while the northern part is steeply rugged. The site is between approximately 75 meters to 500 meters in elevation. Drainage at the area is through the Filantropia River and Mambalot River.



Mineral Production Sharing Agreement

The mining and exploration authority at INC is derived from a single MPSA granted on August 5, 1993 and amended on April 10, 2000 to CNMEC by the Government through DENR covering an area of 2,835.06 hectares. The MPSA has a tenure of 25 years, with an option to renew for another 25 years. We plan to extend the term of the MPSA at the appropriate time. On January 19, 2005, CNMEC, Toledo Mining Corporation Plc and BNVI entered into an agreement creating a new company – INC.

On January 19, 2005, INC entered into an operating agreement with CNMEC for the rights to explore and develop the ore deposit areas covered by the MPSA held by CNMEC (the “INC Operating Agreement”). The MGB approval of this operating agreement was issued in 2015. The INC Operating Agreement is effective for a period of 25 years from the date of its execution. The INC Operating Agreement is renewable for another 25 years, under the same terms and conditions, at the option of INC; provided that, at all times, a valid and subsisting MPSA continues to cover part or all of the Mineral Properties, as defined in the INC Operating Agreement. Under the INC Operating Agreement, CNMEC conveys, transfers, and delivers to INC the possession, occupancy, use, and enjoyment, for purposes of exploring, developing, equipping, mining, and operating for production and for marketing the marketable products therefrom, the mineral properties covered by MPSA 017-93-IV. In consideration of the exclusive right to explore and develop the mineral deposits within the Mineral Properties, INC will pay CNMEC an annual maintenance fee of US\$200,000.00 that will cease upon commencement of commercial production at the INC Mine. The rights of INC over the mine covered by the Amended MPSA may be affected if there is any breach committed by CNMEC under the MPSA, or if CNMEC withdraws from the MPSA.

The INC Operating Agreement, together with relevant permits and licenses such as the SEP clearance from the PCSD, enables INC to produce 1.0 million DMT or 1.5 million WMT of ore each year. In December 2016, the DENR cancelled the ECC for the INC Mine allegedly due to our failure to launch the Iplan Nickel Project within the five (5) -year period from the issuance of the ECC. We have filed with the Office of the DENR Secretary a letter seeking to have the order of cancellation reconsidered stating the significant programs and activities we implemented and continue to implement to pursue the project. We also discussed in our letter the timeline of major approvals we obtained from the different DENR offices and other pertinent agencies in relation to the INC Mine. We believe that the lone basis for the cancellation of its ECC (i.e. that “the Project was never implemented”) has no factual basis and thus believes that the DENR Secretary would grant our request.

In 2017, a complaint was filed by the PCSD Staff against INC. The complaint used Brooke’s Point ECAN Board Resolution No. 03, Series of 2016 (the “ECAN Resolution”), in accusing INC of: (i) possible damage to the Filantropia watershed, (ii) tolerating illegal cutting of forest trees, (iii) starting a forest fire sometime in April 2016, and (iv) leaving test pits uncovered with no warning or safety signs. According to the complaint, these constitute violations of items 8 and 17 of the terms and conditions of INC’s SEP Clearance No. MODP-122110-001 and Section 22.1 of PCSD Administrative Order No. 06.

On June 06, 2017, the PCSD issued an Order denying INC’s Motion to Dismiss and ordered the ECAN to conduct further investigation. INC then filed a Motion for Reconsideration on June 21, 2017 and a Supplemental Motion for Reconsideration with Motion for Voluntary Inhibition dated August 31, 2017.

In July 2017, DENR Regional Director Natividad Bernardino stated that DENR would probe into bribery allegations against INC. Further, she stated that INC might be cited for another violation for illegally constructing a mine yard without clearance from the DENR. As of date, no formal complaint has been filed against INC or any of its personnel. We believe that the reported illegality appears to be merely a case of harassment.

A Cease and Desist Order dated July 21, 2017 was issued by the EMB in MIMAROPA following reports that Ipilan Mine is still operating in Brooke's Point in Palawan without a valid ECC. INC filed an Appeal before the DENR and is still pending as of date.

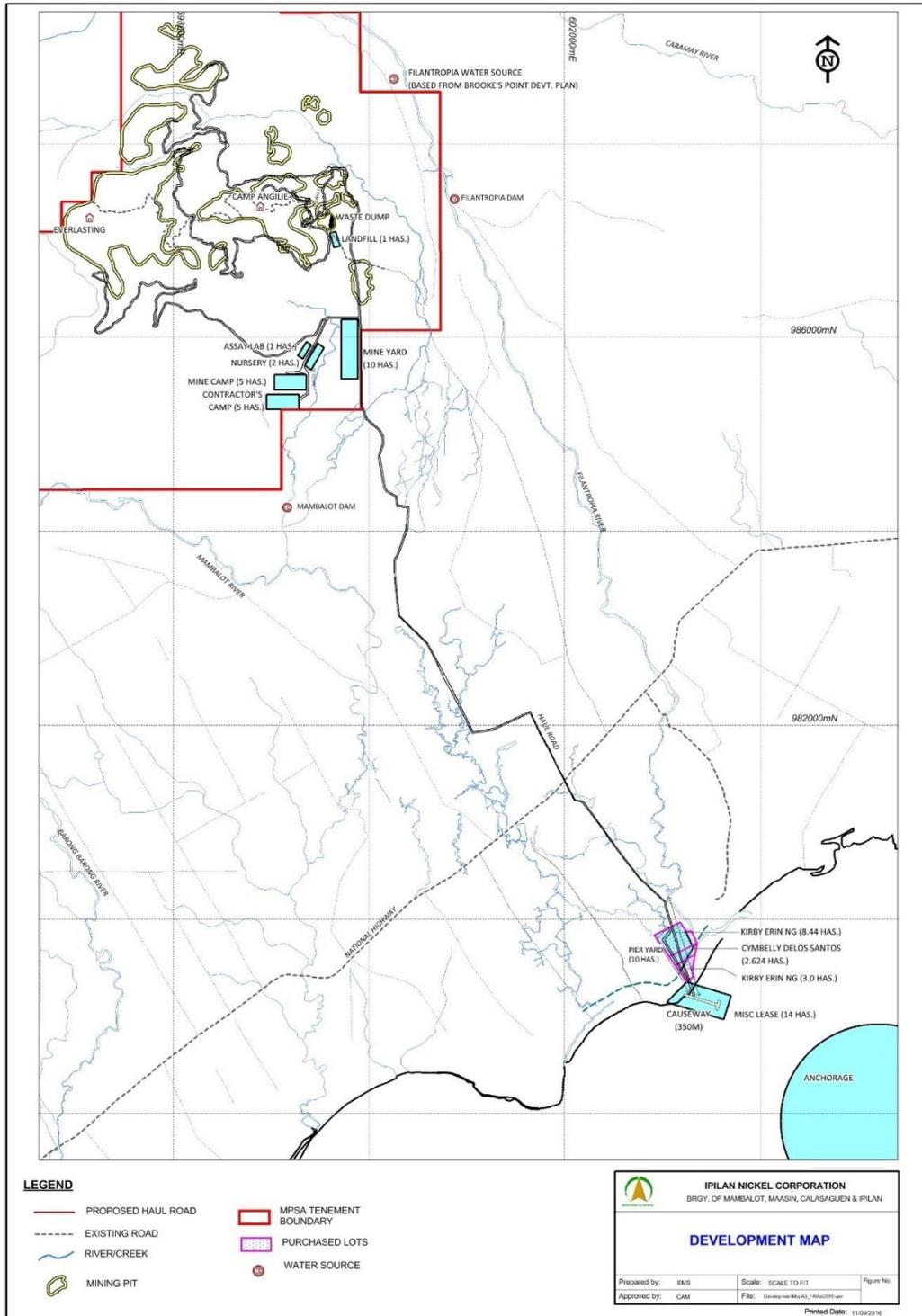
In September 2017, INC received from PCSD resolutions recalling the SEP Clearance No. MODP-122110-001 and its recommendation to the Secretary of the DENR of the cancellation of the Mineral Production Sharing Agreement of INC for the Ipilan Nickel Project mining operation and development located in Brooke's Point, Palawan claiming that the project was 80% inside the core zone or the area of maximum environmental protection. Both PCSD resolutions were not preceded by any form of notice to INC or proceedings to hear it out. INC will exhaust all legal means to protect its rights, property and interests which are prejudiced by such unjust pronouncements. In December 15, 2017, a Petition to reinstate the SEP Clearance was filed with the PCSD.

The impossible penalties in case a project proponent is found to have violated the terms and conditions of its SEP Clearance are as follows: (a) PCSD may call the attention of the permitting agency to suspend the operation project and recommend for the cancellation of permits issued to the project proponent; (b) PCSD may cancel the SEP Clearance; and (c) in addition, the PCSD shall impose the penalty of fine of not less than ₱50,000.00 for every violation. The Palawan Court is hearing the case to determine whether to continue the TEPO which is objected to by INC.

Should we be successful in completing the acquisition of Southeast Palawan, we intend to apply for a renewal or extension of the MPSA, INC Operating Agreement and relevant permits and licenses where required.

The current MPSA for the INC Mine overlaps with MacroAsia's MPSA No. 220-2005-IV, with the boundaries and overlapping areas shown on the map below. We believe the area in question is under the administration of the MPSA granted to CNMEC, as CNMEC was approved and laid claim to such area prior to MacroAsia. The total area potentially in dispute is 50.77 hectares, containing an estimated 0.7 million DMT. We plan to settle this matter with MacroAsia prior to commencement of our production at the INC Mine this year.

The application for renewal has been filed and is currently under MGB's evaluation.



On December 18, 2008, CNMEC, the Palawan Indigenous Peoples/Indigenous Cultural Community and the NCIP entered into a Memorandum of Agreement for the payment of royalties by CNMEC to the Palawan Indigenous Peoples/Indigenous Cultural Community. Republic Act No. 8371 gives ownership rights to Indigenous Peoples/Indigenous Cultural Communities (IP/ICCS) over their ancestral domains by virtue of their “native title” wherein the absence of paper titles like CADCs/CALCs and CADTs/CALTs is not a hindrance to their receiving royalties.

Infrastructure

Transportation

The INC Mine is located 10 kilometers from the coast (the position of the proposed pier and causeway) and is approximately 175 kilometers by national road from Puerto Princesa City. Consumables, such as diesel, could be sourced from Brooke's Point town proper or Puerto Princesa. Daily commercial air flights service Puerto Princesa from Manila and other major cities.

Haul Roads

Currently, the existing access roads have been widened to allow two-way traffic of 20-tonner dump trucks and other heavy equipment.

Water

Water requirements for mining at the INC Mine is minimal as the operation only involves the extraction of nickel ore and the mining process we plan to undertake requires minimal ore preparation. Approximately 80.0% of the water required will be used for dust suppression and plantation in the rehabilitation areas and nurseries. There are currently no industrial water supply or distribution systems at the INC Mine. The closest water grid in Brooke's Point town proper is over 20 kilometers away. We plan to construct a dedicated water distribution system on site drawing water from the main water grid. Raw water can be sourced from the Maasin River nearby.

Power

Electricity is required for mine lighting, offices, shops, mine camp and logistical requirements and is expected to be supplied using a diesel-powered generator located on site. Connection with the Palawan power grid is also possible, if we install electrical infrastructure at the mine site.

Ancillary Facilities

Administration buildings, laboratories, site offices, warehouse, maintenance work shop accommodation facilities will be required to be constructed prior to commencement of production.

Causeway and Piers

Causeway, stockyard and haulage roads will be required to be constructed prior to commencement of shipments to customers. The proposed site for the causeway is approximately 10 kilometers from the mine site.

Extent of exploration

An extensive exploration on the INC tenement from August 2006 to December 2009 consisting of reconnaissance to detailed mapping, test pitting, layout of traverse lines, test drilling to resource definition drilling and geotechnical drilling was carried out. This

consisted of 3,154 drill holes and 1,906 test pits with a total aggregate depth of 63,951 meters of which a PMRC CP report on mineral resources was prepared on October 14, 2014. Details of the exploration tenements are provided in the body of the PMRC INC Report.

Production Plans

The production plan projections below were based on our mine project plans and reviewed by the PMRC competent person. Once the DENR Secretary grants our request for reconsideration of the cancellation of the ECC for the INC Mine, we intend to apply for an amendment to the current ECC, allowing INC to produce a maximum of 3.0 million DMT of ore each year. The following table contains production targets for the INC Mine for the next three (3) years:

INC Production Plan Projections

<i>In million WMT</i>	2018	2019	2020
INC	0.5	1.5	1.5

Source: Company

Production for 2018

Southeast Palawan obtained substantially all the permits and approvals required to develop the INC Mine. Southeast Palawan is now in the process of acquiring lands for the road right of way for the hauling of ore from pit to causeway. Upon completion of the acquisition and development of the haul roads and the infrastructure facilities, we expect to commence mining operations in 2018. The tentative schedule is subject to uncertainties and production plans might be delayed. See “Risk Factors – Risks Related to the INC Mine.”

Mining Operation and Production

We plan to mine the limonite and saprolite ore from the INC Mine using the same mining methods at the Cagdianao Mine during the mining season in Palawan, which is from November to July. The mining season at the INC Mine complements the months that the Cagdianao Mine is not in operation due to wet weather. Consequently, the acquisition of the mining rights for the INC Mine is expected to provide us with a steady supply of medium to high-grade limonite and saprolite ore all year round, which is expected to increase our revenue streams throughout the year.

Due to the soft nature of the material, no drilling and blasting is required; thus trucks and shovel surface mining methods are planned to be used to extract the nickel laterite materials and transported to the designated stockpile yards for blending purposes. The proposed causeway is approximately 10 kilometers away from the mine site. The operations at the INC Mine is expected to be conducted by a mining contractor, under similar arrangements as we currently have at the Cagdianao Mine and we expect the mining contractor to provide its own primary mining equipment. We estimate the mining operation at the INC Mine will require approximately 15 excavators, 54 dump trucks and 20 ore haul trucks.

Proposed Products Categories

Product Categories		Grade Specifications
Low-grade Nickel-High Iron Ore	LGHF	Ni<1.2% ; Fe≥47.0%
Low-grade Nickel-Medium Iron Ore	LGMF	1.2%≤Ni<1.4% ; Fe≥40.0%
Low-grade Nickel Ore-Low Iron Ore	LGLF	1.2%≤Ni<1.4% ; Fe<30.0%
Medium-grade Nickel-Medium Iron Ore	MGMF	1.4%≤Ni<1.7% ; Fe≥30.0%
Medium-grade Nickel-Low Iron Ore	MGLF	1.4%≤Ni<1.7% ; Fe<30.0%
High-grade Nickel Ore	HG	Ni≥1.7% ; Fe≥0%

Mineral Resources

As of October 03, 2014, the INC Mine has a combined (indicated & measured) mineral resources of 50.0 million DMT at an average grade of 1.23% nickel and an additional inferred mineral resources of 7.0 million DMT with an average grade of 1.09% nickel. See “Mineral Resources and Ore Reserves” and “—Further Exploration and Development” for further details. With a substantial area of still unexplored ultramafics that can be planned for future exploration drilling activities, we believe that we also have a high potential on future resource/reserve inventory at our planned INC mine.

**Statement of Mineral Resources as at October 03, 2014
(Measured and Indicated)**

Material	Classification	DMT	Ni	Fe	SG
Low-grade Ni≥0.70% ; Fe≥48%	Measured	2,218,000	1.07	49.6	1.1
	Indicated	293,000	1.01	49.7	1.1
	Subtotal	2,511,000	1.06	49.6	1.1
Medium-grade Ni≥0.80% <1.50% ; Fe<48%	Measured	28,233,000	1.15	23.6	1.2
	Indicated	10,193,000	1.05	25.2	1.2
	Subtotal	38,426,000	1.12	24.0	1.2
High-grade Ni≥1.5% ; Fe<48%	Measured	8,363,000	1.75	16.5	1.3
	Indicated	706,000	1.69	16.1	1.3
	Subtotal	9,069,000	1.75	16.5	1.3
Combined	Measured	38,814,000	1.27	23.6	1.2
	Indicated	11,192,000	1.09	25.3	1.2
	Total	50,006,000	1.23	24.0	1.2

Notes:

- (1) *The Statement of PMRC Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Codes.*
- (2) *All Mineral Resources figures reported in the table above represent estimates at October 03, 2014. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.*
- (3) *Mineral Resources are reported in accordance with the PMRC (2007 Edition).*

Ore Reserves

As of July 10, 2015, the INC Mine has a proved and probable mineral reserve of 28.7 million WMT with an average grade of 1.43% nickel as estimated by Engr. Vicente M. Jayme a registered Mining Engineer/Geologist and PMRC Competent Person (No. 1085-13-10). We believe that the limonite and saprolite ores contained in the deposit once declared feasible will be sufficient to supply our customers for 10 years, based on the ore reserves evaluation by the PMRC Competent Person at the INC Mine. See “—Ore Reserves and Mineral Resources” and “—Further Exploration and Development.”

Statement of PMRC Ore Reserves Estimate as at July 10, 2015

Material	Proved				Probable				Total			
	WMT	Ni	Fe	Sg	WMT	Ni	Fe	Sg	WMT	Ni	Fe	Sg
LGHF	3,066,000	0.98	49.25	1.1	244,000	0.97	49.17	1.1	3,310,000	0.98	49.24	1.1
LGMF	3,206,000	1.24	45.3	1.1	285,000	1.23	44.49	1.1	3,491,000	1.24	45.23	1.1
LGLF	5,062,000	1.26	14.64	1.3	435,000	1.26	10.21	1.24	5,497,000	1.26	14.29	1.3
MGMF	1,588,000	1.46	41.88	1.1	196,000	1.44	39.64	1.1	1,784,000	1.46	41.63	1.1
MGLF	7,856,000	1.48	14.39	1.3	769,000	1.48	13.38	1.29	8,625,000	1.48	14.3	1.3
HG	5,660,000	1.86	15.35	1.29	320,000	1.81	15.01	1.29	5,980,000	1.86	15.33	1.29
Total/Ave.	26,438,000	1.43	24.09	1.24	2,249,000	1.39	23.11	1.22	28,687,000	1.43	24.01	1.24

According to the PMRC competent person, the proved and probable ore reserve could be potentially affected by MacroAsia’s claim in the overlapping area between the two MPSAs contains a total of 1.8 million DMT.

Environmental

Under the environmental permits and approvals already obtained by INC, conditions were placed on the permits and approvals for INC to manage the run-offs and sediment discharges from the INC Mine. INC will also be required to manage the run-off channels, sedimentation points and monitoring of water quality in both surface water streams and coastal waters.

A phased remediation of the mined out areas will be required to be integrated into the mining plan. Revegetation using indigenous species of plants will contribute to the management of erosion and potential siltation of surface water bodies in and around the mine area.

INDUSTRY

The information set out in this section has been extracted from various sources, most of which are publicly available and a few from a report prepared by CRU Consulting, a management consulting company specializing in the international metals, mining, and electricity industries. The CRU Report is not included in this Prospectus. The CRU Report and industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, industry forecasts, market research, governmental data, publicly available information, and/or industry publications, while believed to be reliable, have not been independently verified, and neither the Company nor the Sole Underwriter make any representation as to the accuracy of such information.

Overview

Nickel properties

Nickel is a silvery white metal with a relatively high melting point of 1,455°C when compared to other metals. The valuable properties of nickel are its strength and resistance to oxidation.

Primary nickel is extracted from two (2) main types of ore: laterite and sulphide. It is then processed into various finished nickel products, including refined nickel cathodes, briquettes, or pellets, as well as FeNi and NPI.

- FeNi is an alloy containing nickel and iron—approximately 35.0% nickel and 65.0% iron
- NPI is a low-grade ferronickel that has gained popularity in China as a cheaper alternative to pure nickel for the production of stainless steel

Finished nickel products are primarily used as an alloying agent in the production of stainless steel, superalloys³ and a variety of nickel-copper alloys as well as plating material on steel and plastics. Of these, stainless steel production accounts for the two-thirds⁴ of the global finished nickel demand.

Ore types

Nickel typically occurs in combination with other metals, normally copper and cobalt. There are two (2) broad categories of nickel ore: sulphide ores and laterite ores. Sulphide ores have historically provided the majority of primary nickel production, but these resources are being depleted faster than they are being discovered. Laterite resources have for many years been exploited for the production of ferronickel but there is now a growing need to exploit laterite resources for the production of pure nickel.

³ A superalloy, or high-performance alloy, is an alloy with properties such as excellent mechanical strength and resistance to creep, oxidation and corrosion at high temperatures. These properties make the materials suitable for use in aerospace and power industries – e.g. as turbine blades. Nickel is not necessarily a major constituent of all superalloys, but Ni-based superalloys are the most common.

⁴ <https://roskill.com/market-report/nickel/>

Sulphide ores occur in numerous locations but historically most of the sulphide ore that has been exploited has originated in Canada, Russia, Australia, South Africa, Zimbabwe and Botswana. Sulphide ore mines are generally underground. Laterite ores consist of a variety of tropical and sub-tropical soil profiles rich in iron, nickel and cobalt. There are two (2) principal types of ore in most laterite deposits: iron-rich limonitic ores, and magnesium and silica-rich saprolite/garnierite ores. Limonite is typically lower grade (0.9–1.5% Ni) than saprolite (1.5–2.5% Ni).

In 2016, approximately 40.0% of the world’s nickel resources are from sulphide deposits with the remaining 60.0% coming from laterite ores.

Reserves and Resources⁵

World nickel reserves, as estimated by the USGS contain 78.0 million tonnes of nickel, equivalent to approximately 31 years of production at 2016 rates of mine output. Nickel reserves are concentrated geographically: Australia, Brazil, Russia, and New Caledonia account for 55.3% of reserves worldwide, and the top 10 countries together account for approximately 85.8% of worldwide reserves. The Philippines has the world’s sixth (6th) largest nickel reserves, with 4.8 million tonnes of nickel which are concentrated in Surigao del Norte and Zambales. This makes it the country with the first (1st) largest reserves in Asia, overtaking Indonesia. As per the USGS, there is at least 130.0 million tonnes of nickel in identified land-based resources. These identified resources average 1.0% or greater nickel content.

2016 Nickel Ore Reserves⁶

Country	Nickel Ore Reserves (in Tonnes)	Percentage of World Total
Australia	19,000,000	24.2%
Brazil	10,000,000	12.8%
Russia	7,600,000	9.7%
New Caledonia	6,700,000	8.6%
Cuba	5,500,000	7.0%
Philippines	4,800,000	6.1%
Indonesia	4,500,000	5.7%
South Africa	3,700,000	4.7%
Canada	2,900,000	3.7%
China	2,500,000	3.2%
Guatemala	1,800,000	2.3%

⁵ Mineral resources are defined as a concentration or occurrence of material of intrinsic interest whose size and mineral content has been proven with a reasonable degree of certainty. However, they may not be currently economic to mine. “Mineral reserves” are defined as resources that have been the subject of technical and economic studies, which demonstrate that they can be mined and processed profitably i.e. that part of the reserve base which could be economically extracted or produced at the time of determination. Mineral reserves are measured in tonnes of contained nickel. Contained nickel is defined as the amount of recoverable nickel contained in reserves.

⁶ <https://minerals.usgs.gov/minerals/pubs/mcs/2017/mcs2017.pdf>

Country	Nickel Ore Reserves (in Tonnes)	Percentage of World Total
Madagascar	1,600,000	2.0%
Colombia	1,100,000	1.4%
United States	160,000	0.2%
Other countries	6,500,000	8.3%
World Total (rounded)	78,000,000	100.0%

Integration in the Nickel Industry

There is a high degree of vertical integration in the nickel industry because of the diversity of production processes employed to treat different ore types.

Sulphide mines have traditionally been integrated with smelting and refining facilities—for example the operations at Sudbury in Canada and Norilsk in Russia. However, they can produce a concentrate that can be shipped for smelting and refining at non-integrated facilities. Sulphide smelters also produce a matte⁷ that can be shipped for refining elsewhere. There is an increasing amount of trade in concentrates and matte between non-integrated operations, though this still constitutes a relatively small part of the overall market.

Nickel ore from laterite mines is typically processed to NPI, FeNi, or LME grade refined nickel (minimum 99.8% Ni content) and are not always integrated—they are much less likely to be integrated than sulphide processing operations. All Chinese, Japanese, and Korean NPI, FeNi, and refined nickel producers are not integrated with mines and purchase high-grade saprolite ore from the Philippines, Indonesia, and New Caledonia. Limited availability of high-grade saprolite ores in recent years has meant that consumers, particularly Chinese NPI plants, have increasingly had to rely on imports of lower grade limonite ores. This has also been dramatically impacted by the ban on exports of unprocessed nickel ore from Indonesia. Integrated laterite ore operations do however exist in Australia, Indonesia, and New Caledonia.

Downstream Processing Technologies

Nickel is produced in a variety of forms and specifications, depending on the production process and the intended end-use.

Producers that process sulphide ore using pyrometallurgical (i.e. smelting) technologies have historically had a considerable cost advantage over those producers processing laterite ores or using other technologies. It has been the copper-nickel sulphide producers that have generally had the lowest costs of production.

That is not to say that laterite producers are necessarily less competitive. However, the smelting of laterite ores to produce ferronickel, matte, or NPI is highly energy intensive as

⁷ Matte is an intermediary phase in base metals smelting, in which the principal metal being extracted is recovered prior to a final reduction process. Mattes typically contain 30.0-40.0% of principal metal.

the ore needs to be dried (as the moisture can represent up to 30.0% of the weight of the material) and then heated to high temperatures in a furnace.

Although the two (2) main types of laterite ore occur together, saprolite ores tend to be smelted in a furnace to produce FeNi, NPI, or nickel matte using a pyrometallurgical process, while limonite ores have historically been extracted using a hydrometallurgical process to produce finished nickel and cobalt, or a nickel and cobalt intermediate product that is purified to produce refined nickel. Limonite ores are increasingly being used in the production of NPI as the Indonesian ore export ban substantially reduced the availability of saprolite and producers look to lower grade ores as a replacement. Limonite ores for this purpose are most commonly smelted in blast furnaces but other types of furnaces are available as well.

Pyrometallurgical Technologies for Laterite Ores

The smelting of laterite ores (predominantly saprolite) to produce FeNi is an established process. Electric Arc Furnace (EAF) technology dominates the pyrometallurgical recovery of nickel from laterite ores for both matte and FeNi production. For preheating and pre-reduction of the ore, rotary kilns are now more frequently used in place of Blast Furnace (BF) technology. Pyrometallurgical processes are energy intensive, as all moisture must be removed from the ore. These processes are also compromised by lower recovery rates and more limited by-product production than either sulphide smelting or leaching processes. Low extraction and consumables costs together with more modest initial capital expenditure are the principal plus points for pyrometallurgical processes.

Hydrometallurgical technologies for Laterite Ores

Hydrometallurgical or leaching technologies have been used predominantly to extract nickel from laterite ores (predominantly limonite). Leaching is the process by which nickel is “dissolved” in solution to produce a finished nickel product. At present, there are only a small number of plants using hydrometallurgical processes to extract nickel from ore. But as laterite resources exist in abundant quantities and sulphide deposits are being depleted at a faster rate than they are being replenished, there has been greater awareness and interest in the hydrometallurgical process route for laterite ores. The last 20 years has consequently been witness to significant research and development to improve existing hydrometallurgical processes to make them more technically and economically viable.

Nickel Pig Iron Industry

Two-thirds⁸ of the world’s nickel is used to produce stainless steel, and the key to China’s dominance in the sector is NPI, a low-grade ferronickel which offers a cheaper alternative to pure nickel for the production of stainless steel. It was a response to the nickel price spikes from 2005 to 2006 to reduce costs by using less expensive nickel units rather than traditional high-purity nickel. China’s ability to scale up its NPI production a decade ago, and rely on it in turn to manufacture stainless steel, explains much of China’s advantage in the market.

⁸ <https://roskill.com/market-report/nickel/>

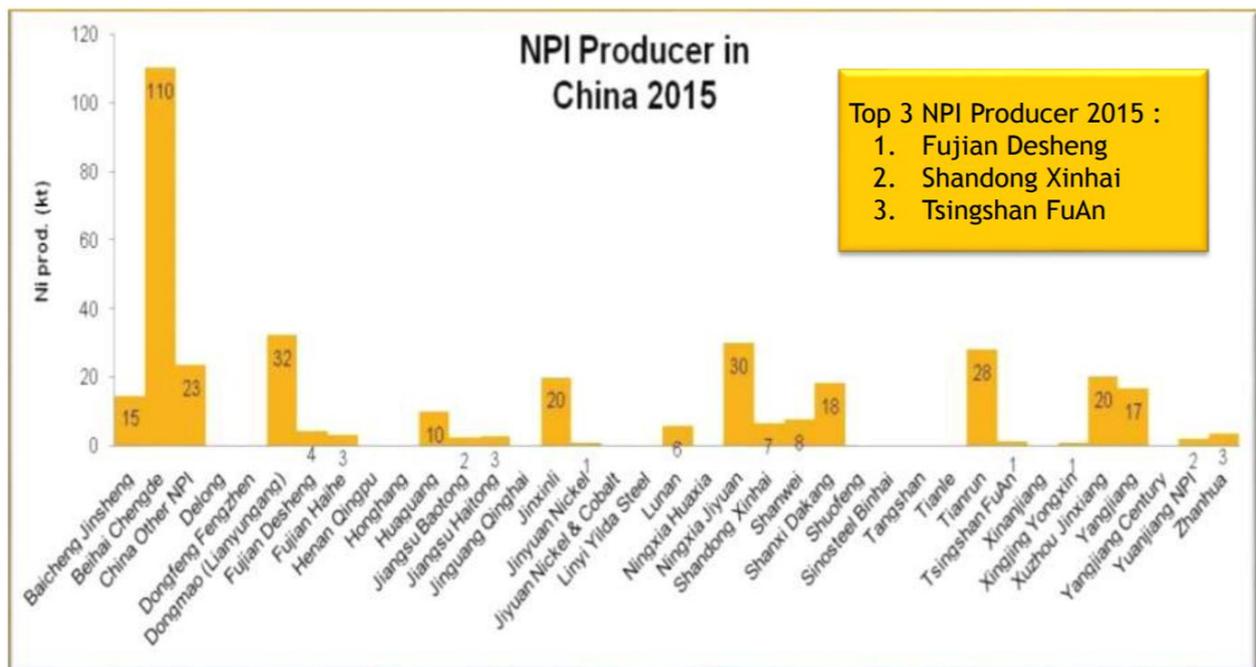
The nickel used in NPI comes from nickel laterite ore, as opposed to the traditionally used sulfide ores. It accounts for about 70.0% of global nickel stores; nearly half of that is in Indonesia and the Philippines, key suppliers for China. Today, a number of Chinese NPI producers operate in Indonesia to bypass an Indonesian export ban in place since 2014 and tighter environmental rules at home.

Indonesia’s NPI industry went on stream as early as in 2012 in anticipation of the export ban in 2014. Chinese entities invested in NPI smelters in Indonesia. The major reasons are twofold: first is that the average 1.8% ore grade is best turned to NPI domestically; and China is slowly shutting its polluting NPI smelters as it pursues to reduce its pollutants’ emissions.

Raw Materials

The Chinese NPI sector runs on low-grade laterite (saprolite and limonite) ore, which is produced by countries such as the Philippines, New Caledonia, and Indonesia. Initially, the raw material to make NPI in China was derived from the Philippines due to its geographic proximity and its large reserves of low-grade laterite ores. In the latter half of 2007, better quality laterite ores from other countries such as Indonesia, and in smaller quantities, New Caledonia, became the preferred NPI raw material, although the Philippines remains a major exporter due to its closer proximity to China. New Caledonia ceased exporting nickel ore to China after 2008, as all of its mine output is tied up in long-term offtake contracts with domestic, Japanese, and Korean processors.

NPI Producer in China 2015⁹



⁹ Wood Mackenzie 2015

Indonesia accounted for approximately 7.5% of global nickel mine production in 2016, compared to 14.0% back in 2007. Indonesia was the largest producer of mined nickel accounting for 31% in 2013 surpassing the traditional nickel producing countries of Canada, Russia, and Australia prior to its ore export ban starting in 2014. This growth in production was driven by increasing demand from China, to feed the increasing consumption of the country's NPI industry. In 2013, the country exported 47.0 million tonnes of nickel ore, of which 41.0 million tonnes went to China. However, as described below, the introduction of an export ban on unprocessed ores from Indonesia in early 2014 has completely obstructed this trade route, and left Chinese NPI producers reliant on other sources of ore, particularly the Philippines. As a result, the Philippines overtook Indonesia starting 2014 to be the largest in global nickel mine production. The Philippines accounted for 22.25% of global nickel mine production in 2016 as per the USGS estimate compared to only 5.3% in 2007.

Recent Trends Affecting the NPI Market

On February 06, 2012, the Indonesian MEMR enacted Regulation No. 7 of 2012 regarding the Improvement of Mineral Added Values through Mineral Processing and Refining (Regulation 7). Implementing the general principle introduced in Law No. 4 of 2009 regarding Mining (2009 Mining Law), Regulation 7 provided further details regarding processing and refining obligations of mining companies in respect of certain specified metals and non-metallic minerals, as well as introducing a ban on exports of certain specified unprocessed metals and non-metallic minerals.

While the law was enacted in February 2012, a transitional period was allowed for mining companies to bring their processing and refining plans into line with the provisions of Regulation 7.

Nonetheless, prior to the ban, several NPI smelters became operational. PT Indoferro started its 8,000 tons per year (tpy) NPI BF in the second quarter of 2012 with a 2.0-4.0% Ni grade, which added 12,000 tpy of nickel metal capacity in the second quarter of 2017. PT Cahaya Modern Mining also started its 1,200 tpy BF in the fourth quarter of 2013 with a 10.0% Ni grade, and planned an expansion of 14,000 tpy in 2016.¹⁰

In addition, since the ban, several NPI producers have set up facilities and have been exporting NPI into China. PT Sulawesi Mining Investment (a joint venture with Tsingshan and Bintang Delapan) started a 300,000 tpy NPI RKEF plant (10.0-12.0% design Ni grade) in the first quarter of 2015, with first shipment to China in April 2015. PT Bintang (a joint venture with PT Ifishdeco and Pan China) was reported to be commissioning two (2) small BFs to produce 4,800 tpy in South Konawe.¹¹

Philippine Mining Industry Audit

Upon assumption of office by the new Philippine President Rodrigo Duterte and the appointment of Regina Paz L. Lopez as the DENR Secretary, the new government's responsible mining thrust took off with the mining industry audit. Ten mining firms, of which eight are ore producers, were initially ordered suspended prior to the start of the audit. On

¹⁰ Macquarie Research, April 2015

¹¹ Macquarie Research, April 2015

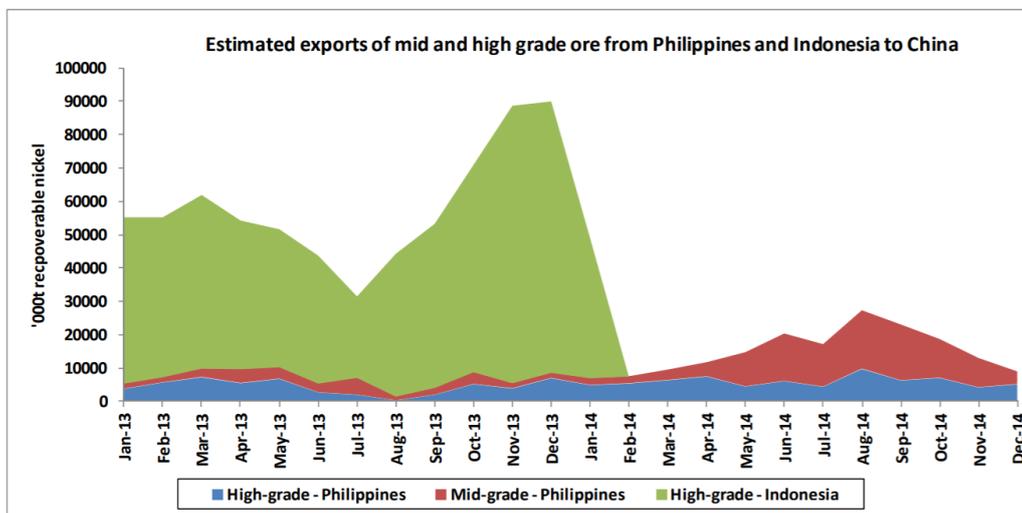
September 28, 2016, an additional 20 firms were recommended for suspension after the audit. The firms were given seven (7) days upon receipt of the audit reports “to respond on why their operations should not be suspended.” The DENR in turn will study the firms’ responses within 2 weeks “then render its decision.” The audit found these firms “to have violated various mining and environmental laws and regulations, such as violations of conditions of their ECCs, siltation, soil erosion, lack of tree-cutting or water permits, and no ISO 14001 certification.” The initial firms recommended for suspension or issued suspension orders accounts for about 10.0% of the Philippines nickel mining capacity. These, together with the additional 20 firms recommended for suspension will put about 57% of the Philippines nickel mining capacity at risk. On the other hand, 11 out of the 41 metallic mines in current operation passed the audit.

Following the results of the mining audit, officials of the DENR and mining companies agreed to work together to address the issues, including the environmental issues.

Impact on the Market

Chinese NPI producers—who accounted for 24.0% of total global nickel output in 2014¹² (on a contained nickel basis)—have been almost exclusively reliant on imports from Indonesia and the Philippines for their ore. The chart below shows monthly imports of nickel ore to China by their origin since January 2013 to December 2014. From February 2014, ore imports from the Philippines were the main source of Chinese ore imports following Indonesia’s ban.

Chinese Monthly Nickel Ore Imports: 2013-2014¹³



NPI production in China could increase in 2018 as more ore becomes available following the partial lifting of the ore ban in Indonesia starting 2017. It is also expected to increase due to the ramp up of new projects.

¹² CRU Data

¹³ Customs statistics, Trader estimates, Macquarie Research, April 2015

Nickel Ore Supply

The distribution of world nickel mine production is shown in the table below. The top 10 countries accounted for around 86.2% of world nickel mine production in 2016, but the severe diminution of Indonesia's role as an important nickel miner as a result of the introduction of the ore export ban can clearly be seen.

Nickel Mine Production, 2010–2016 ('000 tonnes contained Nickel)

	2010 ¹⁴	2011 ¹⁵	2012 ¹⁶	2013 ¹⁷	2014 ¹⁸	2015 ¹⁹	2016E ²⁰
Philippines	173,000	270,000	424,000	446,000	523,000	554,000	500,000
Russia	269,000	267,000	255,000	275,000	239,000	269,000	256,000
Canada	158,000	220,000	205,000	223,000	235,000	235,000	255,000
Australia	170,000	215,000	246,000	234,000	245,000	222,000	206,000
New Caledonia	130,000	131,000	132,000	164,000	178,000	186,000	205,000
Indonesia	232,000	290,000	228,000	440,000	177,000	130,000	168,500
Brazil	59,100	109,000	139,000	138,000	102,000	160,000	142,000
China	79,000	89,800	93,300	95,000	100,000	92,900	90,000
Guatemala	-	-	-	-	38,400	52,400	58,600
Cuba	70,000	71,000	68,200	66,000	50,400	56,400	56,000
South Africa	40,000	44,000	45,900	51,200	55,000	56,700	50,000
Madagascar	15,000	5,900	8,250	29,200	40,300	45,500	48,000
Colombia	72,000	76,000	84,000	75,000	81,000	40,400	36,800
United States	-	-	-	-	4,300	27,200	25,000
Other Countries	127,000	150,700	288,200	392,800	377,000	157,000	150,000
World Total (rounded)	1,590,000	1,940,000	2,220,000	2,630,000	2,450,000	2,280,000	2,250,000

Following the ore ban, global mined nickel production declined by 6.8% in 2014 from 2.6 million tonnes in 2013 to 2.4 million tonnes in 2014. This further declined by 1.3% in 2016 to 2.2 million tonnes. The output in 2013 was particularly high as Indonesian producers raced to maximize output before the introduction of the export ban. Another factor was that Indonesia produced more than expected in 2014 and 2015 to 177,000 tonnes and 130,000 tonnes, respectively. Philippine production also somehow made up for lost Indonesian exports. In 2014, production increased by 17.3% from 446,000 tonnes in 2013 to 523,000 tonnes in 2014, and further by 5.9% in 2015 to 554,000 tonnes.

¹⁴ <https://minerals.usgs.gov/minerals/pubs/mcs/2012/mcs2012.pdf>

¹⁵ <https://minerals.usgs.gov/minerals/pubs/mcs/2013/mcs2013.pdf>

¹⁶ <https://minerals.usgs.gov/minerals/pubs/mcs/2014/mcs2014.pdf>

¹⁷ <https://minerals.usgs.gov/minerals/pubs/mcs/2015/mcs2015.pdf>

¹⁸ <https://minerals.usgs.gov/minerals/pubs/mcs/2016/mcs2016.pdf>

¹⁹ <https://minerals.usgs.gov/minerals/pubs/mcs/2017/mcs2017.pdf>

²⁰ <https://minerals.usgs.gov/minerals/pubs/mcs/2017/mcs2017.pdf>

Philippine miners are the primary alternative source of ore supply for Chinese nickel pig iron producers. The Philippines exported 32.1 million tonnes (gross weight) of ore in 2015 and 24.7 million tonnes as per MGB data, but only a small proportion of this is high-grade ore (1.7% and above in nickel content) of the kind produced by Indonesia, and a significant volume was consumed in the Chinese carbon steel sector rather than in NPI production. Through 2014, there has been a shift by some low-grade ore miners to produce more medium-grade (1.5% Ni) ore given the rise in prices—lower grade ore prices have not increased to the same extent. Philippines mine production increased in 2014 to 523,000 tonnes of nickel and in 2015 to 530,000 tonnes. For the first nine (9) months of 2017 as per MGB data, Philippine mine production declined by 5.6% year-on-year to 239,597 tonnes as average nickel prices continue to be depressed at 32.9% lower versus the high in 2015. Given the lower market prices, Philippine nickel mines chose to ship out more of the lower grade laterite ores.

Selected nickel mining companies in the Philippines, 2014–9M 2017
(‘000 tonnes in DMT)²¹

Company	2014	2015	2016	9M2017
Nickel Asia Corp.	12,731	12,627	9,686	6,827
Carrascal Nickel Corp.	3,158	2,722	1,748	2,526
Platinum Group Metals Corp.	3,903	3,615	2,007	2,398
CTP Construction and Mining	2,824	2,020	2,451	1,552
Agata Mining Ventures	180	1,264	1,899	1,522
SR Metals	2,062	2,527	1,911	1,131
Marcventures Mining & Development Corp.	1,098	1,874	1,824	924
Cit nickel	2,192	1,133	163	872
Benguet Corp.	839	-	678	-
Others	4,587	4,764	2,585	1,258
Total	33,574	32,567	24,951	19,010

The DSO mining sector in the Philippines is relatively fragmented, with no single producer dominating. In 2016, Nickel Asia Corporation (PSE:NIKL), CTP Construction & Mining, PGMC, SR Metals, and Agata Mining Ventures accounted for 38.8%, 9.8%, 8.0%, 7.7%, and 7.6% of total nickel ores produced, respectively. In the first nine (9) months of 2017, Nickel Asia Corporation (PSE:NIKL), Carrascal Nickel Corp, PGMC, CTP Construction & Mining, and Agata Mining Ventures accounted for 35.9%, 13.3%, 12.6%, 8.2%, and 8.0% of total nickel ores produced, respectively.

Possibility of Philippines Ore Export Ban

There are two (2) bills relating to the adoption of a mineral ore ban in the Philippines, which have been filed and are currently pending in the Philippine Congress to adopt a mineral ore export ban in the Philippines, in part to force miners to build processing facilities and to create employment for the local population; one of the filed bills provide that the ban should

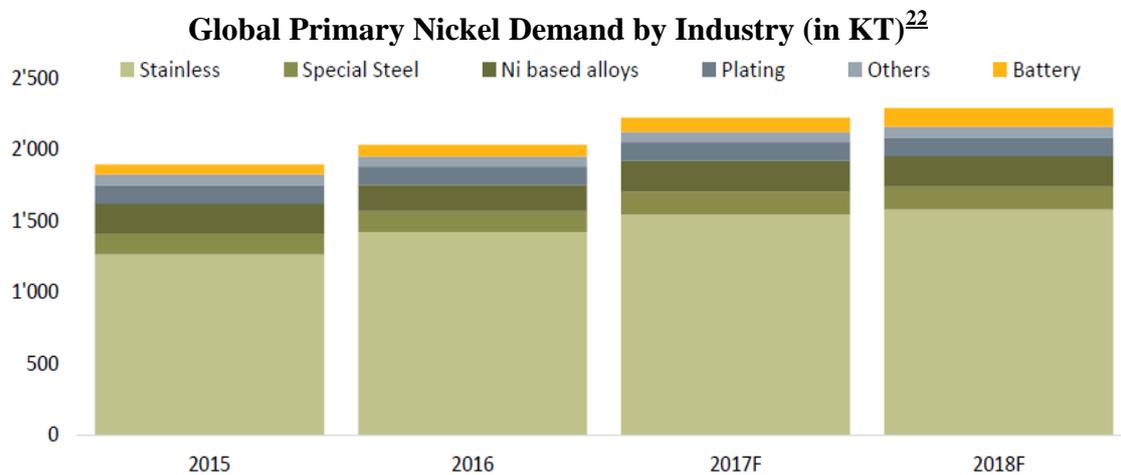
²¹ http://mgb.gov.ph/images/Mineral_Statistics/Summary_Metallic_Mineral_Production_Q1-Q3_2017_vs_Q1-Q3_2016_as_of_20_November_2017.pdf

be implemented starting January 01, 2021, while the other filed bill provides that the ban should be implemented starting January 01, 2019.

Nickel Demand

Nickel is used almost exclusively as an alloying element that impacts corrosion resistance to steel and non-ferrous alloys. It is also used as an alloying element in rechargeable battery alloys, and as a plating element, to provide a protective coating to other metals. The immediate consumers of nickel are therefore other metal industries, where it is purchased as a raw material for those industries’ own metal products.

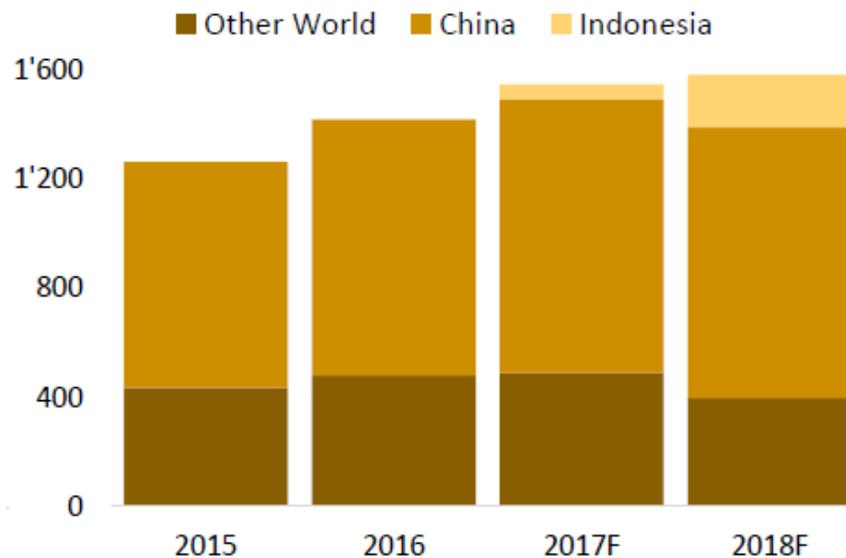
The primary consumption of nickel is the production of stainless steel, comprising two-thirds of the global nickel consumption in 2017 followed by non-ferrous alloys and plating. Battery usage, on the other hand, is currently a smaller but potentially fast-growing end-use. Other applications include various foundry alloys and foundry products.



As presented on the table below, China is the world’s largest consumer of primary nickel in stainless steel, accounting for majority of the world’s nickel consumption in stainless steel in 2016. Per Glencore forecast, China will remain as the top nickel consumer for stainless steel for the following years.

²² “Nickel: State of the Market” by Glencore (2017)

Primary Nickel Demand for Stainless Steel (in KT)²³



The Indonesian ore ban affected the nickel consumption in <which years – e.g. from 2014 to 2016/7, due to the Indonesian ore ban>. This resulted in the substitution towards lower-nickel or nickel-free stainless grades and increased utilization of stainless scrap.

Stainless steel itself differs from carbon steel by the amount of chromium present. By definition, stainless steel contains a minimum of 10.5% chromium content by mass, which makes it stain, corrode and rust less than carbon steel. These properties make stainless steel ideal for a variety of commercial applications including cookware, cutlery, hardware, surgical instruments, major appliances, industrial equipment and as a structural alloy in automotive and aerospace material amongst others.

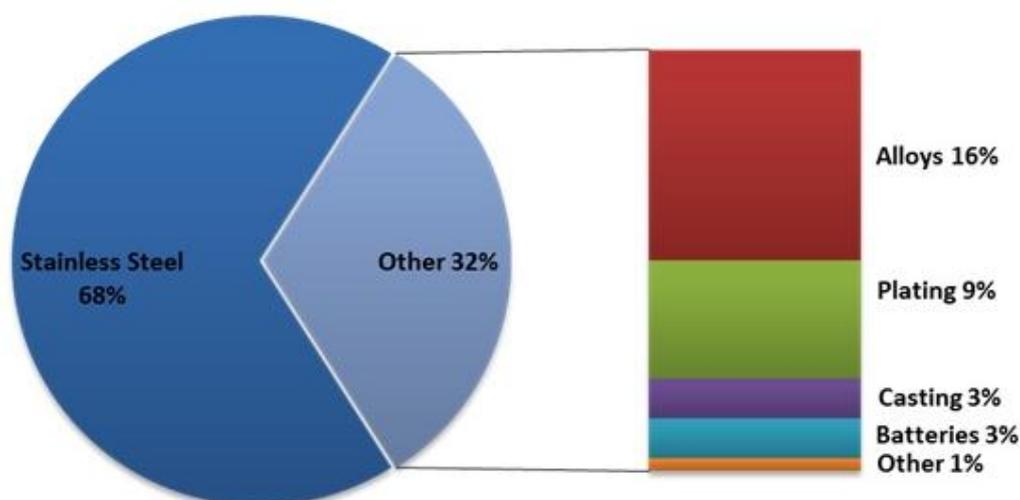
Notably, nickel consumption in batteries grew in the battery sector itself as battery chemistry containing large quantities of nickel are substituted for lower-nickel containing lithium-ion batteries with enhanced performance characteristics.

Nickel is usually recycled and, thus, a distinction is often made between the use of newly produced metal and recycled scrap. ‘First use’ refers to the destination of newly produced nickel. By far the most important use of new nickel is the production of stainless steels. This use accounts for close to two-thirds of first use nickel up from one-third in the past three (3) decades. The market for stainless steel is growing at a rate of about 5.0% per annum. Other sectors of first use include other alloyed steels, high nickel alloys, castings, electro-plating, catalysts, chemicals and batteries.

The following table presents a breakdown of the demand for first use nickel from stainless steel and other end uses on a global basis.

²³ “Nickel: State of the Market” by Glencore (2017)

First Use Nickel Demand: 2013-2014²⁴



Trade in Nickel Ore

In 2013 and 2014, the major trade routes are from Indonesia and the Philippines to Japan and China. Chinese imports are predominately used to feed the domestic NPI sector, though it is important to note that a significant proportion of imports of nickel ore from the Philippines are, in fact, used in carbon steel-making rather than NPI production. Japan has no NPI sector so it imports ore, concentrates, and intermediates (e.g. a nickel sulphate from the Philippine HPAL operations) from which it produces FeNi and refined nickel.

Indonesia and the Philippines accounted for 97.0% of global exports of ore and concentrates in 2013, and the Japan and China accounted for 97.0% of global imports (of which China was 92.0%). Despite the Indonesian ore ban, these proportions have been much the same in 2014, with the major changes being the Philippines share of global exports increasing to 75.0%, and a substantial decline in the overall size of this market (though it should be noted that the rush to obtain ore before the introduction of the export ban distorted the volume of trade in 2013).

Due to the disruption of supply from Indonesia, China turned to the Philippines for its supply of nickel while also drawing on stockpile inventories that it secured ahead of the export ban. From 2014, China sourced about 95.0% of its total annual ore imports from the Philippines. China imported 34.3 million MT from the Philippines in 2015 and another 30.5 million MT in 2016. China also shifted to other forms of nickel to augment its requirements. Imports of FeNi surged from 2015 to 2016 at about 60.0%, with Indonesia accounting for 747,097 MT or 71.0% of the total.

Market Outlook

According to the press release of the INSG October 2017 Meetings²⁵, world primary nickel production was 1.99 MT in 2016, and it is projected to increase to 2.05 MT in 2017 and to

²⁴ <http://www.insg.org/prodnickel.aspx>

around 2.21 MT in 2018. On the other hand, world primary nickel usage was 2.04 MT in 2016, and it forecasts this to increase to 2.15 MT in 2017 and to around 2.26 MT in 2018.

Prices

Nickel ore is generally priced as a percentage of the LME nickel price. However, given that nickel ore is not homogenous, with various grades of ore being bought and sold, a single reference price for nickel ore does not exist. In general, prices of different types of ore will be driven by several factors, including the following:

Relative availability of different ore types

If a particular type of ore is readily available, the price for it relative to other types of ore may fall.

Substitutability between Ores / Value in Use

The extent to which prices for different ores can spread often depends on the substitutability between ore types, and more specifically the costs of such substitutions. It may be the case that a lower grade ore is widely available at low cost, but that processors will incur significant costs through extra power or fuel costs when converting it into a finished or intermediate nickel product (i.e. it has a lower value in use). This would include an ore's iron content, which can impact its suitability for different downstream processing routes.

LME Nickel Price

A higher nickel price provides processors of ore with a greater margin, and they may be willing to pay more for their raw materials: both in order to keep utilization levels high and take advantage of high prices, but also through the ceding of bargaining territory to the ore sellers.

Logistics Costs

The low content of nickel per tonne of ore, along with its typically high moisture content, means that logistics costs for nickel ores can contribute a significant amount to ore costs. If logistics costs decrease (due to reduced ocean or inland freight costs) then the ability of consumers to pay more for ore increases.

All of these factors have been evident in recent ore pricing trends. Lower grade ore, which remains available from the Philippines, has not substantially increased in price since the Indonesian ore export ban, whereas higher grade ore prices have rocketed. Higher grade ore, the availability of which has severely declined since the ore export ban, is generally required for use in RKEF NPI plants. Lower grade ore cannot easily be substituted for higher grade without increasing processing costs. Therefore the reduced availability of ore has meant that tightness in the higher grade ore market has increased sharply, pushing up prices for this material.

²⁵ http://www.insg.org/docs/INSG_Press_Release_October_17.pdf

Recent Trends

The softness of nickel prices as reflected in the LME three-month nickel price continued into 2015 as investor confidence has been shaken by increasing concern over the global economy, a relatively strong US dollar, and falling oil prices. The end of the US Federal Reserve's QE program has continued to boost the US dollar as have the ongoing concerns over the robustness of Chinese and European economic growth into 2015.

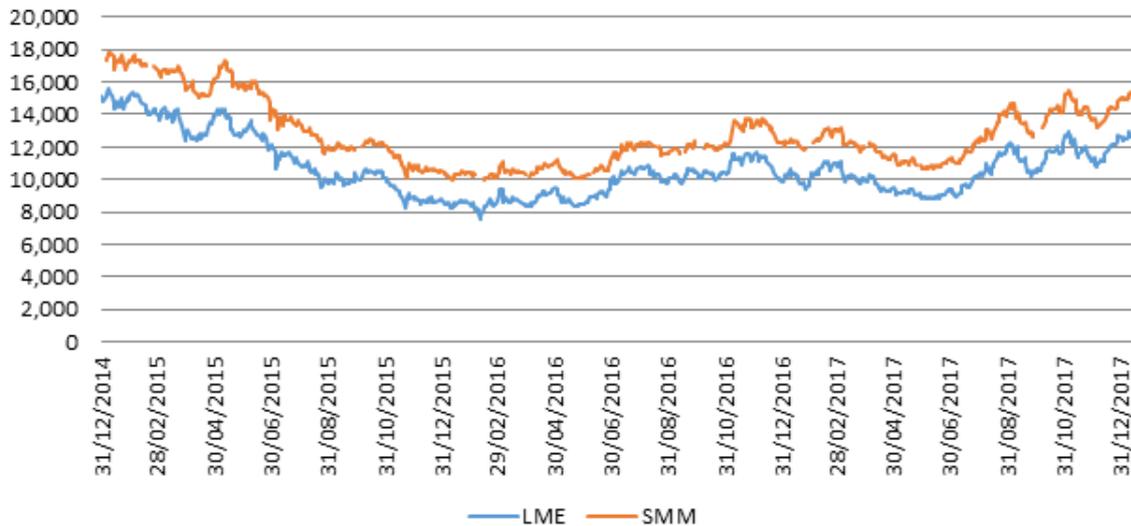
Global economic growth remained subdued in 2016 mostly due to slower activity in advanced economies. New shocks such as Brexit—the U.K. vote in favor of leaving the European Union and geopolitical tensions in some countries in the Middle East along with speculations of a policy shift post-US election have weighed on expectations and global output growth. These trends, however, were cushioned as near-term concerns of a China slowdown has improved following a pickup in growth. On the LME, cash price for 99.8%-pure nickel plunged to a 13-year low of \$7,561.50 per metric ton on February 11, 2016 before rebounding by 31.8% to close the year at \$9,964.00. Daily prices averaged \$9,606.44 in 2016, down by about 18.8% from 2015. Likewise, prices of widely followed three (3) -month contracts slid to \$7,595.00 on February 11, 2016 but since recovered to \$10,020.00 at the end of December. Annual average price dropped to \$9,647.89, considerably lower by 18.8% and 43.1% from 2015 and 2014 levels, respectively. The SMM mirrored a similar trend albeit less pronounced, suggesting that physical nickel market in China has been more resilient to the decline in the futures market at the LME and remains trading at a premium. Annual average price of medium-grade ores containing 1.4% to 1.6% nickel decreased by only 11.7% to RMB 256.42 in 2016—fairly tighter than the LME.

In 2017, we saw more and more that inventory of laterite ore in major ports in China has depleted since January 2014, and in April 2017, it dropped to its lowest in 10 years at around 3.1 million WMT. Alongside the destocking in the previous months, nickel prices at the LME rebounded by 8.5% on average in 2017 and have remained above \$10,000 since July 25, 2017. In addition, nickel ore prices at the SMM climbed by as much as 35.0% in 2017 from a year ago.

LME and SMM

The following is the three (3) year price chart of nickel on the LME and the SMM.

Nickel Price Chart



Outlook

The global nickel market has entered a new phase of structural shift as two (2) distinct commodity segments emerge: nickel used for the traditional stainless steel market and nickel used for rapidly growing rechargeable battery market. This shift presents a set of opportunities for existing and new nickel mining companies and will lead to increasing nickel usage.

Recent remarks from various industry analysts point to a resounding positive over potential impact of new energy and electric vehicles and supply shortfalls. Increasingly, nickel is being sought for the development of key parts of battery systems that power electric vehicles. There are two current leading technologies for battery systems—NCA chemistry (nickel-cobalt-aluminum) and NCM (nickel-cobalt-manganese). Although the development and eventual adoption of these technologies are at different speeds, the industry is poised to benefit from this emerging potential application.

Wood Mackenzie forecasts that sales of passenger electric vehicles will rise to about 14.2 million in 2025 from 2.4 million in 2016, which will push nickel demand from batteries to 220,000 tons from 40,000 tons in the same period.²⁶ As research and development of electric vehicles advance, Wood Mackenzie expects the call for raw materials to make those batteries to come first and the recent China's tax adjustments is a clear strategic move to build electric vehicle batteries as next generation nickel sector.²⁷ In 2018, China reduced the import tax on nickel sulphate a key ingredient in lithium-ion batteries for electric vehicles to 2.0% from 5.5%, while the tax on imports of nickel cathode for smelting purposes was adjusted to 2.0% from 1.0% (but it remained at the lower end for cathode more suited to plating and sulphate applications).

²⁶ "The Future of Nickel: Deeper Deficits and Rising Prices" by Thomas Biesheuvel (Bloomberg) (October 2017)

²⁷ <https://www.woodmac.com/press-releases/2018-nickel-outlook/>

With firmer outlook for battery metals, Macquarie has revised its long-term nickel price forecast upward to \$17,500 per ton from \$13,000 per ton driven by expectations on the amount of metal required in batteries. This estimate assumes sales of electric vehicles and plug-in electric vehicles of 5.0% of global sales by 2022 from just 1.0% in 2016.²⁸

Bank of America Merrill Lynch asserts the lack of investment in new mines in recent years coupled with a steadily increasing demand for electric vehicles will strengthen the case for market rebalancing. Assuming that NCM technology is adopted in ratio between one-third nickel, one-third cobalt, and one-third manganese (1:1:1) / and 80.0% nickel, 10.0% cobalt, and 10.0% manganese (8:1:1), and Tesla will continue to use NCA, Bank of America Merrill Lynch believes the nickel market will sustain deficits that could increase to around 800,000 tons by 2025.²⁹

In the near-term, SMM expects nickel demand in 2018 to be mainly due to rising domestic consumption and rebound in exports driven by improving economies in Europe and the US. SMM believes that the relaxation of the export of Indonesian laterite nickel ore will bring NPI output to 700,000 tons in 2018 with China at 460,000 tons and Indonesia at 240,000 tons and will drive up the expansion of global NPI capacity in the next three (3) years. SMM expects that Indonesian NPI capacity will account for around 50.0% global market share in 2020, like China. SMM forecasts the nickel price at \$9,000.00 to \$14,500.00 per ton in 2018.³⁰

The large and established market for nickel driven by the global steel sector and the emerging available technologies for electric vehicles are supportive to both short-term and long-term prospects. Factors that could have a more immediate impact on nickel and NPI prices in the short term would be potential supply coming from Indonesia. It will not necessarily be easy however to increase nickel mine output dramatically, as there are major constraints such as startup lag for new mine projects, persistent low nickel prices that are below operating levels particularly for those in Australia and New Caledonia, as well as recent environmental regulatory initiatives. Overall, the future balance in the nickel market will be determined not only by the rate of increase in demand but also by a combination of each mining company's capabilities—financial, technical, and social to execute expansion plans.

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²⁸ “Outlook for Battery Metals Prices is Firming, Macquarie Says” by David Stringer (Bloomberg) (October 2017)

²⁹ “Metals and Mining Outlook” by Bank of America Meryll Lynch (November 2018)

³⁰ “SMM Demand of Cobalt and Nickel to Benefit from China’s EV Subsidy Policy in 2018”

REGULATION

Regulation of Mining and Foreign Investments

The Philippine constitution

Under Section 2, Article XII of the Constitution of the Philippines, all lands of the public domain, waters, minerals, coal, petroleum and other mineral oils, all forces of potential energy, fisheries, forests or timber, wildlife, flora and fauna and other natural resources are owned by the Government. The Constitution gives the Government full control and supervision over the exploration, development and utilization of natural resources. In exercising its powers with respect to natural resources, the Government may enter into MPSAs, co-production agreements and joint venture agreements with Filipino citizens, or corporations or associations at least 60.0% of whose capital is owned by such citizens. These agreements may be for a term of up to 25 years, renewable for another term of up to 25 years with the consent of the Government, and on such other terms and conditions as may be permitted by law. On June 21, 2016, the term of the MPSA for the Cagdianao Mine has been extended for another 25 years from its initial term ending in 2017. We also plan to extend the term of the MPSA for the INC Mine at the appropriate time. In addition, the President of the Philippines may enter into agreements with foreign owned corporations involving financial or technical assistance for large-scale exploration, development and utilization of mineral resources.

Philippine nationality requirements

The exploration for and exploitation of minerals in the Philippines under mineral and operating agreements with the Government may only be conducted by Philippine nationals. Under Section 3 of Republic Act No. 7942, otherwise known as the “Philippine Mining Act of 1995,” consistent with the above-mentioned constitutional requirement for MPSAs, a qualified person is defined as “any citizen of the Philippines with capacity to contract, or a corporation, partnership, association, or cooperative organized or authorized for the purpose of engaging in mining, with technical and financial capability to undertake mineral resources development and duly registered in accordance with law at least 60.0% of the capital of which is owned by citizens of the Philippines; provided, that a legally organized foreign-owned corporation shall be deemed a qualified person for purposes of granting an exploration permit, FTAA or mineral processing permit.”

Under the Foreign Investments Act of 1991, a Philippine national includes: (a) a citizen of the Philippines; (b) a domestic partnership or association wholly owned by citizens of the Philippines; (c) a corporation organized under the laws of the Philippines, at least 60.0% of whose capital stock outstanding and entitled to vote in all circumstances is owned and held by citizens of the Philippines; or (d) a corporation organized outside the Philippines and registered as doing business in the Philippines under the Corporation Code, 100.0% of whose capital stock outstanding and entitled to vote in all circumstances is owned by Philippine nationals or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least sixty per cent (60.0%) of the fund will accrue to the benefit of Philippine nationals.

Recent jurisprudence

In the Philippine Supreme Court case of *Wilson P. Gamboa v. Finance Secretary Margarito B. Teves, et. al.* (the “Gamboa Case”), a case involving a public utility company (which under the Philippine Constitution is also subject to the 60-40 rule on capital ownership), the Philippine Supreme Court sitting *en banc* ruled that the term “capital” as used in Section 11 of Article XII of the Philippine Constitution refers only to shares of stock entitled to vote in the election of directors.

Subsequent to the Gamboa Case cited above, in the December 2012 case of *Express Investments v. Bayan Telecommunications, Inc.*, the Philippine Supreme Court discussed the Gamboa ruling, and clarified that “considering that common shares have voting rights that translate to control as opposed to preferred shares that usually have no voting rights, the term “capital” in Section 11, Article XII of the Constitution refers only to common shares.” In the said case, the Supreme Court, however, added that if the preferred shares also have the right to vote in the election of directors, then the term “capital” shall include such preferred shares because the right to participate in the control or management of the corporation is exercised through the right to vote in the election of directors. The Philippine Supreme Court said that “in short, the term “capital” in Section 11, Article XII of the Constitution refers only to shares of stock that can vote in the election of directors.” The recent decisions of the Supreme Court remain consistent with the Foreign Investments Act, which apply the minimum Filipino requirements only to “shares that are generally entitled to vote.”

On May 20, 2013, the SEC issued Memorandum Circular No. 8 or the *Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities*. The Circular provides that for purposes of determining compliance therewith, the required percentage of Filipino ownership shall be applied to both (a) the total number of outstanding shares of stock entitled to vote in the election of directors; and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.” A petition for certiorari has since been filed sometime in June 2013, questioning the constitutionality of the Rules on Foreign Ownership (Memorandum Circular No. 8, Series of 2013) promulgated by the SEC.

In the case of *Roy v. Herbosa (G.R. No. 207246, November 22, 2016)*, the Supreme Court En Banc upheld the constitutionality of the Circular and affirmed that the method of determining compliance with the required Filipino equity as provided in the Circular is in accordance with the pronouncements of the Supreme Court in the *Gamboa* Case. To dispel any doubt, the Supreme Court provided an example on the proper application of the rule. In the example, Company X has 100 common shares, 100 class A preferred shares (with right to elect directors), and 100 class B preferred shares (without right to elect directors). To comply with the Circular, at least 180 shares of all the outstanding capital stock of Company X must be owned and controlled by Filipino. In addition, it is required that among those 180 shares, a total of 120 of the common shares and class A preferred shares (in any combination) are owned and controlled by Filipinos. The Court clarified that the requirement to separately apply to each class of shares in the *Gamboa* Case is a mere obiter dictum and thus, should not be binding. The Court further clarified both legal title and beneficial ownership over the shares must rest in the hands of the Philippine citizen or Philippine nationals to be deemed compliant.

In the case of *Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp.* (G.R. No. 195580, April 21, 2014), the third division of the Supreme Court, in passing upon the nationality of applicants for an MPSA, stated that where foreign equity ownership is in doubt, the Grandfather Rule (making reference to the 1967 SEC Rules and DOJ Opinion No. 020 Series of 2005) shall apply. The Grandfather Rule embodies the method of determining the percentage of Filipino equity in a corporation which is engaged in nationalized or partly nationalized activities and which have corporate shareholders. Under the Grandfather Rule, shares owned by corporate shareholders are attributed either as part of Filipino or foreign equity by determining the nationality not only of the corporate shareholders but also such corporate shareholders' shareholders and their shareholders (and down the line).

Narra Nickel case appears to expand and/or modify the doctrine laid in the Gamboa Case cited above. Under the Constitution, however, no doctrine or principle of law laid down by the Supreme Court in a decision *en banc* or in division may be modified or reversed except by the court sitting *en banc*.

Subsequently, a motion for reconsideration was filed to challenge the April 21, 2014 Narra Nickel Decision before the Special Third Division of the Supreme Court. The Supreme Court, in a resolution dated January 28, 2015, denied with finality the motion for reconsideration, thereby upholding the challenged Narra Nickel Decision.

Each of the Company and its subsidiaries has at least 60.0% of its outstanding stock owned by Philippine nationals. In addition, the articles of incorporation of each of the Company and its subsidiaries state that a transfer of shares will not be recorded on the books of either corporation if the result of such transfer would be to reduce the ownership of Philippine nationals to less than the required percentage.

Forms of mining tenure

Mining lease contracts and operating contracts

Prior to the enactment of the Mining Act, all rights to explore, develop and utilize mineral resources in the Philippines were granted pursuant to Presidential Decree No. 463, which authorized the Government to enter into mining lease contracts ("Mining Lease Contracts") or operating contracts ("Operating Contracts") with qualified independent contractors who were Philippine nationals. The rights of contractors under either of these forms of contract were substantially similar. A Mining Lease Contract or an Operating Contract was valid for a maximum of 25 years, renewable by the contractor with the consent of the Government for a further period of up to 25 years, and was assignable. The contractor was required to pay royalties, rental fees and national taxes but was not required to pay provincial or municipal district royalties or taxes.

Mining Act

The Mining Act was enacted in 1995 to implement the provisions of the Constitution relating to the exploration, development and utilization of mineral resources. The Mining Act repealed Presidential Decree No. 463 and replaced the system of Mining Lease Contracts and Operating Contracts with the exploration permit and mineral agreement system described below under "Tenure under the Mining Act." Mining Lease Contracts and Operating

Contracts granted under Presidential Decree No. 463 continued in effect for the remainder of their terms, before the expiry of which the contractor must apply for a form of mineral agreement under the Mining Act.

Tenure under the Mining Act

Under the Mining Act, the Government may grant exploration permits to qualified applicants and enter into mineral agreements with qualified independent contractors who are Philippine nationals and FTAAs (defined below) with qualified corporations that need not be “Philippine nationals.” The Government’s activities under the Mining Act are administered by the MGB of the DENR.

- (a) Exploration permit. An exploration permit grants the permit holder the right to enter, occupy and explore for minerals in a specified area. It shall be valid for a period of two (2) years, subject to annual review and relinquishment or renewal upon the recommendation of the Director of the MGB.
- (b) Mineral agreement. A mineral agreement shall grant to the contractor the exclusive right to conduct mining operations and to extract all mineral resources found in the contract area. The most common form of mineral agreement is the MPSA, which shall have a term not exceeding 25 years, and may be renewable for a period not exceeding 25 years, as prescribed by the Philippine Constitution. There are three (3) types of mineral agreement:
 - i. MPSA—an agreement where the Government grants to the contractor the exclusive right to conduct mining operations within a contract area and shares in the gross output from the operations. The contractor shall provide the financing technology, management and personnel necessary for the implementation of the agreement. A qualified person may enter into an MPSA with the government for the exploration, development and utilization of mineral resources. Only citizens of the Philippines or corporations at least 60.0% of the capital of which is owned by citizens of the Philippines are qualified. Moreover, in case the applicant has been in the mining industry for any length of time, he/she should possess a satisfactory environmental track record as determined by the MGB and in consultation with the Environmental Management Bureau of the DENR. The Government’s share consists of an excise tax of 2.0% of the “gross revenue from mining” which would increase to 4% of the “gross revenue from mining” based on the TRAIN Act (see “Philippine Taxation” below). In addition, if an MPSA covers an area that lies within a mineral reservation, the contractor is required to pay the Government a further royalty of not less than 5.0% of gross revenues from the sales of minerals from the properties. The contractor under an MPSA is required to provide all the necessary financing, technology, management and personnel. An application for an MPSA generally takes eight (8) to 12 months to process.
 - ii. Co-production agreement—A co-production agreement is similar to an MPSA except that the Government makes an agreed contribution to the mining operations conducted by the contractor.

iii. Joint venture agreement—Under a joint venture agreement, the Government and the contractor form a joint venture company, with both parties having equity shares, and the Government grants to the company the exclusive right to conduct mining operations within a contract area. In addition to its equity participation, the Government is entitled to an agreed share of the gross revenues from the sales of minerals from the properties.

(c) FTAA – an agreement between the Government and the contractor involving financial or technical assistance for large-scale exploration, development and utilization of mineral resources. Any qualified person with technical and financial capability to undertake these activities in the Philippines may enter into a FTAA directly with the Government through the DENR.

Compared to an MPSA, an FTAA is entered into to cover a wider area. Moreover, the contractor is allowed a maximum of five (5) years to recover pre-operating expenses; the five (5) -year period is reckoned from the date of commencement of commercial production. Government share in an FTAA consists of excise tax on minerals and other taxes, duties and fees levied by existing laws, and additional government share agreed upon with the contractor in accordance with the formula selected among those indicated in DENR Administrative Order No. 99-56, as amended.

An exploration permit or a mineral agreement may be assigned to another qualified person subject to the approval of the Secretary of the DENR upon the recommendation of the Director of the MGB. An FTAA may be assigned to another qualified person subject to the approval of the President of the Philippines upon recommendation of the Secretary of the DENR and the Director of the MGB.

The Mining Act provides for the annual mandatory relinquishment of areas granted to the permit holder or contractor under an exploration permit, mineral agreement or FTAA such that, following the exploration stage, unless otherwise approved by the Government, the final mining area is generally limited to 5,000 hectares for metals and 2,000 hectares for non-metals.

An MPSA cannot co-exist with an FTAA over the same area. However, a contractor may be allowed to convert his/her mineral agreement into any of the modes of mineral agreements or FTAA covering the remaining period of the original agreement by filing a letter of intent to the MGB and subject to the approval of the Secretary of the DENR. Conversely, a contractor may also convert totally or partially its FTAA into an MPSA or any mineral agreement if the economic viability of the mineral resources in the contract area is found to be inadequate to justify large-scale mining operations. Such conversion may be effected by filing a similar letter of intent to the DENR, copy furnished the MGB Central Office and the relevant regional office.

Before an MPSA or FTAA is granted, an applicant already has vested rights over the area covered by his application. The applicant has priority rights in the event that the government approves the application and allows the applicant to enter the area and conduct mining operations. Because of this vested right, applications for mineral agreements cannot cover the same or overlapping areas. Since the applicant has priority and vested rights over the area covered by his application, he can assign certain rights even before the MPSA or FTAA is granted but such assignment shall only take effect upon the grant of the MPSA or FTAA.

No mining rights may be granted in relation to ancestral lands claimed or occupied by indigenous cultural communities under a claim of time immemorial possession, except with the prior consent of such communities. If such consent is obtained, the holder of the mining rights must pay a negotiated royalty to the affected communities of not less than 1.0% of the gross revenue from sales of mineral products extracted from the lands.

The Mining Act grants the contractor certain easement rights to enter and occupy lands owned, occupied or leased by other persons for purposes of conducting mining operations or installing or building structures required for such operations, upon payment of just compensation and subject to compliance with certain requirements under the Mining Act.

In addition to the Government's share under the mineral agreements described above, each permit holder and contractor is required to pay an annual occupation fee payable to the local government where the onshore mining area is located or to the MGB for offshore areas, computed as follows: (a) for areas outside a mineral reservation, ₱50.0 per hectare under an exploration permit and ₱50.0 per hectare under a mineral agreement or FTAA, and (b) for areas inside a mineral reservation, ₱100.0 per hectare under any exploration permit, mineral agreement or FTAA.

On July 06, 2012 President Benigno S. Aquino III issued Executive Order No. 79 ("EO 79") implementing reforms in the mining sector to ensure environmental protection and responsible mining.

Pursuant to EO 79, applications for mineral contracts, concessions, and agreements are disallowed in areas closed to mining. However, existing mining operations will be allowed to continue but the granting of new mineral agreements are suspended until a legislation rationalizing existing revenue sharing schemes and mechanisms shall have taken effect. This means that the processing of pending applications for mineral agreements such as MPSAs and FTAAAs are suspended until Congress passes a law rationalizing the revenue sharing schemes in the mining sector. The DENR may, however, continue to grant and issue EPs under existing laws, rules, and guidelines.

EO 79 likewise mandates the DENR to undertake a review of existing mining contracts and agreements for possible renegotiation of their terms and conditions, which shall, in all cases, be mutually acceptable to the Government and the mining contractor.

Further, according to the Section 9 of DENR Administrative Order No. 2012-07 or the Implementing Rules of Executive Order No. 79, in case the mining agreement is renewed, it shall be subject to new terms and conditions pursuant to the laws, and rules and regulations that are existing at the time of renewal.

Moreover, pursuant to DENR Memorandum Order No. 2013-01, the minimum authorized and paid-up capital requirements for applicants for mineral agreements, such as MPSAs, have been increased to ₱100,000,000.00 authorized capital stock and ₱6,250,000.00 paid-up capital.

Mineral Processing and Ore Transport Permits

A mineral processing permit is required to process minerals, except when an approved work program under an MPSA already includes such processing. Likewise, an ore transport permit is required to transport mineral products.

Final Mine Rehabilitation/Decommissioning Plan

Five (5) years before the final decommissioning of a contract area, the holder of a mineral agreement or FTAA must submit FMRDPs, including details of its financial requirements up to post-decommissioning over a 10-year period for monitoring purposes.

As of the date of this Prospectus, the FMRDF amounted to ₱76,877,711 which has been deposited by the Company in full to implement the FMRDP of the Company, as approved by MGB.

Local Communities

The holder of a mineral agreement or FTAA is required to assist in: (a) the development of the local communities to promote the general welfare of the local inhabitants; and (b) in the development of mining technology and geosciences as well as manpower training and development. The holder of a mineral agreement or FTAA is also required to allot annually a minimum of 1.0% of its direct milling and mining costs for such purposes.

All applicants for exploration permits, mineral agreements and FTAAAs are required to obtain the support of local barangays. A “barangay” is the smallest local government unit in the Philippines. This support usually consists of an endorsement or approval of the project in the form of a resolution.

Environmental Regulation

Any entity doing business in the Philippines is subject to the environmental laws of the Philippines. These laws seek to attain a balance between socio-economic growth and environmental conservation and protection. The DENR is the Government agency primarily responsible for implementing the environmental policy of the Government.

Environmental Impact Statement System and Environmental Compliance Certificates

The environmental impact statement (“EIS”) system in force in the Philippines classifies projects and areas into those that are environmentally critical (being those that have high potential for negative impact to the environment) and those that are not. A person is prohibited from operating any project that is classified as environmentally critical or located within an environmentally critical area without first securing an ECC from the DENR. An ECC certifies that, in the DENR’s view, the proposed project will not cause a significant negative environmental impact and that the applicant has complied with all the requirements of the EIS system.

The Mining Act specifically requires an ECC to be obtained based on an environmental impact assessment and procedure, except during the exploration period. It also requires the submission of an EPEP as described below.

ECCs set out requirements on mining activities, including the development of strategies to mitigate or rehabilitate environmental impact, creation of a social development and management program, monitoring and compliance with air and water quality standards and noise levels and the establishment of a contingent liability and rehabilitation fund, which is broken down into three (3) types.

The first type of fund is a mine rehabilitation fund, which is further broken down into a monitoring trust fund and a rehabilitation cash fund. The monitoring trust fund is a fund to be set aside by the mine operator so that it has sufficient cash reserves to comply with its maintenance and operating obligations under its EPEP. The monitoring trust fund must be replenished monthly to cover any amounts spent during the preceding month. The rehabilitation cash fund is a trust fund to be established by the mine operator to ensure compliance with its EPEP. The amount to be set aside is the lesser of 10.0% of the total amount required to implement the EPEP and ₱5.0 million. Any amounts withdrawn are to be replenished annually, and the rehabilitation cash fund is required to be maintained for the entire decommissioning period as set out in the ECC.

The second type of fund is a mine waste and tailing fees reserve fund, which consists of semi-annual collections from the contractor in varying amounts based on the mine waste and tailings generated for the preceding period. This fund is mainly used for compensation for any damages caused by mining operations.

The third type of fund is the FMRDF to finance the implementation of a project's FMRDP, and the amount required to be set aside in the fund will depend on the underlying plan.

Environmental Protection and Enhancement Program

An EPEP is a comprehensive and strategic environmental management plan for the life of the mining project.

EPEPs are prepared pursuant to the provisions of the Mining Act and DENR Administrative Order No. 96-40 and cover the environmental programs necessary for the development and mining of the deposits in the approved MPSA contract area for the next 25 years. An EPEP must provide a description of the expected and considered acceptable impact and should set out life-of-mine environmental protection and enhancement strategies based on best practices in environmental management in mining. It must include a statement on post-mining land use potential for various types of disturbed land (including, among other things, pits, waste dumps and infrastructure sites) and extend to the completion of the commitments in the rehabilitation of the disturbed land in a technically, socially and environmentally competent manner. The program must be based on practical and achievable options and demonstrated practice. Finally, the program must include implementation schedules, environmental compliance guarantees, monitoring, reporting and cost provisions. Where proposed practices are unproven, a research program to prove the impact control and rehabilitation technology is required.

In addition, an annual EPEP must be prepared based on the approved EPEP and must be implemented during the year for which it is submitted. It must address, among other things, exploration, development, utilization, rehabilitation, regeneration, revegetation and reforestation of mineralized areas, slope stabilization of mined-out areas, waste dumps (including acid mine drainage control), aquaculture, watershed development, water conservation and socio-economic development.

Annual obligations under the approved overall EPEP include: (a) the submission of an annual EPEP to the Mine Rehabilitation Fund Committee created pursuant to the implementing rules of the Mining Act in the relevant area; and (b) the submission of an annual social development and management program to the MGB.

As of the date of this Prospectus, the approved EPEP of the Company amounts to ₱1,259,670,677.00, which is the amount to be spent for environmental programs during the life of the mine.

Other Environmental Legislation

In addition to the ECC and EPEP requirements described above, the Philippines has a comprehensive set of environmental laws, regulations, decrees and codes of general application. In the course of its business, the Company is required to comply with a number of such laws relating to, among other things: the protection of fresh and marine water and the discharge of waste and other harmful substances therein from land or water; the safeguarding of domestic and municipal water supplies; erosion control; the protection of forests and regulations regarding tree cutting; the protection of wildlife and restoration of the natural environment affected by industrial activities; the prevention of air pollution, including from dust generated by mining activities; and the handling, use, transportation and disposal of toxic substances.

Administrative Order No. 2017-10

On April 27, 2017, DENR released Administrative Order No. 2017-10, which banned open pit method of mining for copper, gold, silver, and ores in the country. The Company does not engage in open pit method of mining.

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The following table shows the Company's mineral agreements and operating agreements with respect to its mining operations:

SIRC and INC Mineral and Operating Agreements

Company	SIRC Cagdianao Mine	INC INC Mine
MPSA No.	MPSA No. 007-92-X (dated January 13, 1992)	MPSA No. 017-93-IV (dated August 5, 1993 and amended on April 10, 2000)
ECC No.	ECC No. 1007-0023 (dated August 20, 2010), with a maximum production volume of 5.0 million DMT or 7.7 million WMT of ore each year.	ECC No. 1006-0017 (dated October 08, 2010), with a maximum production volume of 1.0 million DMT or 1.5 million WMT of ore each year. We intend to apply for an amendment to the current ECC, allowing INC to produce a maximum of 3 million DMT of ore each year. ³¹
Issued to	CMDC (assigned to SIRC through a deed of assignment from CMDC)	CNMEC
Mine site	Cagdianao Mine situated in Claver, Surigao del Norte	Brooke's Point, Palawan
Contract area	4,376 hectares An application to expand the Contract area of 843 hectares has been filed with the MGB on June 22, 2016.	2,835 hectares
Term	25 years from the date of approval by the President of the Philippines of such MPSA or on February 14, 1992, subject to renewal for another period of 25 years The MPSA was renewed on June 21, 2016 for another 25 years from its initial term ending in 2017. The MPSA is now valid until February 14, 2042.	25 years from date of approval by the President of the Philippines of such MPSA or on September 18, 1993, subject to renewal for another period of 25 years. The MPSA was amended in April 10, 2000. The application for renewal has been filed and is currently under MGB's evaluation.

³¹ The DENR recently ordered the cancellation of the ECC for the INC Mine. We have filed a letter request seeking to have the order for cancellation reconsidered. Our request is currently pending with the Office of the DENR Secretary.

Purpose	For the exploration and development and utilization for commercial purposes of nickel and other associated mineral deposits	For the exploration and development and utilization for commercial purposes of nickel and other associated mineral deposits
Operating agreement	Operating agreement dated September 15, 2006 between SIRC and PGMC for a period of 25 years from September 15, 2006 or for a period co-terminus with the term of MPSA No. 007-92-X, whichever comes first, whereby SIRC grants PGMC the exclusive right to explore, develop, exploit and operate the mineral property	Operating agreement dated January 19, 2005 between CNMEC and INC for a period of 25 years from January 19, 2005, renewable for another 25 years at the option of INC, provided that the MPSA is still valid and subsisting. CNMEC grants INC the exclusive right to explore, develop, and equip mineral properties and to mine and beneficiate the ore thereof.

The foregoing MPSAs have a long period of effectivity. In case the first 25 years has lapsed and the MPSAs are not renewed, then the operating agreements will no longer be renewed and PGMC and INC will have to discontinue mining activities in their respective mines.

The following table is a summary of the material permits and licenses of the Company and its Subsidiaries:

PGMC/SIRC Material Permits

<i>Name of Permit/License</i>	<i>Issuer of the Permit/License</i>	<i>Issue Date</i>	<i>Validity Period</i>
MPSA (originally issued to CMDC and then assigned to SIRC through a deed of assignment from CMDC) to (MPSA No. 007-92-X)	Government of the Philippines acting through the DENR. Approved by the President of the Philippines	Date of Execution: January 13, 1992 Approved by the President of the Philippines on February 14, 1992 The MPSA was renewed on June 21, 2016 for another 25 years from its initial term ending in 2017. The MPSA is now valid until February 14, 2042.	Original Validity Period: February 14, 1992 –February 13, 2017. The MPSA was renewed on June 21, 2016 for another 25 years from its initial term ending in 2017. The MPSA is now valid until February 14, 2042.
Environmental Compliance Certificate in the name SIRC	DENR	June 17, 2004	Valid until revoked

<i>Name of Permit/License</i>	<i>Issuer of the Permit/License</i>	<i>Issue Date</i>	<i>Validity Period</i>
(ECC No. 0312-157-301)			
Environmental Compliance Certificate in the name SIRC-PGMC (ECC No. 1007-0023)	DENR	August 20, 2010	Valid until revoked
Operating Agreement between SIRC and PGMC	Executed by SIRC and PGMC. Registered with the Mines Regional Office of Mines and Geosciences Bureau located at CARAGA Region, Butuan City	Co-terminus with the MPSA	Co-terminus with the MPSA
DENR Contingent Liability and Rehabilitation Fund Steering Committee Certificate of Approval	DENR Contingent Liability and Rehabilitation Fund Steering Committee	October 02, 2013	As of date, PGMC has already paid its commitment in full
Discharge Permits	DENR	January 2015	Effective until January 2020
Permit to Operate (Air Pollution Source and Control Installations)	DENR	January 2015	effective until January 2020
NCIP clearance	National Commission of Indigenous Peoples	March 31, 2006	Co-terminus with the MPSA
National Commission of Indigenous Peoples - Certificate of Precondition	National Commission of Indigenous Peoples	July 07, 2010	Co-terminus with the MPSA
Memorandum of Agreement of PGMC with the indigenous people	Entered into by and among PGMC, Mamanwa Tribes and the National Commission of Indigenous Peoples	2010	Co-terminus with the MPSA

<i>Name of Permit/License</i>	<i>Issuer of the Permit/License</i>	<i>Issue Date</i>	<i>Validity Period</i>
Memorandum of Agreement with Taganito Mining Corporation	Entered into by SIRC and Taganito Mining Corporation Submitted to the DENR	Date of execution –November 03, 2003 Submitted to the DENR on August 23, 2004	Valid for 20 years from November 03, 2003
Business Permit of FNI	Makati City	February 02, 2018	Valid until December 31, 2018
Business Permit of PGMC	Makati City	February 02, 2018	Valid until December 31, 2018
Business Permit of SIRC	Makati City	February 02, 2018	Valid until December 31, 2018
2018 Business Permit of PGMC	Municipality of Claver	April 20, 2018	Valid until June 30, 2018
Certification stating that SIRC-PGMC is the valid and subsisting tenement holder of MPSA No. 007-92-X (SMR) and it substantially complied with the terms and conditions of the MPSA which includes the submission of the required reports, and payments of taxes, among others	Mines and Geosciences Bureau	September 19, 2016	Not applicable

PGMC-CNEP Shipping Services Corporation Material Permits

<i>Name of Permit/License</i>	<i>Issuer of the Permit/License</i>	<i>Issue Date</i>	<i>Validity Period</i>
2018 Business Permit	Makati City	February 02, 2018	Valid until December 31, 2018
Marina Permit	Maritime Industry Authority	June 14, 2016	Valid until June 18, 2019

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The overall management and supervision of the Company is undertaken by the Company's Board of Directors. The Company's executive officers cooperate with the Company's Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. Pursuant to the Company's latest amended articles of incorporation, approved by the SEC on December 22, 2014, the Board shall consist of 10 members, of which two (2) are independent directors. Except for Mr. Noel Lazaro who was elected by the Board of Directors on March 14, 2018, all of the directors were elected at the Company's annual shareholders' meeting on June 28, 2017 and will hold office until their successors have been duly elected and qualified.

The table sets forth each member of our Board of Directors and the Group's executive officers as of the date of this Prospectus.

Directors and Executive Officers of the Company

Name	Age	Nationality	Position
Joseph C. Sy	51	Filipino	Chairman of the Board of Directors
Dante R. Bravo	42	Filipino	President and Director
Dennis Allan T. Ang	41	Filipino	Director
Ming Huat Chua	55	Malaysian	Vice-Chairman of the Board of Directors
Francis C. Chua	69	Filipino	Director
Mary Belle D. Bituin	50	Filipino	Treasurer/ Senior Vice President for Finance/ Human Resources Department/ Director
Gu Zhi Fang	44	Chinese	Director
Edgardo G. Lacson	74	Filipino	Independent Director
Roberto C. Amores	65	Filipino	Independent Director
Noel B. Lazaro	48	Filipino	Director, Senior Vice President for Legal and Regulatory Affairs, Corporate Secretary and Corporate Information Officer
Carlo Matilac	45	Filipino	Senior Vice President for Operations
Eveart Grace Pomarin-Claro	37	Filipino	Assistant Corporate Secretary and Alternate Corporate Information Officer

The business experience for the past five (5) years of each of our directors and key executive officers is set forth below.

Joseph C. Sy

Chairman of the Board of Directors

Mr. Sy became Chairman of the Board of Directors on August 06, 2015. He became president of PGMC and Company in July 2011 and on August 29, 2014, respectively. He is also a Director and Chairman of Ipilan Nickel Corporation, Chairman and President of Ferrochrome Resources Inc. and the Director of Mining for the Philippine Chamber of Commerce and Industry. Mr. Sy has more than fourteen (14) years of experience in managing and heading companies engaged in mining and mineral exploration and development.

Dante R. Bravo

President and Director

Mr. Bravo became the President of the Company on August 06, 2015. He previously served as Executive Vice President of the Company. He has been a Director, Executive Vice President and Corporate Secretary of PGMC since 2011. He was Chief Finance Officer of PGMC from 2011 to 2013. He is also an attorney-at-law and a Certified Public Accountant in the Philippines. Mr. Bravo served as a Director from 2004 to 2011 and a Senior Associate from 2002 to 2004 at SGV. He is a professor of law at San Beda College and a lecturer for the Mandatory Continuing Legal Education Program for lawyers. He was the Chief Political Affairs Officer of Congressman Mr. Narciso R. Bravo Jr. He holds a Bachelor of Laws degree from San Beda College and a Bachelor of Accountancy degree from the University of Santo Tomas. Mr. Bravo has more than 10 years of corporate management experience. He placed 10th in the 2001 Philippine Bar Examinations.

Ming Huat Chua

Vice Chairman of the Board of Directors

Mr. Chua became a Director of the Company on June 29, 2016 and Vice Chairman of the Board of Directors on July 28, 2016. Mr. Chua was former President of Genting Hong Kong Limited (“GHK”) and a director of Norwegian Cruise Line Holdings Ltd., a company listed on the NASDAQ Global Select Market. He held key management positions in various international securities companies in Malaysia, Singapore and Hong Kong, with extensive knowledge in the management of securities, futures and derivatives trading, asset and unit trust management, corporate finance and corporate advisory business. He was a Director and member of the Listing Committee of the MESDAQ market of Bursa Malaysia Securities Berhad. He has a Bachelor of Arts degree in Political Science and Economics from the Carleton University in Ottawa, Canada.

Dennis Allan T. Ang

Director

Mr. Ang became a Director of the Company on August 06, 2015. He is the Corporate Secretary of Maxima Machineries, Inc. since February 2009 and System Architect and Lead Programmer of Engagement Workflow System Architecture Development since July 2015. He founded Full Metro Gear Corp. and Engagement, Inc. in 2014 and 2007, respectively. He occupied several key positions in the Asian Institute of Management from 2001 to 2006. Mr.

Ang holds a degree in Bachelor of Science in Management Information Systems from Ateneo de Manila University and a Masters Degree in Business Administration from Asian Institute of Management.

Francis C. Chua

Director

Mr. Chua became a director of the Company on October 22, 2014. He is the Honorary Consulate General of the Republic of Peru and the honorary president of the Federation of Filipino Chinese Chamber of Commerce and Industry. He is also the President Emeritus of the Chamber of Commerce of the Philippines Foundations. Mr. Chua served as special envoy on Trade and Investments on China. He holds a Bachelor of Science degree in Industrial Engineering from the University of the Philippines, College of Engineering. He is currently a non-executive director of the PSE.

Mary Belle D. Bituin

Senior Vice President, Chief Financial Officer and Director

Ms. Bituin became a Director of the Company on November 02, 2015. Ms. Bituin holds a Bachelor of Science degree in Business Administration, major in accounting from Philippine School of Business Administration Manila. She is a Certified Public Accountant. She was Vice President for Business Transformation of Globe Telecom, Inc. She was the international auditor for the International Auditor for International Audits at the Cooperative for Assistance and Relief Everywhere, a leading international humanitarian organization fighting global poverty based in Atlanta, Georgia USA, from 1994 to 1998. She was also a senior auditor at SGV & Co. where she worked from 1988 to 1994.

Gu Zhi Fang

Director

Ms. Gu Zhi Fang became a Director of the Company on October 22, 2014. She is Director and General Manager of Jiangsu Lianhua Paper Ltd., Wujiang, Jiangsu Province, China. She holds a degree in International Trade from Suzhou University.

Noel B. Lazaro

Senior Vice President for Legal and Regulatory Affairs, Corporate Secretary, Corporate Information Officer, and Director

Mr. Lazaro became the Corporate Secretary and Corporate Information Officer of the Company on October 22, 2014. He also acts as its Senior Vice President for Legal and Regulatory Affairs. On March 15, 2018, he became a Director of the Company. He joined PGMC on August 01, 2014. He is a Director of INC and also a Director and Corporate Secretary of Southeast Palawan, PCSSC and SIRC. Mr. Lazaro served as a Partner for Siguion Reyna Montecillo & Ongsiako, an Associate at SyCip Salazar Hernandez & Gatmaitan, a Professorial Lecturer for the Lyceum of the Philippines College of Law, the De la Salle University Graduate School of Business and Far Eastern University Institute of Law, Master of Business Administration-Juris Doctor Dual Degree Program. He completed his Bachelor of Laws degree from the University of the Philippines College of Law and placed 19th in the 1995 Philippine Bar Examinations.

Independent Directors

Pursuant to the requirements of Section 38 of the SRC, the Company's Board of Directors and stockholders approved the amendment of the Company's By-Laws adopting the requirement on the nomination and election of independent directors on June 29, 2005.

In compliance with the requirements of the Code of Corporate Governance and the SEC's Guidelines on the Nomination and Election of Independent Directors (SEC Memorandum Circular No. 16, Series of 2002), the Nomination Committee (composed of Atty. Miguel B. Varela as Chairman, and Mr. Joseph C. Sy and Mr. Raul M. Ang) constituted by the Board of Directors in a meeting held on August 06, 2015, endorsed the respective nominations given in favor of Mr. Edgardo Gapuz-Lacson (nominated by Atty. Dante R. Bravo) and Mr. Roberto C. Amores (nominated by Mr. Joseph C. Sy). None of the nominees for independent directors are related to any member of the Board of Directors of the Company

Edgardo Gapuz-Lacson *Independent Director*

Mr. Edgardo Gapuz-Lacson became a Director of the Company on June 29, 2016. Mr. Lacson is a Director of the PSE and Puregold Price Club, Inc. He is also a Trustee of De La Salle University, Home Development Mutual Fund, ADR Institute for Strategic and International Studies and Philippine Disaster Recovery Foundation. Mr. Lacson is a President of MIS Maritime Corporation, Safe Seas Shipping Agency, Marine Industrial Supply Corporation and EML Realty. He is also a Trustee, Past President and Honorary Chairman of the Philippine Chamber of Commerce and Industry. He holds a Bachelor of Science in Commerce Major in Accountancy from the De La Salle College.

Roberto C. Amores *Independent Director*

Mr. Roberto C. Amores became a Director of the Company on March 17, 2015. He is the Director-in-Charge for Agriculture at the Philippine Chamber of Commerce & Industry, a member of the Technical Advisory Group for Agribusiness office of Sec. Arthur C. Yap in the Department of Agriculture, the President of the Philippine Food Processors and Exporters Organization, Inc. and a council member and trustee of the Export Development Council – DTI. He holds a Bachelor of Arts degree from the University of Philippines. Mr. Amores has more than 30 years of corporate management experience.

Other Executive Officers

Carlo Matilac *Senior Vice President for Operations*

Mr. Matilac became Senior Vice President for Operations of the Company on August 06, 2015. Mr. Matilac served as Vice President for Operations of PGMC and Technical Specialist for BHP Billiton and QNI, and a Mine Engineering Superintendent for Manila Mining Corp. Mr. Matilac has more than 19 years of technical and engineering experience in managing companies engaged in mining and mineral exploration development. He completed a Master

in Business Administration from the Saint Paul University and a Bachelor of Science in Mining Engineering from Cebu Institute of Technology. He placed 1st in the 1994 Mining Engineer Licensure Examinations.

Eveart Grace Pomarin-Claro

Assistant Corporate Secretary and Alternate Corporate Information Officer

Ms. Pomarin Claro became Assistant Corporate Secretary and Alternate Corporate Information Officer of the Company on September 10, 2014. Ms. Pomarin-Claro served as Corporate Secretary of the Company from February 01, 2014 to August 29, 2014. She is the Executive Legal Officer of PGMC. On August 23, 2017, she was also appointed as the Compliance Officer of the Company. She is Assistant Corporate Secretary of PGMC and SIRC, and the Corporate Secretary of Ipilan Nickel Corporation, Nickel Laterite Resources, Inc. and CNMEC. She completed a Bachelor of Laws from the University of St. La Salle.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

Save as disclosed in this Prospectus, to the best of the Company's knowledge and belief and after due inquiry, none of the Company's directors, nominees for election as director, or executive officer have in the five (5) -year period prior to the date of this Prospectus: (a) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two (2) -year period of that time; (b) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending proceeding in courts of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; (c) have been the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (d) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, such judgment having not been reversed, suspended, or vacated.

In the ordinary course of our business, we are a party to certain disputes that, we believe, are incidental to our operations. For example, on August 30, 2013, a corporation, which has demanded royalty payments from PGMC, has gone to the DOJ and Office of the Ombudsman to sue some of our directors and officers for alleged infractions of environmental laws, such as the alleged discharge of regulated water pollutants without valid permits required under the Philippine Clean Water Act. The directors and officers filed their respective responses to the complaints disputing the claims of the corporation. The corporation later signed a memorandum of agreement with respondents and executed an affidavit of desistance while respondents filed separate motions to dismiss the complaints in both offices. The DOJ has yet to resolve the complaint while the Office of the Ombudsman dismissed the complaint for lack of basis in a Joint Resolution dated February 23, 2018.

Mr. Joseph C. Sy was the subject of a letter-complaint for deportation filed before the BI. Mr. Joseph C. Sy was also the subject of a complaint for violation of the Philippine Immigration Act of 1940, Anti-Dummy Law, Philippine Mining Act of 1995, Revised Penal Code on simulation of birth, falsification of public documents and perjury, and Section 17 of the

Corporation Code before the SEC. In supporting the allegations against Mr. Joseph C. Sy, the complainant questioned the Filipino citizenship of Mr. Joseph C. Sy. Mr. Joseph C. Sy has received favorable resolutions from both the BI and the SEC. However, in the BI, the complainant filed a belated motion for reconsideration in October 2014. Mr. Joseph C. Sy opposed it by way of a motion to expunge the complainant's motion for reconsideration in November 2014. The BI decided to entertain the motion for reconsideration of the complainant and the original complaint was reinstated. On February 26, 2015, the Board of Commissioners of the BI unanimously dismissed the said case against Mr. Joseph C. Sy. Uncontented, the complainant forum-shopped by appealing to the Office of the President and filing a substantially similar complaint before the DOJ. Mr. Joseph C. Sy has vigorously objected to both actions. No resolution has yet been rendered by either agency. As of date, no resolution overturning the decision of the BI has been issued. Mr. Joseph C. Sy was issued a Philippine passport and is a holder of a Philippine National Statistics Office (NSO) birth certificate (as a Filipino), thus, he is presumed to be a Filipino citizen unless otherwise declared.

Despite the favorable decisions from the BI and the SEC, there can be no assurance that Mr. Joseph C. Sy's citizenship will no longer be contested before administrative bodies or courts in the Philippines. In the unlikely event that courts or administrative bodies in the Philippines make a determination against the Filipino citizenship of Mr. Joseph C. Sy, the Company's subsidiaries may be found to be in breach of the foreign ownership restrictions (a) relating to mining companies in the Philippines, which could result in disqualification to conduct mining operations under MPSAs in the Philippines and/or the cancellation, revocation, and termination or the non-renewal of MPSAs and its corresponding operating agreements or (b) relating to the ownership of lands.

Mr. Joseph Sy is also the subject of a complaint for violation of Republic Act No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act. On November 10, 2017, Mr. Joseph Sy filed for a Motion to Dismiss for violation of his right to speedy disposition of his case and for lack of probable cause. Mr. Joseph Sy argued that more than ten (10) years have passed from the time the Commission on Audit denied the appeal of the audit allowance when the Ombudsman filed the case in the Sandiganbayan in 2017. In addition, Mr. Joseph Sy asserted that he did not violate the law because he was only a corporate officer of the entity that secured the supply of a tractor to the municipal government. He took no part in any phase of the transaction. On February 22, 2018, the Sandiganbayan denied the Motion to Dismiss. On February 27, 2018, Mr. Joseph Sy filed a Motion to Recuse asking for the inhibition of the division of the Sandiganbayan. Also, on March 05, 2018, he filed a Motion for Reconsideration of the February 22, 2018 Resolution. Both motions are now pending resolution.

Mr. Dante R. Bravo is a subject of a complaint for violation of the Philippine Mining Act, the Philippine Water Act, Anti-Graft and Corrupt Practices Act, Presidential Decree No. 1829 on Obstruction of Justice, and Presidential Decree No. 77, otherwise known as the Forestry Reform Code. As of date, the case on the violation of the Philippine Mining Act and the Philippine Water Act is still pending for resolution before the DOJ. On the violation for Obstruction of Justice, a Motion for Voluntary Inhibition of the Investigating Prosecutor and the whole Office of the Provincial Prosecutor of Palawan was filed. As of date, the Motion for Voluntary Inhibition insofar as the Investigating Prosecutor has been granted.

In the unlikely event that courts or administrative bodies in the Philippines make a determination against the Filipino citizenship of Mr. Joseph C. Sy, the Company's subsidiaries may be found to be in breach of the foreign ownership restrictions (a) relating to mining companies in the Philippines, which could result in disqualification to conduct mining operations under MPSAs in the Philippines and/or the cancellation, revocation, and termination or the non-renewal of MPSAs and its corresponding operating agreements or (b) relating to the ownership of lands. See "Business—Legal Proceedings."

On August 01, 2017, the mayor of Brooke's Point Palawan, Atty. Mary Jean D. Feliciano, filed a criminal complaint (NPS Case No. IV-08-INV-17G-0381) against several officers of the INC Mine, which includes the Company's officers, Atty. Dante R. Bravo and Engr. Carlo A. Matilac, for their alleged violation of Section 1 of PD 1829 for allegedly:

- (a) Preventing the group of Mayor Feliciano from entering the premises of INC in several instances;
- (b) Obstructing, impeding the apprehension of suspects who were allegedly violating the impeding the apprehension of suspects who were allegedly violating the Chainsaw Act and/or illegally cutting trees; and
- (c) Harboring, concealing, or facilitating the escape of said suspects.

Respondents filed their Counter-Affidavits and Motion to Inhibit the Provincial Prosecution Office and to transfer the venue to the Department of Justice. The complaint is bereft of any allegation, much less proof, of any act or omission on the part in violation of PD 1829.

On September 13, 2017, respondents filed a motion, praying for the voluntary inhibition of the Investigating Prosecutor and the whole Office of the Provincial Prosecutor of Palawan, and for the transmittal of the case to the Department of Justice for designation of an Acting Provincial Prosecutor to take over the preliminary investigation. Hearing was set on September 20, 2017 for the said Motion. At the hearing, the Provincial Prosecutor granted the Motion. Awaiting the record to be transmitted to the Department of Justice. As of the date of this Prospectus, there is no development on the status of this case.

We believe that none of the cases mentioned above are likely to materially affect the financial condition or results of operations of our business.

No Significant Employees

There is no person who is not an executive officer who is expected to make a significant contribution to the business of the Issuer or the Group.

Corporate Governance

The Board approved the Company's Manual on Corporate Governance (the "Manual") during the meeting of the Board of Directors on May 31, 2017 pursuant to SEC Memorandum Circular No. 19 series of 2016. The Manual assists the Company in monitoring and assessing its level of compliance with leading practices on good corporate governance. Aside from establishing specialized committees to aid in complying with the principles of good corporate governance, the Manual also outlines specific investor's rights and

protections and enumerates particular duties expected from the Board members, officers and employees. It also features a disclosure system which highlights adherence to the principles of transparency, accountability and fairness. A compliance officer is tasked with the formulation of specific measures to determine the level of compliance with the Manual by the Board members, officers and employees. There has been no deviation from the Manual's standards as of the date of this Prospectus.

Committees of the Board

The Board created and appointed Board members to each of the committees set forth below. Each member of the respective committees named below holds office as of the date of this Prospectus and will serve until his successor is elected and qualified.

Audit Committee

The Company's Audit Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Audit Committee has the following duties and responsibilities, among others:

- (a) Recommends the approval of the Internal Audit Charter, which formally defines the role of internal audit and the audit plan as well as oversees the implementation of the Internal Audit Charter;
- (b) Through the Internal Audit Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
- (c) Oversees the Internal Audit Department, and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;
- (d) Establishes and identifies the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;
- (e) Reviews and monitors Management's responsiveness to the internal auditor's findings and recommendations;

- (f) Prior to the commencement of the audit, discusses with the external auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- (g) Evaluates and determines the non-audit work, if any, of the external auditor, and periodically reviews the non-audit fees paid to the external auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
- (h) Reviews and approves the interim and annual financial statements before their submission to the Board, with particular focus on the following matters:
 - i. Any change/s in accounting policies and practices
 - ii. Areas where a significant amount of judgment has been exercised
 - iii. Significant adjustments resulting from the audit
 - iv. Going concern assumptions
 - v. Compliance with accounting standards
 - vi. Compliance with tax, legal and regulatory requirements
- (i) Reviews the disposition of the recommendations in the external auditor's management letter;
- (j) Performs oversight functions over the corporation's internal and external auditors.
- (k) It ensures the independence of internal and external auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- (l) Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- (m) Recommends to the Board the appointment, reappointment, removal and fees of the external auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and
- (n) In case the Company does not have a Board Risk Oversight Committee and/or Related Party Transactions Committee, performs the functions of said committees as provided below.

The Audit Committee meets with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meets with the head of the internal audit. The Audit Committee must comprise at least three (3) members of the Board, who shall preferably have accounting and finance backgrounds, at least one of whom shall be an independent director and another with audit experience. The Audit Committee reports to the Board and is required to meet at least two times (2x) a year. The Audit Committee chairman shall be an independent director. The composition of the Audit Committee consist

of three (3) members, including Mr. Roberto C. Amores as chairman, and Atty. Dante R. Bravo and Mr. Edgardo G. Lacson as members.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee comprises at least three (3) members, including the President and one (1) independent director. It ensures that the compensation policies and practices are consistent with the corporate culture, strategy and business environment under which the Company operates. It is responsible for objectively recommending a formal and transparent framework of remuneration and evaluation for the members of the Board and the Company's key executives to enable the directors and officers to run the company successfully. It evaluates and recommends to the Board incentives and other equity-based plans designed to attract and retain qualified and competent individuals.

The Compensation and Remuneration Committee reports directly to the Board and is required to meet at least once a year and provides overall direction on the compensation and benefits strategy of the Company. The composition of the Compensation and Remuneration Committee consist of three (3) members, including Mr. Roberto C. Amores as chairman, and Mr. Joseph C. Sy and Atty. Dante R. Bravo as members.

Nomination Committee

The Company's Nomination Committee is responsible for providing its shareholders with an independent and objective evaluation and assurance that the membership of the Board is competent and will foster the Company's long-term success and secure its competitiveness. The Nomination Committee must comprise at least three (3) members, one of whom should be an independent director. The Nomination Committee reports directly to the Board and is required to meet at least two times (2x) a year. The composition of the Nomination Committee consists of three (3) members, including Mr. Edgardo G. Lacson as chairman, and Atty. Dante R. Bravo and Mr. Ming Huat Chua as members.

Executive Committee

The Corporate Governance Manual provides for the creation of an executive committee to be composed of five (5) members appointed by the Board from time to time. Under the Manual, the Chairman of the Board shall act as *ex officio* Chairman of the Executive Committee, the President as Vice-Chairman, and three (3) other members shall sit as members of the committee. The Executive Committee shall have the following powers and functions: (a) to advise and assist the officers of the Company in all matters concerning its interest and the management of its business; and (b) whenever the Board is not in session, to exercise all the powers of the Board, which may be delegated to it by the Board. The composition of the Executive Committee consists of five (5) members including Mr. Joseph C. Sy as chairman, and Atty. Dante R. Bravo, Ms. Mary Belle D. Bituin, Mr. Roberto C. Amores, and Mr. Edgardo G. Lacson as members.

Corporate Governance Committee

The Corporate Governance Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:

- (a) Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- (b) Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- (c) Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- (d) Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- (e) Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- (f) Proposes and plans relevant trainings for the members of the Board;
- (g) Determines the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- (h) Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.

The Corporate Governance Committee Corporate is tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee. It should be composed of at least three members, all of whom should be independent directors, including the Chairman. The establishment of a Corporate Governance Committee does not preclude companies from establishing separate Remuneration or Nomination Committees, if they deem necessary.

Board Risk Oversight Committee

The establishment of a Board Risk Oversight Committee is generally for conglomerates and companies with a high-risk profile.

The Board Risk Oversight Committee has the following duties and responsibilities, among others:

- (a) Develops a formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management

goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;

- (b) Oversees the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The Board Risk Oversight Committee conducts regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- (c) Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The Board Risk Oversight Committee revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;
- (d) Advises the Board on its risk appetite levels and risk tolerance limits;
- (e) Reviews at least annually the company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the company;
- (f) Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
- (g) Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- (h) Reports to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

The Board Risk Oversight Committee should be composed of at least three members, the majority of whom should be independent directors, including the Chairman. The Chairman should not be the Chairman of the Board or of any other committee. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.

Related Party Transaction Committee

The following are the functions of the Related Party Transaction Committee, among others:

- (a) Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, Related Party Transactions are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, Related Party Transactions and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;
- (b) Evaluates all material Related Party Transactions to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating Related Party Transactions, the Committee takes into account, among others, the following:
 - i. The related party's relationship to the company and interest in the transaction;
 - ii. The material facts of the proposed Related Party Transaction, including the proposed aggregate value of such transaction;
 - iii. The benefits to the corporation of the proposed Related Party Transaction;
 - iv. The availability of other sources of comparable products or services; and
 - v. An assessment of whether the proposed Related Party Transaction is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for Related Party Transactions;
- (c) Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's Related Party Transaction exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;
- (d) Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- (e) Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
- (f) Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting Related Party Transactions, including a periodic review of Related Party Transaction policies and procedures.

The Related Party Transaction Committee is tasked with reviewing all material related party transactions of the company and should be composed of at least three non-executive directors, two of whom should be independent, including the Chairman.

Evaluation System and Compliance

As part of its system for monitoring and assessing compliance with the Manual and the SEC Code of Corporate Governance for Publicly-Listed Companies, each committee is required to report regularly to the Board of Directors and the Manual is subject to yearly review. The Compliance Officer is responsible for determining and measuring compliance with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies, including the Manual and the SEC Code of Corporate Governance for Publicly-Listed Companies. Any violation of the Company’s Manual on Corporate Governance shall subject the responsible officer or employee to the following penalties:

- For a first violation, the offender shall be reprimanded.
- For a second violation, suspension from office shall be imposed on the offender. The duration of suspension shall depend on the gravity of the violation. This penalty shall not apply to the members of the Board of Directors.
- For a third violation, the maximum penalty of removal from office shall be imposed on the offender. In case the offender is a member of the Board of Directors, the provisions of Section 28 of the Philippine Corporation Code shall be observed.

Executive Compensation Summary

Compensation

The following are the Company’s Chairman of the Board of Directors, its President, and two (2) other executive officers as of the date of this Prospectus:

Executive Officers and Position

Name	Position
Joseph C. Sy	Chairman of the Board of Directors
Dante R. Bravo	President and Director
Mary Belle D. Bituin	Treasurer/ Senior Vice President for Finance/ Human Resources Department/ Director
Noel B. Lazaro	Senior Vice President for Legal and Regulatory Affairs, Corporate Secretary, Corporate Information Officer and Director

The following table identifies and summarizes the aggregate compensation of the Company’s Chairman of the Board of Directors, its President and its two (2) other executive officers of the Group in the years ended December 31, 2015, 2016, and 2017 and their estimated compensation for the year ended December 31, 2018:

Compensation of Top Executive Officers

	Year	Total ⁽¹⁾ (in ₱ Millions)
President and the three (3) most highly compensated executive officers named above	2016	47.8
	2017	50.8
	2018 (est.)	50.8
Aggregate compensation paid to all other officers as a group unnamed	2016	57.8
	2017	61.3
	2018 (est.)	61.3

Note:

(1) Includes salary, bonuses and other income.

Standard Arrangements

Other than payment of a fixed monthly director's fee of ₱200,000.00, there are no other standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments.

Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or to be compensated, directly or indirectly, for any service provided as a director.

Investor Relations

The Company has created an Investor Relations Office that will (a) create and implement an investor relations program that reaches out to all shareholders and fully informs them of corporate activities, and (b) formulate a clear policy on communicating and relating relevant information to Company shareholders and to the broader investor community accurately, effectively and sufficiently. The Investor Relations Office shall report to the President and Chief Financial Officer of the Company.

As the Company's officially designated spokesperson, the IRO will be responsible for receiving and responding to investor and shareholder queries. In addition, the IRO will oversee most aspects of the Company's shareholder meetings, press conferences, investor briefings, management of the investor relations portion of the Company's website and the preparation of the Company's annual reports.

The Company's Investor Relations Office is located at the address of the Company. The phone number of the Investor Relations Office is +632 519 7888 loc. 706 while its email address is investorrelations@gfni.com.ph.

Family Relationships

There are no family relationships between any Directors and any members of the Company's senior management as of the date of this Prospectus, except Mr. Sy and Ms. Gu who are husband and wife.

Employment Contracts

As of the date of this Prospectus, the Company has no special employment contracts with the named executive officers.

Warrants and Options Outstanding

As of the date of this Prospectus, there are no outstanding warrants or options held by the President, the CEO, the named executive officers, and all officers and directors as a group.

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PRINCIPAL SHAREHOLDERS

Security Ownership of Certain Record and Beneficial Owners and Management

As of March 31, 2018, the following persons or groups are known to the Company as directly or indirectly the record or beneficial owners of more than five percent (5.0%) of the Company's voting securities³²:

Beneficial Owners of more than 5.0% of the Company's Voting Securities

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Ownership
Common	PCD Nominee Corp – Filipino	Direct	Filipino	1,579,985,482 ³³	27.22%
Common	Huatai Investment Pty. Ltd.	Direct	Australian	974,476,713	17.94%
Common	Sohoton Synergy, Inc.	Direct	Filipino	1,070,997,691	19.72%
Common	PCD Nominee Corp – Non-Filipino	Direct	Filipino	612,807,058	10.56%
Common	Regulus Best Nickel Holdings, Inc.	Direct	Filipino	523,154,841	9.63%
Common	Blue Eagle Elite Venture, Inc.	Direct	Filipino	348,769,779	6.42%
Common	Ultimate Horizon Capital, Inc.	Direct	Filipino	355,286,562	6.54%

PCNC is a wholly-owned subsidiary of PCD. The beneficial owners of such shares registered under the name of PCNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares. Instead, the participants have the power to decide how the PCD shares in the Company are to be voted.

As of March 31, 2018, the participants of PCNC who own more than 5.0% of the Company's outstanding capital are as follows:

³² The shares as stated in the Certificate of Approval of Increase of Capital Stock, as approved by the SEC on December 22, 2014.

³³ This amount does not include the shares of Sohoton Synergy, Inc., Regulus Best Nickel Holdings, Inc., and Ultimate Horizon Capital, Inc. under the name of PCNC.

PCNC Participants with more than 5.0% of the Company's Outstanding Capital

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Ownership
Common	Maybank Atr Kim Eng Securities, Inc.	Direct	Filipino	499,726,053	9.15%

The shares held by Huatai Investment Holding Pty. Ltd., Sohoton Synergy, Inc., Regulus Best Nickel Holdings, Inc., Blue Eagle Elite Venture, Inc. and Ultimate Horizon Capital, Inc. will be voted or disposed by the persons who shall be duly authorized by these record or beneficial shareholders for the purpose.

Lock-Up

The PSE Revised Listing Rules require if there is any issuance or transfer of shares or securities (i.e., private placements, asset for shares swap, or a similar transaction) or instruments that lead to issuance of shares or securities (i.e., convertible bonds, warrants, or a similar instrument) done and fully paid for within 180 days prior to the start of the offer period, and the transaction price is lower than that of the offer price in the public offering, all shares or securities availed of shall be subject to a lock-up period of at least 365 days from full payment of the aforesaid shares or securities. To implement this lock-up requirement, the PSE requires the applicant company to lodge the shares with the PDTC through a PCD participant for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

The PSE rules also require that, for related party transactions, whereby the rights or public offering requirement has been waived by a majority vote of the minority stockholders, the related party subscriber must enter into an agreement with the PSE not to sell, assign, or in any manner dispose of their shares for a minimum period of 180 days after the listing of the shares subscribed in the transaction.

Security Ownership of Directors and Officers as of March 31, 2018

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Joseph C. Sy	2,699,559,595 (direct and indirect)	Filipino	49.71%
Common	Ming Huat Chua	6,786,667 (direct and indirect)	Malaysian	0.12%
Common	Dante R. Bravo	23,265,198 (direct)	Filipino	0.43%

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Gu Zhi Fang	1 (direct)	Chinese	0.0%
Common	Francis C. Chua	333 (direct)	Filipino	0.0%
Common	Dennis Allan T. Ang	20,333,361 (direct)	Filipino	0.37%
Common	Mary Belle D. Bituin	793,828 (direct)	Filipino	0.01%
Common	Edgardo G. Lacson	1 (direct)	Filipino	0.0%
Common	Roberto C. Amores	1 (direct)	Filipino	0.0%
Common	Noel B. Lazaro	1,933,333 (direct)	Filipino	0.04%
Common	Carlo Matilac	843,831 (direct)	Filipino	0.02%
Common	Eveart Grace P. Claro	0	Filipino	0.0%
	TOTAL	<u>2,753,516,149</u>		<u>50.70%</u>

Voting Trust Holders of 5.0% or More

There were no persons holding more than 5.0% of a class of shares of the Company under a voting trust or similar agreement as of the date of this Prospectus.

Change in Control

As of the date of this Prospectus, there are no arrangements that may result in a change in control of the Company.

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RELATED PARTY TRANSACTIONS

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with affiliates. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

The summary of significant transactions and account balances with related parties are as follows:

- (a) On January 21, 2016, the Company acquired PIL through the purchase of its 10,000 shares at HK\$1.0 par value amounting to HK\$10.0 thousand or ₱61.0 thousand. The transaction was considered by the Company as an asset acquisition. The assets and liabilities of PIL consist mostly of financial instruments with a net liability amounting to ₱7.3 million. A loss on acquisition amounting to ₱7.4 million was recognized based on the difference between the consideration paid and the fair values of the assets acquired and liabilities assumed.

PIL entered into several ore supply sales agreement with PGMC for the purchase of nickel ore amounting to ₱2,340.7 million, ₱530.2 million and nil in 2017, 2016, and 2015.

- (b) The Parent Company, PGMC and the stockholders of SPNVI executed various Deeds of Assignment wherein PGMC assigned all the rights, title, and interest for the cash advances made by PGMC to SPNVI, amounting to ₱1,628.1 million as at December 31, 2015 to the Parent Company.

In 2016, the Parent Company, PGMC, SPNVI and the stockholders of SPNVI executed other Deeds of Assignment wherein SPNVI assigned its payable to BNVI, payable to the previous stockholders of CNMEC and the remaining payable to stockholders of SPNVI, to the Parent Company amounting to ₱589.3 million.

As at December 31, 2017 and 2016, these advances amounted to ₱2,217.4 million. A portion of these advances will form part of the purchase price for the acquisition of SPNVI pursuant to the Contract to Sell executed on August 06, 2015 and are recorded under "Deposits for future acquisition".

- (c) In the first quarter of 2017, PGMC entered into a Time Charter Agreement with PSSC for the use of five (5) LCTs at ₱2.6 million each per month. This Agreement covers a period of eight (8) months on/about March 01, 2017 to October 31, 2017, subject to renewal upon mutual agreement of the parties. The charter fee incurred amounted to ₱89.9 million, ₱95.0 million, and ₱89.6 million for the years ended December 31, 2017, 2016, and 2015, respectively.
- (d) On March 01, 2017, PGMC entered into a Deed of Absolute Sale agreement with JLI for the sale of the Aseana property located in Parañaque City amounting to ₱319.9 million. The related payment was offset against the outstanding amounts owed to JLI. No gain or loss was recognized related to this transaction.

- (e) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The compensation of the key management personnel of the Group amounted to ₱40.5 million, ₱44.1 million, and ₱39.3 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Advances to and from Related Parties

In the normal course of business, the Company obtains from and grants unsecured, interest and non-interest-bearing, cash advances to its related parties for working capital requirements and other purposes.

The details of advances to related parties account as of December 31, 2015, 2016, and 2017 are as follows:

<i>Amounts in ₱ Thousands</i>	December 31, 2015	December 31, 2016	December 31, 2017
Stockholders	₱1,538.7	₱1,507.1	₱1,705.6
Affiliates with common officers, directors and stockholders-	94.4	100.9	166.3
Other related party	6.1	6.1	0
Totals	₱1,639.2	₱1,614.1	₱1,871.9

The changes in advances to related parties account are shown below:

<i>Amounts in ₱ Thousands</i>	December 31, 2015	December 31, 2016	December 31, 2017
Balance at beginning of period	₱1,767.9	₱1,639.2	₱1,614.1
Addition	126.0	714.1	295.8
Repayments	(254.7)	(739.2)	(38.0)
Balance at end of period	₱1,639.2	₱1,614.1	₱1,871.9

The advances from related parties account as of December 31, 2015, 2016, and 2017 are composed of the following:

<i>Amounts in ₱ Thousands</i>	December 31, 2015	December 31, 2016	December 31, 2017
Stockholders	₱50.0	₱50.0	₱50.0
Affiliates with common officers, directors and stockholders-	347.6	389.9	51.0
Other related party	226.6	226.6	226.6
Totals	₱624.2	₱666.5	₱327.6

Key Management Personnel Compensation

The compensation of key management personnel for the years ended December 31, 2015, 2016 and 2017 is as follows:

<i>Amounts in ₱ Thousands</i>	December 31,		
	2015	2016	2017
Salaries and other employee benefits	₱39.3	₱44.1	₱40.5
Stockholders	—	—	—
Post-employee benefits-	—	—	—
	₱39.3	₱44.1	₱40.5

Acquisition of Southeast Palawan

On November 27, 2014, the Company entered into a Memorandum of Agreement with the stockholders of Southeast Palawan. The transaction costs incurred, amounting to ₱888.9 million, related to the acquisition of Southeast Palawan is recorded as advances to Southeast Palawan.

As of March 31, 2018, the shareholdings of INC are owned by the following: (a) Southeast Palawan (99.76%); (b) Nickel Laterite Resources, Inc. (0.24%); (c) Joseph C. Sy; (d) Dante R. Bravo; (e) Noel B. Lazaro; (f) Kirby Erin Ng; and (g) Mary Belle D. Bituin.

Southeast Palawan is owned by the following: (a) Giantlead Prestige, Inc. (40.0%); (b) Antares Nickel Capital, Inc. (3.0%); (c) Alpha Centauri Fortune Group, Inc. (17.0%); (d) Huatai Investment Holding Pty Ltd. (39.0%); (e) Wei Ting (1.0%); (f) Joseph C. Sy; (g) Dante R. Bravo; (h) Kirby Erin Ng; (i) Mary Belle Bituin; (j) Gu Zhi Fang; and (h) Global Ferronickel Holdings, Inc. (.47%). 52.00 % of the capital stock of Giantlead Prestige, Inc. is owned by Mr. Joseph C. Sy.

NLRI is owned by the following: (a) BNVI (30.4%); (b) CNMEC (40.0%); (c) Southeast Palawan (29.6%); (d) Joseph C. Sy; (e) Kirby Ng; (f) Dante R. Bravo; (g) Carlo A. Matilac; and (e) Mary Belle D. Bituin.

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DESCRIPTION OF THE SHARES

The Shares to be offered shall be the common shares of the Company.

Pursuant to its latest amended articles of incorporation as approved by the SEC on November 07, 2016, the Company has an authorized amount of capital stock of ₱12,555,020,001.30 divided into 11,957,161,906 Common Shares with a par value of ₱1.05 per share, of which 5,368,778,399 Common Shares are outstanding as of June 25, 2018. The Offer Shares shall be Common Shares of the Company. All of the Offer Shares will come from the Common Shares of the Company.

The Offer Shares shall be offered at a price of ₱2.07 per Offer Share (the “Offer Price”). The determination of the Offer Price is further discussed on page 78 of this Prospectus. A total of 5,618,778,399 common shares will be outstanding after the Offer.

Object and Purpose

The Company in its articles of incorporation state that its primary purposes are to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stock, subscriptions, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, association and associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized and to pay therefor in money or by exchanging therefor stocks, bonds, or other evidences of indebtedness or securities of this or any other corporation, and while the owner or holder of any such real or personal property, stocks, subscriptions, bonds, debentures, contracts, or obligations, to receive collect and dispose of interest dividends and income arising from such property; and to possess and exercise in respect thereof of all the rights powers and privileges of ownership, including all voting powers of any stock so owned.

Under Philippine law, a corporation may invest its funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized when approved by a majority of the board of directors of such corporation and ratified by the shareholders representing at least two-thirds (2/3) of the outstanding capital shares, at a shareholders’ meeting duly called for the purpose. However, where the investment by the corporation is reasonably necessary to accomplish its primary purpose, the approval of the shareholders shall not be necessary.

Share Capital

Philippine corporations may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in the articles of incorporation and by-laws of the corporation.

Under Philippine law, the shares of a corporation may either be with or without a par value. All of the common shares currently issued have a par value of ₱1.05 per share. In the case of

par value shares, where a corporation issues shares at a price above par, whether for cash or otherwise, the amount by which the subscription price exceeds the par value is credited to an account designated as additional paid-in capital or paid-in surplus.

Subject to approval by the SEC, a corporation may increase or decrease its authorized capital shares, provided that the change is approved by a majority of the board of directors of such corporation and shareholders representing at least two-thirds (2/3) of the issued and outstanding capital shares of the corporation voting at a shareholders' meeting duly called for the purpose.

A corporation is empowered to acquire its own shares for a legitimate corporate purpose, provided that the corporation has unrestricted retained earnings or surplus profits sufficient to pay for the shares to be acquired. Examples of instances in which the corporation is empowered to purchase its own shares are: when the elimination of fractional shares arising out of share dividends is necessary or desirable, the purchase of shares of dissenting shareholders exercising their appraisal right (as discussed below) and the collection or compromise of an indebtedness arising out of an unpaid subscription. When a corporation repurchases its own shares, the shares become treasury shares, which may be resold at a price fixed by the board of directors of such corporation.

The Board is authorized to issue shares from treasury from time to time. Treasury shares may be issued to any person, corporation or association, whether or not a shareholder of the Company, including its officers or employees for such consideration in money as the Board may determine.

Stock Option Plan and Buy-Back Program

On May 20, 2016, the Board of Directors of FNI approved the Stock Option Plan and Buy-Back Program of FNI to purchase shares from the PSE as may be permitted by the laws. In particular, Section 41 of the Corporation Code allows any corporation to purchase its shares to the extent of its unrestricted retained earnings. The Buy-Back Program is implemented by FNI in accordance with the law and the rules of PSE.

On June 29, 2016, the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of FNI approved the stock option plan and buy-back program. As of June 25, 2018, FNI has purchased 463,676,333 common shares for its Buy-Back program.

The Compensation Committee, on the recommendation of the President and the Human Resource Department of the company shall select eligible Participants. In determining the eligibility of the Participant, the position and responsibilities of the Participant, the nature and value of his /her services and accomplishments, his/her present and potential contribution to the long-term success of the Company or the subsidiary or affiliate in which he/she is employed, and such other relevant factors shall be considered. Participation in a given year does not give rise to any right to continued participation in succeeding years.

The Compensation Committee, upon the recommendation of the President and the Human Resources Department, shall determine the number of Option Shares to be offered a Participant. The total number of Options to be offered to all Participants shall be determined by the Compensation Committee.

The Plan covers up to 1,054,915,344 common shares of the Company. The Participants may avail themselves of the Plan at a certain exercise price subject, but not limited, to the following provisions:

- (a) a reasonable vesting period; and
- (b) a reasonable exercise period.

The option can be either equity-settled, cash-settled or both subject to further analysis. The fair value shall be determined accordingly.

Voting Rights

Under the Company's articles of incorporation, the owners or holders of common shares have full voting, rights. However, the Philippine Corporation Code provides that voting rights cannot be exercised with respect to shares declared by the board of directors as delinquent, treasury shares, or if the shareholder has elected to exercise his right of appraisal as discussed below.

Pre-Emptive Rights

The Philippine Corporation Code confers pre-emptive rights on the existing shareholders of a Philippine corporation, which entitle such shareholders to subscribe to all issues or other dispositions of shares of any class by the corporation in proportion to their respective shareholdings, regardless of whether the shares proposed to be issued or otherwise disposed of are identical to the shares held. A Philippine corporation may, however, provide for the denial of these pre-emptive rights in its articles of incorporation. Likewise, shareholders who are entitled to such pre-emptive rights may waive the same through a written instrument to that effect.

The articles of incorporation of the Company deny the pre-emptive rights of its shareholders to subscribe to any or all dispositions of any class of shares.

Derivative Rights

Philippine law recognizes the right of a shareholder to institute proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrong committed against the corporation or to vindicate corporate rights as, for example, where the directors of the corporation themselves are the malefactors.

Appraisal Rights

The Philippine Corporation Code grants a shareholder a right of appraisal and demand payment of the fair value of his/her shares in certain circumstances where he/she has dissented and voted against a proposed corporate action, including:

- an amendment of the articles of incorporation that has the effect of adversely affecting the rights attached to his/her shares or of authorizing preferences in any respect superior to those of outstanding shares of any class;
- the extension of the term of corporate existence;
- the sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the assets of the corporation;
- a merger or consolidation; and
- investment by the corporation of funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized.

In any of these circumstances, the dissenting shareholder may require the corporation to purchase its shares at a fair value, which, in default of agreement, is determined by three (3) disinterested persons, one of whom shall be named by the shareholder, one by the corporation, and the third by the two thus chosen. Regional Trial Courts will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. From the time the shareholder makes a demand for payment until the corporation purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of such shares. No payment shall be made to any dissenting shareholder unless the corporation has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting shareholders.

Board of Directors

Unless otherwise provided by law or in the articles of incorporation, the corporate powers of the Company are exercised, its business is conducted, and its property is controlled by the Board. Pursuant to its latest amended articles of incorporation, as approved by the SEC on November 07, 2016, the Company shall have 10 Directors, two of whom are independent Directors within the meaning set forth in Section 38 of the SRC. The Board shall be elected during each regular meeting of shareholders, at which shareholders, representing at least a majority of the issued and outstanding capital shares of the Company are present, either in person or by proxy. Directors may only act collectively; individual directors have no power as such. Six (6) directors, which is majority of the Directors, constitute a quorum for the transaction of corporation business. In general, every decision of a majority of the quorum duly assembled as a Board is valid as a corporate act. Any vacancy created by the death, resignation or removal of a director prior to expiration of such director's term shall be filled by a vote of at least a majority of the remaining members of the Board, if still constituting a quorum. Otherwise, the vacancy must be filled by the shareholders at a meeting duly called for the purpose. Any director elected in this manner by the Board shall serve only for the unexpired term of the director whom such director replaces and until his successor is duly elected and qualified.

Shareholders' Meetings

Annual or Regular Shareholders' Meetings

The Philippine Corporation Code requires all Philippine corporations to hold an annual meeting of shareholders for corporate purposes including the election of directors. The amended by-laws of the Company as of November 07, 2016 provide for annual meetings the last Wednesday of June of each year to be held at the principal office of the Corporation and at such hour as specified in the notice.

Special Shareholders' Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by any of the following: (a) Board of Directors, at its own instance, or at the written request of shareholders representing a majority of the outstanding capital stock, (b) President.

Notice of Shareholders' Meeting

Notices for regular or special meetings of shareholders may be sent by the Secretary, by personal delivery, or by mail at least two (2) weeks prior to the date of the meeting to each shareholder of record at his last known post office address or by publication in a newspaper of general circulation. The notice shall state the place, date, and hour of the meeting, and the purpose or purposes for which the meeting is called. In case of special meetings, only matters stated in the notice can be the subject of motions or deliberations at such meeting.

Quorum

Unless otherwise provided by law, in all regular or special meetings of shareholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present.

Meeting of the shareholders shall be presided over by the Chairman of the Board, or in his absence, the President, or if none of the foregoing is in office and present and acting, by a chairman to be chosen by the shareholders. The Secretary shall act as Secretary of every meeting, but if not present, the chairman of the meeting may adjourn the meeting from time to time without notice other than announced at the meeting.

Voting

At all meetings of shareholders, a holder of common shares may vote in person or by proxy, for each share held by such shareholders.

Fixing Record Date

Under the Company's By-laws, for the purpose of determining shareholders entitled to notice of, and to vote at, any meeting of shareholders or any adjournment thereof or to receive payment of any dividend, or of making a determination of shareholders for any other proper purpose, the Board of Directors may provide that the stock and transfer books to be closed for a stated period, but not to exceed, in any case, twenty (20) days. If the stock and transfer

books are closed for the purpose of determining shareholders entitled to notice of, or to vote at, a meeting of shareholders, such books shall be closed for at least ten (10) working days immediately preceding such meeting. In lieu of closing the stock and transfer books, the Board of Directors may fix in advance a date, on which the particular action requiring such determination of shareholders is to be taken, except in instances where applicable rules and regulations provided otherwise.

Matters Pertaining to Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy duly given in writing and duly presented to the Corporate Secretary before or during the meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary.

Proxies should comply with the relevant provisions of the Philippine Corporation Code, the SRC, the Implementing Rules and Regulations of the SRC (as amended), and regulations issued by the SEC.

Dividends

The common Shares have full dividend rights. Dividends on the Company's common share, if any, are paid in accordance with Philippine law. Dividends are payable to all shareholders on the basis of outstanding Common Shares held by them, each Common Share being entitled to the same unit of dividend as any other Common Shares. Dividends are payable to shareholders whose names are recorded in the stock and transfer book as of the record date fixed by the Company's Board of Directors. The PSE has an established mechanism for distribution of dividends to beneficial owners of common shares that are traded through the PSE and which are lodged with the PCNC as required for scripless trading.

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation that have not been allocated for any managerial, contractual, or legal purposes and which are free for distribution to the shareholders as dividend. A corporation may pay dividends by the board of directors except for stock dividends, which may only be declared and paid with the approval of shareholders representing at least two-thirds (2/3) of the issued and outstanding capital shares of the corporation voting at a shareholders' meeting duly called for the purpose.

The Philippine Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100.0% of its paid-in capital to declare and distribute as dividends the amount of such surplus. However, a Philippine corporation may retain all or any portion of such surplus in the following cases: (a) when justified by definite expansion plans approved by the board of directors of the corporation; (b) when the required consent of any financing institution or creditor to such distribution has not been secured; (c) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies; or (d) when the non-distribution of dividends is consistent with the policy or requirement of a Government office. Philippine corporations whose securities are listed on any shares exchange are required to and distribute an equitable balance of cash and share dividends, consistent with the need of shareholders and the demands for growth or expansion of the business.

Dividends must be approved by the Board and may be declared only from the unrestricted retained earnings of the Company. The Company's Board of Directors may, at any time, modify the Company's dividend policy, depending upon the Company's capital expenditure plans and/or any terms of financing facilities entered into to fund its current and future operations and projects. The Company can give no assurance that it will pay any dividends in the future.

Dividend history

Below is the history of the recent dividend declarations made by the Company and PGMC for the three (3) most recent fiscal years.

<i>Amounts in (₱ in Millions)</i>	For the year ended December 31, 2015	For the year ended December 31, 2016	For the year ended December 31, 2017
The Company	–	–	–
<i>Subsidiaries</i>			
PGMC (cash dividend)	–	–	4,365
PGMC (stock dividend)			1,200
Total	–	–	5,565⁽¹⁾

Note:

(1) On December 16, 2017, PGMC's shareholders and BOD declared a cash dividend of ₱480.00 per share to stockholders of record as at December 31, 2017 and stock dividend amounting to ₱1,200.0 million divided into 12,000,000 shares at the par value of ₱100.00 per share to be issued out of the increase in the authorized capital stock of PGMC on December 29, 2017. The cash and stock dividends declared by PGMC were taken out of its unrestricted retained earnings as at December 31, 2016. Portion of the cash dividends payable was settled on December 29, 2017 by offsetting the cash advances to stockholders classified under "Advances to related parties".

Other than as set forth above, none of our other subsidiaries declared any dividends for the years ended December 31, 2015, 2016, and 2017. Declarations of dividends in previous years are not indicative of future dividend declarations.

On March 14, 2018, the Company approved the declaration of property dividends consisting of the Company's listed shares at the ratio of 0.06 share for every FNI share to all shareholders of record by April 02, 2018 based on the March 14, 2018 listed price. The declaration is subject to approval by the SEC. Payment for the property dividend shall be fifteen (15) trading days from receipt of the approval by the SEC of the property dividend.

Transfer of Shares and Share Register

All transfers of shares on the PSE shall be effected by means of a book-entry system. Under the book-entry system of trading and settlement, a registered shareholder shall transfer legal title over the shares to a nominee, but retains beneficial ownership over the shares. The transfer of legal title is done by surrendering the stock certificate representing the shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCNC, a corporation wholly-owned by the PDTC. A shareholder may request upliftment of the shares from the PDTC, in which case a stock certificate will be issued to the shareholder and the shares registered in the shareholder's name in the books of the Company.

Philippine law does not require transfers of the Common Shares to be effected on the PSE, but any off-exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the share transfer tax applicable to transfers effected on the PSE.

All transfers of shares on the PSE must be effected through a licensed stockbroker in the Philippines.

Issuance of Shares

Subject to otherwise applicable limitations, the Company may issue additional common shares to any person for consideration deemed fair by the Board, provided that such consideration shall not be less than the par value of the issued common shares. No share certificates shall be issued to a subscriber the full amount of the subscription together with interest and expenses (in case of delinquent Common Shares) has been paid and proof of payment of the applicable taxes shall have been submitted to the Company's Corporate Secretary. Under the PSE Rules, only fully paid shares may be listed on the PSE.

Share Certificates

Certificates representing the common shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional shares. Shareholders wishing to split their certificates may do so upon application to the Company's share transfer agent, Stock Transfer Service, Inc., which will maintain the share register. Common shares may also be lodged and maintained under the book-entry system of the PDTC.

Mandatory Tender Offers

In general, under the SRC and its implementing rules and regulations, any person or group of persons acting in concert and intending to acquire at least: (a) 35.0% of any class of any equity security of a public or listed corporation in a single transaction; or (b) 35.0% of such equity over a period of 12 months; or (3) even if less than 35.0% of such equity, if such acquisition would result in ownership by the acquiring party of over 51.0% of the total outstanding equity, is required to make a tender offer to all the shareholders of the target corporation on the same terms. Generally, in the event that the securities tendered pursuant to such an offer exceed that which the acquiring person or group of persons is willing to take up, the securities shall be purchased from each tendering shareholder on a pro rata basis, disregarding fractions, according to the number of securities tendered by each security holder. Where a mandatory tender offer is required, the acquirer is compelled to offer the highest price paid by him/her for such shares during the past six (6) months. Where the offer involves payment by transfer or allotment of securities, such securities must be valued on an equitable basis. However, if any acquisition of even less than 35.0% would result in ownership of over 51.0% of the total outstanding equity, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining shareholders of the said corporation at a price supported by a fairness opinion provided by an independent financial adviser or equivalent third party. The acquirer in such a tender offer shall be required to accept any and all securities thus tendered.

No Mandatory Tender Offer is required in: (a) purchases of shares from unissued capital shares unless it will result in a 50.0% or more ownership of shares by the purchaser; (b) purchases from an increase in the authorized capital shares of the target company; (c)

purchases in connection with foreclosure proceedings involving a pledge or security where the acquisition is made by the debtor or creditor; (d) purchases in connection with privatization undertaken by the government of the Philippines; (e) purchases in connection with corporate rehabilitation under court supervision; (f) purchases through an open market at the prevailing market price; or (g) purchases resulting from a merger or consolidation.

On July 09, 2014, the sellers composed of IHoldings, Inc., Kwantlen Development Corporation and Januarius Resources Realty Corporation entered into a Share Purchase Agreement with the Thirteen Shareholders for the sale of 6,291,132,047 common shares equivalent to 89.8231% of the Company's outstanding shares. As part of the Share Purchase Agreement, the Thirteen Shareholders shall assume the receivable by the Company from the sellers in the amount of ₱2,591,855,000.00.

On September 05, 2014, the Thirteen Shareholders filed a tender offer report with the SEC and the PSE offering to purchase the shares held by the minority stockholders. The tender offer period expired on October 10, 2014 at 3:00pm.

Fundamental Matters

The Philippine Corporation Code provides that certain significant acts may only be implemented with shareholders' approval. The following require the approval of shareholders representing at least two-thirds (2/3) of the issued and outstanding capital shares of the corporation in a meeting duly called for the purpose:

- amendment of the articles of incorporation;
- removal of directors;
- sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the assets of the corporation;
- investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized;
- declaration or issuance of stock dividends;
- delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws;
- merger or consolidation;
- dissolution;
- an increase or decrease in capital shares;
- ratification of a contract of a director or officer with the corporation;
- extension or shortening of the corporate term;
- creation or increase of bonded indebtedness; and
- management contracts with related parties.

The approval of shareholders holding a majority of the outstanding capital shares of a Philippine corporation is required for the adoption or amendment of the by-laws of such corporation.

On December 22, 2014, the SEC approved the Company's application to amend its Articles of Incorporation and By-laws, which was approved by the Board of Directors and the Stockholders in their meetings dated, September 10, 2014 and October 22, 2014, respectively, to reflect the following amendments:

- Change in the corporate name to “Global Ferronickel Holdings, Inc.”;
- Change in the Principal Address to 7th Floor, Corporate Business Centre, 151 Paseo De Roxas corner Arnaiz Street, Makati City, Metro Manila, Philippines;
- Increase in the number of directors from nine (9) to ten (10) members;
- Change in fiscal year to end of December of the calendar year; and
- Increase in the authorized capital stock of the Company from ₱2,555,000,000.00 divided into 7,300,000,000 common shares with a par value of ₱0.35 per share to ₱12,555,000,000.20 divided into 35,871,428,572 common shares with a par value of ₱0.35 per share.

On August 22, 2016, the Board of Directors of the Company approved the following resolutions:

- (a) Reverse stock split of the Company’s common stock at a ratio 1-for-3;
- (b) Amendment of the Articles of Incorporation to increase the Company’s authorized capital stock to ₱12,555,020,001.30 divided into 11,957,161,908 common shares with a par value of ₱1.05 per share; and
- (c) Amendment of the By-laws to include notice of regular or special meeting of the Board by electronic mail and attendance to board meetings by means of telephone, electronic, or other suitable electronic communication facilities, including telephone conference, videoconference, or the internet or any combination of those methods.

On November 07, 2016 the SEC approved the increase in the authorized capital stock to ₱12,555,020,001.30 divided into 11,957,161,906 common shares with the increased par value of ₱1.05 per share. On the same date, the SEC also approved the amendments to the By-Laws allowing notices to board meetings to be sent by electronic mail and members of the board to participate in meetings although located at different local and international places, via teleconference, videoconference and other similar means.

Accounting and Auditing Requirements

Philippine stock corporations are required to file copies of their annual financial statements with the SEC. In addition, public corporations are required to file quarterly financial statements (for the first three (3) quarters) with the SEC. Those corporations whose shares are listed on the PSE are additionally required to file said quarterly and annual financial statements with the PSE. Shareholders are entitled to request copies of the most recent financial statement of the corporation, which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year.

Shareholders are also entitled to inspect and examine books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of the operations of the Company for the preceding year. This report is required to include audited financial statements.

Market Information

The PSE is the principal market for the Company's shares. On June 25, 2018, the closing price of the shares on the PSE was ₱2.24 per share.

The high and low sale prices of the shares of stock of the Company for each quarter during the latest three (3) calendar years are as follows:

FNI Stock Price Performance

Year	Q1		Q2		Q3		Q4	
	High	Low	High	Low	High	Low	High	Low
2016	2.76	1.37	3.42	2.40	3.06	2.34	4.29	2.82
2017	3.35	2.19	2.97	2.30	2.93	2.41	3.17	2.51
2018	2.74	2.29	-	-	-	-	-	-

Holders

The Company has approximately 1,728 shareholders as of March 31, 2018. Based on the records, the following are the top 20 stockholders with their respective shareholdings and percentage to total shares outstanding as of said date:

FNI Top 20 Stockholders

Stockholder Name	Nationality	No. of Shares	%
PCD Nominee Corp – Filipino	Filipino	1,579,985,482	27.22%
Huatai Investment Pty. Ltd.	Australian	974,476,713	16.79%
Sohoton Synergy, Inc.	Filipino	761,037,313	13.11%
PCD Nominee Corp – Non-Filipino	Foreign	612,807,058	10.56%
Regulus Best Nickel Holdings, Inc.	Filipino	523,154,668	9.01%
Blue Eagle Elite Venture, Inc.	Filipino	348,769,779	6.01%
Ultimate Horizon Capital, Inc.	Filipino	348,769,779	6.01%
Bellatrix Star, Inc.	Filipino	187,952,034	3.24%
Alpha Centauri Fortune Group, Inc.	Filipino	187,952,034	3.24%
Antares Nickel Capital, Inc.	Filipino	91,342,805	1.57%
Red Lion Fortune Group, Inc.	Filipino	57,588,866	0.99%
Wei Ting	Chinese	49,595,062	0.85%
Great South Group Ventures, Inc.	Filipino	32,644,851	0.56%
Dante R. Bravo	Filipino	13,950,791	0.24%
Seng Gay Chan	Singaporean	10,463,093	0.18%
Orion-Squire Capital, Inc. A/C-0459	Filipino	2,153,874	0.04%
Dante R. Bravo	Filipino	1,587,660	0.03%
Carlo A. Matilac	Filipino	843,830	0.01%
Squire Securities, Inc.	Filipino	818,244	0.01%

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents that have not been prepared or independently verified by the Company, the Issue Manager, and the Sole Underwriter or any of their respective subsidiaries, affiliates, or advisors in connection with the offer and sale of the Offer Shares.

Brief History

The Philippines initially had two (2) stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Philippine government resulted in the unification of the two (2) bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two (2) exchanges were revoked.

The PSE previously maintained two (2) trading floors, one (1) in Makati City and the other in Pasig City, which were linked by an automated trading system that integrated all bid and ask quotations from the bourses. In February 2018, the PSE transferred to its new office in the PSE Tower, Bonifacio Global City, Taguig City. The new office houses a single unified trading floor.

In June 1998, the SEC granted the Self-Regulatory Organization status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 08, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a “Trading Participant Certificate” was immediately conferred on each member broker allowing the use of the PSE’s trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven (7) brokers and eight (8) non-brokers, one of whom is the President. On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE’s Main Board or the Small, Medium and Emerging Board. The PSE issued Rules on Exchange Traded Funds (ETFs), which provides for the listing of ETFs on an ETF Board separate from the PSE’s existing boards.

The PSE has a benchmark index, referred to as the PSEi, which reflects the price movements of the 30 largest and most active stocks at the PSE. The PSEi is a free float market capitalization-weighted index.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices.

With the increasing calls for good corporate governance and the need to consistently provide full, fair, accurate and timely information, the PSE adopted a new online disclosure system to support the provision of material information coming from listed companies and enhance access to such reports by the investing public. In December 2013, the PSE Electronic Disclosure Generation Technology (EDGe), a new disclosure system co-developed with the Korea Exchange, went live. The EDGe system provided a dedicated portal for listed company disclosures and also offered a free-todownload mobile application for easy access by investors.

In June 2015, the PSE shifted to a new trading system, the PSEtrade XTS, which utilizes NASDAQ's X-stream Technology. The PSEtrade XTS, which replaced the NSC trading platform provided by NYSE Euronext Technologies SAS, is equipped to handle large trading volumes. It is also capable of supporting the future requirements of the PSE should more products and services be introduced.

In November 2016, the Exchange received regulatory approvals to introduce new products in the stock market - the Dollar Denominated Securities and the Listing of Public-Private Partnerships (PPP) Companies.

The table below sets out movements in the composite index as of the last business day of each calendar year from 2006 to 2017 and as of May 31, 2018, while also showing the number of listed companies, market capitalization, and value of shares traded for the same period:

Year Ended	PSEi Level	Number of Listed Companies	Market Capitalization	Value of Turnover
			(in ₱ Billions)	
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,976.8	1,338.3
2008	1,872.9	246	4,072.2	763.9
2009	3,052.7	248	6,032.2	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	253	8,697.0	1,422.6
2012	5,812.7	254	10,930.1	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.6	2,151.4
2016	6,840.6	265	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	1,958.4
May 2018	7,497.17	267	16,407.8	790.0

Source: PSE data

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one (1) broker at the same price are crossed at the PSE at the indicated price. Transactions are generally invoiced through confirmation slip sent to customers on the trade date (or following trading day). Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. until 12:00 p.m. for the morning session, and resumes at 1:30 p.m. and ends at 3:30 p.m. for the afternoon session. Trading days are Monday to Friday, except legal holidays and days when the BSP clearing house is closed.

Minimum trading lots range from five (5) shares to 1,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, whenever an order will result in a breach of the trading threshold of a security within a trading day, the trading of that security will be frozen. Orders cannot be posted, modified, or cancelled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50.0% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60.0%. All orders breaching the 60.0% static threshold will be rejected by the PSE.
- In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20.0% for security cluster A and newly-listed securities, 15.0% for security cluster B, and 10.0% for security cluster C); otherwise, such order will be rejected by the PSE.

Non-Resident Transactions

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three (3) business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The SCCP is a wholly-owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

- Synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also Trading Participants of the PSE;
- Guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund; and
- Performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three (3) -day rolling settlement environment, which means that settlement of trades takes place three (3) trading days after transaction date (T+3). In specific instances of risk management, SCP may require same-day settlement (T+0). The deadline for settlement of trades is 12:00 p.m. of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the PDTC. Each PSE Broker maintains a Cash Settlement Account with one of the existing Settlement Banks of SCCP, which are BDO., Rizal Commercial Banking Corporation, Metropolitan Bank & Trust Company, Deutsche Bank, Union Bank of the Philippines, The Hongkong and Shanghai Banking Corporation Limited, Maybank Philippines, Inc., and Asia United Bank. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its CCCS system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the PDTC was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be

settled through the book-entry system, while the cash element will be settled through the current settlement banks mentioned above.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares in favor of the PCNC, a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares lodged in the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCNC through the PDTC participant will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through the PCNC is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to the PCNC. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his/her participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCNC. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his/her interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP CCCS system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his/her shareholdings from the PDTC system, the PDTC has a procedure of upliftment, under which PCNC will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCNC. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCNC. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCNC to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in PCNC's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 01, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A Section 16 of the PSE's Consolidated Listing and Disclosure Rules.

For listing applications, the amended rule on lodgment of securities is applicable to:

- The offer shares/securities of the applicant company in the case of an initial public offering;
- The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the SEC in the case of a listing by way of introduction;
- New securities to be offered and applied for listing by an existing listed company; and
- Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- For a new company to be listed at the PSE as of July 01, 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCNC but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on the listing date.
- On the other hand, for an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the transfer agent for cancellation. The transfer agent shall issue a Registry Confirmation Advice to PDTC evidencing the total number of shares registered in the name of PCNC in the listed company's registry as of confirmation date.

Issuance of Stock Certificates for Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his/her shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCNC will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCNC. Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

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PHILIPPINE TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Shares. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Shares in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Prospectus. The tax treatment applicable to a holder of the Shares may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a holder of the Shares. Prospective investors of the Shares are urged to consult their own tax advisors as to the particular tax consequences of the ownership and disposition of the Shares, including the applicability and effect of any local or foreign tax laws.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen of the Philippines; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines." A non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines. The term "dividends" under this section refers to cash or property dividends. "Tax Code" means the Philippine National Internal Revenue of 1997, as amended.

The Tax Reform for Acceleration and Inclusion ("TRAIN")

On December 19, 2017, President Rodrigo Roa Duterte signed into law the Republic Act No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion" Act. The objectives of this Act are as follows:

- (a) To enhance the progressivity of the tax system through the rationalization of the Philippine internal revenue tax system, thereby promoting sustainable and inclusive economic growth;
- (b) To provide, as much as possible, an equitable relief to a greater number of taxpayers and their families in order to improve levels of disposable income and increase economic activity; and
- (c) To ensure that the government is able to provide for the needs of those under its jurisdiction and care through the provision of better infrastructure, health, education, jobs, and social protection for the people.

Taxes Imposed on Corporations

Under the National Internal Revenue Code, a corporation organized under Philippine law is currently subject to a regular corporate income tax of 30.0% of its taxable net income (gross income less allowable deductions) from all sources, within and outside the Philippines. An MCIT of 2.0% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum income tax is greater than the regular corporate income tax. Any excess of the MCIT imposed over the regular corporate income tax shall be carried forward and credited against the regular corporate income tax for the three (3) immediately succeeding taxable years.

A corporation that carries out mining activities is required to pay an excise tax of 2.0% of the gross revenue from mining (defined as the gross revenue from sale of ore from the properties, net of treatment and processing charges). Under the recently signed TRAIN Act, the excise tax would increase to 4.0% of the gross revenue from mining.

A 12.0% VAT is imposed on the gross selling price of goods sold domestically, including minerals. A VAT is also imposed on the gross selling price of export of minerals, but the rate is 0%. This means that no VAT needs to be paid on the export sales and the exporter has the right to apply for a credit or refund of any VAT paid in the course of its trade or business on importation of goods or local purchase of goods or services, including lease or use of property from a VAT-registered person.

Under the Local Government Code, a province or city may levy an annual ad valorem tax on real property such as land, building, machinery and other improvements based on the property's assessed value. Real property tax rates vary, depending on the location of the property. In provinces, real property tax rates do not exceed 1.0% of the property's assessed value. An additional special education fund levy of 1.0% of the property's assessed value is imposed annually.

Tax and other Incentives

The Mining Act provides the following income tax incentives to persons holding mineral agreements or FTAAAs:

- (a) Carry-forward of losses—A net operating loss without the benefit of incentives provided for under Executive Order No. 226, as amended, otherwise known as the Omnibus Investments Code of 1987, incurred in any of the first 10 years of operation may be carried over as a deduction from taxable income for the next five (5) years immediately following the year of such loss. The entire amount of the loss shall be carried over to the first five (5) taxable years following the loss, and any portion of such loss, which exceeds the taxable income of such first year shall be deducted in like manner from the taxable income of the next remaining four (4) years.
- (b) Accelerated depreciation—An allowance for depreciation in respect of all properties used in mining operations, shall be completed as follows: (a) at the normal rate of depreciation if the expected life is 10 years or less; or (b) over any number of years between five (5)

years and the expected life if the latter is more than 10 years, and the depreciation thereon allowed as a deduction from taxable income.

Under the Omnibus Investments Code, an enterprise registered for incentives under the Government's annual investments priority plan (which establishes preferred areas of investment eligible for fiscal and non-fiscal incentives), is entitled to a number of additional tax incentives, including: (i) an initial exemption from income taxes for a period of four (4) or six (6) years in the case of new projects and three (3) years in the case of expansion projects (this exemption is not available to a contractor that avails itself of the tax loss carry-forwards referred to in paragraph (a) above, and vice versa); (ii) favorable tax deductions in respect of labor expense; (iii) the availability of tax credits; and (iv) exemptions from wharfage dues and other export taxes and duties. The Omnibus Investments Code also provides for certain non-tax incentives, including simplified customs procedures and fewer restrictions on the use of consigned equipment and the employment of foreign nationals.

A company that is registered with the Philippine Export Zone Authority ("PEZA") as the developer/ operator of a processing zone is entitled to certain tax and non-tax incentives, including the right to pay an alternative tax on its gross income from PEZA registered activities in lieu of national and local taxes and fees except for real property tax on land owned by developers.

The income tax holiday of PGMC expired in November 2015.

Taxes on Dividends on the Shares

Individual Philippine citizens and resident aliens are subject to a final tax on dividends derived from the Shares at the rate of 10.0%, which tax shall be withheld by the Company.

Non-resident alien individuals engaged in trade or business in the Philippines are subject to a final withholding tax on dividends derived from the Shares at the rate of 20.0% on the gross amount thereof, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile or residence of such non-resident alien individual. A non-resident alien individual not engaged in trade or business in the Philippines is subject to a final withholding tax on dividends derived from the Shares at the rate of 25.0% of the gross amount, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile or residence of such non-resident alien individual.

The term "non-resident holder" means a holder of the Shares:

- who is an individual, who is neither a citizen nor a resident of the Philippines, or who is an entity that is a foreign corporation not engaged in trade or business in the Philippines; and
- should a tax treaty be applicable, whose ownership of the Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.

Dividends derived by domestic corporations (i.e. corporations created or organized in the Philippines or under its laws) and resident foreign corporations from the Shares shall not be subject to tax.

Dividends received from a domestic corporation by a non-resident foreign corporation are generally subject to final withholding tax at the rate of 30.0%, subject to any applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident foreign corporation. The 30.0% rate for dividends paid to non-resident foreign corporations with countries of domicile having no tax treaty with the Philippines may be reduced to a special 15.0% rate if:

- the country in which the non-resident foreign corporation is domiciled imposes no taxes on foreign sourced dividends; or
- the country in which the non-resident foreign corporation is domiciled allows a credit against the tax due from the non-resident foreign corporation for taxes deemed to have been paid in the Philippines equivalent to 15.0%.

The BIR has prescribed, through an administrative issuance, procedures for the availment of tax treaty relief. The non-resident holder of the Shares must furnish a duly-accomplished Certificate of Residence for Tax Treaty Relief (CORTT) Form to the Company before the dividend is paid/credited. The CORTT Form must be submitted every two (2) years (unless the non-resident holder of the Shares uses a tax residency certificate, in which case, the validity period of such certificate will apply). The submission of a CORTT Form will entitle the Company to withhold using the applicable treaty rate. The Company should then submit original copies of the CORTT to the International Tax Affairs Division (“ITAD”) and Revenue District Office (“RDO”) 39 within thirty (30) days from the initial payment of withholding taxes due. Each time a subsequent payment is made within the coverage of the originally filed CORTT Form, the Company must submit an updated Part II of the CORTT Form to ITAD and RDO 39 within thirty (30) days from each subsequent payment of the withholding tax due.

The requirements for tax treaty relief in respect of dividends are set out in the applicable tax treaty and the CORTT Form. This consists primarily of proof of tax residence in the country that is a party to the tax treaty. Proof of residence must be a consularized certification from the tax authority of the country of residence of the non-resident holder of Shares which states that the non-resident holder is a tax resident of such country under the applicable tax treaty. The consularized certification may be indicated on the CORTT Form or a separate tax residency certificate.

If tax at the regular rate is withheld by the Company instead of the reduced rates applicable under a treaty, the non-resident holder of the Shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue obtaining such a refund. Moreover, in view of the requirement of the BIR that a CORTT Form be furnished prior to the first income payment as previously stated, the non-resident holder of Shares may not be able to successfully pursue a claim for refund if such CORTT Form is not furnished before such deadline.

Stock dividends distributed pro rata to any holder of shares are not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as share dividends by the holder is subject to either capital gains tax and documentary stamp tax or stock transaction tax.

Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

Country	Dividends (%)	Capital Gains Tax Due on Disposition of Shares Outside the PSE (%)
Canada	25 ⁽¹⁾	Exempt ⁽⁸⁾
France	15 ⁽²⁾	Exempt ⁽⁸⁾
Germany	15 ⁽³⁾	Exempt ⁽⁹⁾
Japan	15 ⁽⁴⁾	Exempt ⁽⁸⁾
Singapore	25 ⁽⁵⁾	Exempt ⁽⁸⁾
United Kingdom	25 ⁽⁶⁾	Exempt ⁽¹⁰⁾
United States	25 ⁽⁷⁾	Exempt ⁽⁸⁾

Notes:

- (1) 15.0% if the recipient company controls at least 10.0% of the voting power of the company paying the dividends.
- (2) 10.0% if the recipient company (excluding a partnership) holds directly at least 10.0% of the voting shares of the company paying the dividends.
- (3) 10.0% if the recipient company (excluding a partnership) owns directly at least 25.0% of the capital of the company paying the dividends.
- (4) 10.0% if the recipient company holds directly at least 10.0% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six (6) months immediately preceding the date of payment of the dividends.
- (5) 15.0% if during the part of the paying company's taxable year that precedes the date of payment of dividends and during the whole of its prior taxable year at least 15.0% of the outstanding shares of the voting shares of the paying company were owned by the recipient company.
- (6) 15.0% if the recipient company is a company that controls directly or indirectly at least 10% of the voting power of the company paying the dividends.
- (7) 20.0% if during the part of the paying corporation's taxable year that precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10.0% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation. Notwithstanding the rates provided under the Republic of the Philippines-United States Treaty, residents of the United States may avail of the 15.0% withholding tax rate under the tax-sparing clause of the Tax Code provided certain conditions are met.
- (8) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.
- (9) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist –directly or indirectly– principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.
- (10) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes. This includes the gains from the sale of an interest in a partnership or trust, the assets of which consist principally of real property situated in the Philippines.
- (11) Under the tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.
- (12) Under the tax treaty between the Philippines and the United States, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

In order for an exemption under a tax treaty to be recognized, an application for tax treaty relief on capital gains tax on the sale of shares must be filed by the income recipient before the deadline for the filing of the documentary stamp tax return, which is the fifth day from the end of the month when the document transferring ownership was executed. However, on August 09, 2013, the Philippine Supreme Court in *Deutsche Bank AG Manila Branch v. CIR*, G.R. No. 188550, ruled that the period of application for the availment of tax treaty relief

should not operate to divest entitlement to the relief as it would constitute a violation of the duty required by good faith in complying with a tax treaty. At most, the application for a tax treaty relief to be filed with the BIR should merely operate to confirm the entitlement of the taxpayer to such relief.

The requirements for a tax treaty relief application in respect of capital gains tax on the sale of shares are set out in the applicable tax treaty and BIR Form No. 0901-C. These include proof of residence in the country that is a party to the tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the seller of shares, which provides that the seller is a resident of such country under the applicable tax treaty. If the seller is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

Sale, Exchange or Disposition of Shares

Capital gains tax, if sale was made outside the PSE

Net capital gains realized by a resident or non-resident other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares outside the facilities of the PSE, unless an applicable treaty exempts such gains from tax or provides for preferential rates, are subject to tax as follows: 5.0% on gains not exceeding ₱100,000 and 10.0% on gains over ₱100,000. However, under the recently passed TRAIN Act, net capital gains from sale of shares outside the facilities of the PSE would be subject to a final tax at the rate of 15% on gains. An application for tax treaty relief must be filed (and approved) by the Philippine tax authorities to obtain an exemption under a tax treaty. The transfer of shares shall not be recorded in the books of the Company unless the BIR certifies that the capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax or other conditions have been met.

Taxes on transfer of shares listed and traded at the PSE

A sale or other disposition of shares through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.5%, which would increase to 0.6% based on the TRAIN Act, of the gross selling price or gross value in money of the shares sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain tax treaties, the exemptions from capital gains tax discussed herein may not be applicable to stock transaction tax.

In addition, VAT of 12.0% is imposed on the commission earned by the PSE-registered broker, and is generally passed on to the client.

On November 07, 2012, the BIR issued Revenue Regulations No. 16-2012, which provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO requirement after December 31, 2012 will be subject to capital gains tax and documentary stamp tax. It also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

Beginning on January 01, 2013, the PSE shall impose a trading suspension for a period of not more than six (6) months, on shares of a listed company who has not complied with the Rule on MPO that requires listed companies to maintain a minimum percentage of listed securities held by the public at 10.0% of the listed companies' issued and outstanding shares at all times. Companies that do not comply with the MPO after the lapse of the trading suspension shall be automatically delisted.

In accordance with the SEC Memorandum Circular No. 13 Series of 2017 issued on December 01, 2017, the MPO requirement on initial public offerings is increased from 10.0% to 20.0%. For existing publicly listed companies, the existing rules and/or guidelines of an exchange on minimum public float duly approved by the SEC still apply. The PSE Rule on MPO requires that listed companies shall, at all times, maintain a minimum percentage of listed securities held by the public of 10.0% of the listed companies' issued and outstanding shares, exclusive of any treasury shares, or as such percentage that may be prescribed by the PSE. As of date, the SEC is looking at increasing the MPO requirement of existing listed companies to 15.0%, such proposed rules on MPO is yet to be issued by SEC for comments by the public. As of March 31, 2018, the MPO of the Company was 27.08%.

The sale of such listed company's shares during the trading suspension may be effected only outside the trading system of the PSE and shall be subject to capital gains tax and documentary stamp tax. Furthermore, if the fair market value of the shares of stock sold is greater than the consideration or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax under Section 100 of the Tax Code.

Documentary Stamp Taxes on Shares

The original issue of shares is subject to documentary stamp tax of ₱1.00 on each ₱200.00 par value, or fraction thereof, of the shares issued. On the other hand, the transfer of shares is subject to a documentary stamp tax at a rate of ₱0.75 on each ₱200.00, or fractional part thereof, of the par value of the Shares. Under the TRAIN Act, the documentary stamp tax on the original issue and transfer of shares would increase to ₱2.00 on each ₱200.00 par value and ₱1.50 on each ₱200.00 par value, respectively. The documentary stamp tax is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable either by the vendor or the purchaser of the Shares.

However, the sale, barter or exchange of Shares listed and traded through the PSE are exempt from documentary stamp tax.

Estate and Gift Taxes

The transfer of the Shares upon the death of a registered holder to his/her heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine estate tax at progressive rates ranging from 5.0% to 20.0% if the net estate is over ₱200,000.00. Under the TRAIN Act, such transfer of the Shares upon the death of a registered holder would be subject to a uniform rate of 6.0% based on the value of the net estate.

The transfer of shares by gift or donation to a stranger (i.e. a person who is not a brother, sister, spouse, ancestor, lineal descendant or relative by consanguinity within the fourth degree of relationship) will be subject to a donor's tax at a flat rate of 30.0%. Gifts or donations to non-strangers, however, will be subject to progressive rates ranging from 2.0% to 15.0%, if the net gifts during the calendar year exceed ₱100,000.00; otherwise, such transfer will not be subject to donor's tax. Corporate registered holders are also liable for Philippine donor's tax on such transfers, but the rate of tax with respect to net gifts made by corporate registered holders is always at a flat rate of 30.0%. Under the TRAIN Act, the transfer of shares by gift or donation would be subject to a uniform rate of 6.0% for both individuals and corporate holders.

Estate and gift taxes will not be collected in respect of intangible personal property, such as shares, (a) if the deceased, at the time of death, or the donor, at the time of donation, was a citizen and resident of a foreign country, which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (2) if the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allow a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Corporate Income Tax

As a general rule, a domestic corporation is subject to corporate income tax of 30.0% on its taxable income³⁴ from all sources within or without the Philippines. The exception, among others, would be: (a) gross interest income from Philippine currency bank deposits and yields from deposit substitutes, trust funds and similar arrangements, and royalties, which are subject to a final withholding tax rate of 20.0% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system, which is subject to a final 7.5% tax on the gross amount of such income which would increase to a final 15.0% tax on the gross amount of such income under the TRAIN Act.

³⁴ Taxable income refers to the pertinent items of gross income specified in the National Internal Revenue Code of 1997, as amended (the "Tax Code") less the deductions and/or personal and additional exemptions, if any, authorized for such types of income by the Tax Code or other special laws.

Further, in computing the corporate income tax, effective July 06, 2008, companies are given a choice to claim itemized deductions or the OSD, with the former being presumed unless specific election of OSD is signified in the tax return. The OSD election is irrevocable for the taxable year for which the tax return is made. The OSD is equivalent to an amount not exceeding 40.0% of the company's gross income. For this purpose, "Gross Income" means all income derived from whatever source, including, but not limited to, compensation for service, gross income derived from the conduct of trade or business or exercise of profession, gains derived from dealings in property, interests, rent, royalties, dividends, annuities, prizes and winnings.

A MCIT of 2.0% of gross income would likewise be applicable to the Issuer, beginning on the fourth taxable year from commencement of business operations, whenever the MCIT is greater than the ordinary corporate income tax. For this purpose, "Gross Income" means gross sales less sales returns, discounts and allowances and cost of goods sold. Passive income, such as interest on bank deposits and royalties subject to final withholding tax, shall not form part of gross income for purposes of MCIT.

Nevertheless, any excess of the MCIT over the ordinary corporate income tax may be carried forward and credited against the latter for the three (3) immediately succeeding taxable years. Further, subject to certain conditions, the MCIT may be suspended with respect to a corporation that suffers losses on account of a prolonged labor dispute, or because of force majeure, or because of legitimate business reverses.

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PHILIPPINE FOREIGN EXCHANGE AND OWNERSHIP CONTROLS

Under current BSP regulations, a foreign investment in listed Securities (such as the Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance is sourced outside the Philippine banking system, registration is not required. BSP Circular No. 471 (Series of 2005) subjects foreign exchange dealers, money changers and remittance agents to R.A. No. 9160 (the Anti-Money Laundering Act of 2001, as amended) and requires these non-bank sources of foreign exchange to require foreign exchange buyers to submit, among others, the original BSP registration document in connection with their application to purchase foreign exchange exceeding US\$10,000.00 for purposes of capital repatriation and remittance of dividends.

Registration of securities listed on the PSE may be done directly with the BSP or through a custodian bank duly designated by the foreign investor. A custodian bank may be an AAB or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his/her investments in the Philippines. Applications for registration filed with custodian banks must be accompanied by: (a) purchase invoice, subscription agreement and proof of listing on the PSE (either or both); and (b) the original certificate of inward remittance of foreign exchange and its conversion to pesos through an AAB in the prescribed format.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSP registration document and the broker's sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system. Remittance of dividends is permitted upon presentation of: (a) the BSP registration document; (b) a photocopy of cash dividends notice from the PSE and the PCD printout of cash dividend payment or computation of interest earned; (c) copy of secretary's sworn statement on the board resolution covering the dividend declaration; and (d) detailed computation of the amount applied for in the format prescribed by the BSP. Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, through the Monetary Board, with the approval of the President of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee during an exchange crisis, when an exchange crisis is imminent, or in times of national emergency.

The registration with the BSP of all foreign investments in any Shares received in exchange for Offer Shares shall be the responsibility of the foreign investor.

Foreign Ownership Controls

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities, among them, the exploration, development and utilization of mineral resources and the ownership of private land.

In connection with the ownership of private land, Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter V of Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60.0% of whose capital is owned by such citizens.

In connection with the exploration, development and utilization of mineral resources, Article XII, Section 2 of the Philippine Constitution requires that, except for large-scale exploration, development, and utilization of minerals, petroleum, and other mineral oils, at least 60% of companies engaged in the exploration, development and utilization of mineral resources must be owned by Filipino citizens.

RA 7042, as amended, otherwise known as the Foreign Investments Act of 1991 and the Negative List issued pursuant thereto, reserves to Philippine Nationals all areas of investment in which foreign ownership is limited by mandate of the Constitution and specific laws. Section 3(a) of RA 7042 defines a “Philippine National” as:

- (a) a citizen of the Philippines;
- (b) a domestic partnership or association wholly-owned by citizens of the Philippines;
- (c) a trustee of funds for pension or other employee retirement or separation benefits where the trustee is a Philippine National and at least 60.0% of the fund will accrue to the benefit of the Philippine Nationals;
- (d) a corporation organized under the laws of the Philippines of which at least 60.0% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines; and
- (e) a corporation organized abroad and registered as doing business in the Philippines under the Philippine Corporation Code of which 100.0% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos.

However, the Foreign Investments Act of 1991 states that where a corporation (and its non-Filipino shareholders) own stock in a SEC-registered enterprise, at least 60.0% of the capital stock outstanding and entitled to vote of both the investing corporation and the investee corporation must be owned and held by citizens of the Philippines. Further, at least 60.0% of the members of the board of directors of both the investing corporation and the investee corporation must be Philippine citizens in order for the investee corporation to be considered a Philippine National.

Considering the foregoing, for as long as our Company or any of its subsidiaries own land in the Philippines or we continue to conduct mining operations in the Philippines and are engaged in the exploration, development and utilization of mineral resources, foreign ownership in our Company is limited to a maximum of 40.0% of our Company's outstanding capital stock entitled to vote. Under Article 10 of the Company's latest amended Articles of Incorporation, approved by the SEC on December 22, 2014, no issuance or transfer of shares of stock of the Corporation, which would reduce the ownership of Filipino citizens to less than the required percentage of the outstanding capital stock required by law to be owned by Filipino citizens, shall be allowed or permitted to be recorded in the proper books of the corporation. This restriction shall be printed or indicated in all the certificates of stocks to be issued by the corporation. Accordingly, we shall disallow the issuance or the transfer of Shares to persons other than Philippine Nationals and shall not record transfers in our books if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership discussed above.

Compliance with the required ownership by Philippine Nationals of a corporation is to be determined on the basis of outstanding capital stock whether fully paid or not, but only such stocks that are generally entitled to vote are considered.

In the Gamboa Case, a case involving a public utility company (which under the Philippine Constitution is also subject to the 60-40 rule on capital ownership), the Philippine Supreme Court sitting *en banc* ruled that the term "capital" as used in Section 11 of Article XII of the Philippine refers only to shares of stock entitled to vote in the election of directors.

Subsequent to the Gamboa Case cited above, in the December 2012 case of *Express Investments v. Bayan Telecommunications, Inc.*, the Philippine Supreme Court discussed the Gamboa ruling, and clarified that "considering that common shares have voting rights which translate to control as opposed to preferred shares which usually have no voting rights, the term "capital" in Section 11, Article XII of the Constitution refers only to common shares." In the said case, the Supreme Court, however, added that if the preferred shares also have the right to vote in the election of directors, then the term "capital" shall include such preferred shares because the right to participate in the control or management of the corporation is exercised through the right to vote in the election of directors. The Philippine Supreme Court said that "in short, the term "capital" in Section 11, Article XII of the Constitution refers only to shares of stock that can vote in the election of directors." The recent decisions of the Supreme Court remain consistent with the Foreign Investments Act, which apply the minimum Filipino requirements only to "shares that are generally entitled to vote."

On May 20, 2013, the SEC issued Memorandum Circular No. 8 or the *Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities* (the "Circular"). The Circular provides that for purposes of determining compliance therewith, the required percentage of Filipino ownership shall be applied to BOTH (a) the total number of outstanding shares of stock entitled to vote in the election of directors; AND (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors." A petition for certiorari was filed sometime in June 2013, questioning the constitutionality of the Circular promulgated by the SEC.

In the case of *Roy v. Herbosa (G.R. No. 207246, November 22, 2016)*, the Supreme Court En Banc upheld the constitutionality of the Circular and affirmed that the method of determining

compliance with the required Filipino equity as provided in the Circular is in accordance with the pronouncements of the Supreme Court in the *Gamboa* Case. To dispel any doubt, the Supreme Court provided an example on the proper application of the rule. In the example, Company X has 100 common shares, 100 class A preferred shares (with right to elect directors), and 100 class B preferred shares (without right to elect directors). To comply with the Circular, at least 180 shares of all the outstanding capital stock of Company X must be owned and controlled by Filipino. In addition, it is required that among those 180 shares, a total of 120 of the common shares and class A preferred shares (in any combination) are owned and controlled by Filipinos. The Court clarified that the requirement to separately apply to each class of shares in the *Gamboa* Case is a mere obiter dictum and thus, should not be binding. The Court further clarified both legal title and beneficial ownership over the shares must rest in the hands of the Philippine citizen or Philippine nationals to be deemed compliant.

In the case of *Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp (G.R. No. 195580, April 21, 2014)*, the third division of the Supreme Court, in passing upon the nationality of applicants for a MPSA, stated that where foreign equity ownership is in doubt, the Grandfather Rule (making reference to the 1967 SEC Rules and DOJ Opinion No. 020 Series of 2005) shall apply. The Grandfather Rule embodies the method of determining the percentage of Filipino equity in a corporation which is engaged in nationalized or partly nationalized activities and which have corporate shareholders. Under the Grandfather Rule, shares owned by corporate shareholders are attributed either as part of Filipino or foreign equity by determining the nationality not only of the corporate shareholders but also such corporate shareholders' shareholders and their shareholders (and down the line).

Narra Nickel case appears to expand and/or modify the doctrine laid in the *Gamboa* Case cited above. Under the Constitution, however, no doctrine or principle of law laid down by the Supreme Court in a decision *en banc* or in division may be modified or reversed except by the court sitting *en banc*.

Subsequently, a motion for reconsideration was filed to challenge the April 21, 2014 *Narra Nickel* Decision before the Special Third Division of the Supreme Court. The Supreme Court, in a resolution dated January 28, 2015, denied with finality the motion for reconsideration, thereby upholding the challenged *Narra Nickel* Decision.

Each of the Company and the Subsidiaries has at least 60.0% of its outstanding stock owned by Philippine nationals. In addition, the articles of incorporation of each of the Company and the Subsidiaries state that a transfer of shares will not be recorded on the books of either corporation if the result of such transfer would be to reduce the ownership of Philippine nationals to less than the required percentage.

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PLAN OF DISTRIBUTION

250,000,000 Offer Shares will be offered and sold by the Sole Underwriter at the Offer Price in the Philippines. The Sole Underwriter will underwrite, on a firm commitment basis, the Offer Shares relating to the Offer in the Philippines.

The Offer

The Sole Underwriter will distribute 200,000,000 Offer Shares (or 80.0% of the Total Offer Shares) to its institutional or retail clients and the general investing public.

Pursuant to the rules of the PSE, the Company will make available 50,000,000 Offer Shares (or 20.0% of the total Offer Shares) for distribution to the Trading Participants of the PSE. Any Offer Shares allocated to the PSE Trading Participants but not taken up by them, will be distributed by the Sole Underwriter to its institutional or retail clients or the general public. Any Offer Shares not taken up by the Sole Underwriter's institutional or retail clients or the general public shall be purchased by the Sole Underwriter.

To facilitate the offer in the Philippines, the Company has appointed Abacus Capital & Investment Corporation as the Sole Underwriter. The Company and the Sole Underwriter shall enter into an Underwriting Agreement on June 25, 2018, whereby the Sole Underwriter agrees to underwrite the Offer Shares, subject to agreement between the Company and the Sole Underwriter on any clawback, clawforward or other such mechanism, on a firm commitment basis.

On or before July 11, 2018, the PSE Trading Participants shall submit to the designated representative of the PSE Listing Department their respective firm orders and commitments to purchase Offer Shares. Offer Shares not taken up by PSE Trading Participants will be distributed by the Sole Underwriter directly to its clients, retail investors and the general public and whatever remains will be purchased by the Sole Underwriter.

The Sole Underwriter and Issue Manager

The Sole Underwriter was incorporated in the Philippines on January 6, 1995. It has an authorized capital stock of ₱600,000,000.00, of which ₱500,000,000.00 represents its paid-up capital. The SEC granted its registration and authorization to act as an investment house, valid unless suspended or revoked for cause or cancelled by the SEC or voluntarily surrendered by the registrant, allowing the Sole Underwriter to act as underwriter.

The Sole Underwriter does not have direct or indirect interest in the Company or in any securities thereof, including options, warrants, or rights thereto. Furthermore, it does not have any relationship with the Company other than as the Sole Underwriter and Issue Manager for the Offer. The Sole Underwriter also has no direct relations with the Company in terms of ownership by either their respective major stockholders, and has no right to designate or nominate any member of the Board of Directors.

There is no contract or arrangement existing between the Company and the Sole Underwriter, or any other third party whereby the Sole Underwriter may return any unsold securities from the Offer.

The Underwriting Commitment

The Offer will be underwritten on a firm commitment basis at the Offer Price. The Sole Underwriter and the Issuer will enter into, on or before the start of the Offer Period, an Underwriting Agreement wherein the Sole Underwriter will agree to subscribe for, or procure subscribers for the Offer Shares.

The Underwriting Agreement is subject to certain conditions and is subject to termination by Sole Underwriter if certain circumstances, including force majeure, occur on or before the time the Shares are listed on the PSE. In addition, the obligations of the Sole Underwriter under the Underwriting Agreement is conditional on the Offer Shares being listed on the PSE on or before the stipulated Listing Date, or at such other date as Sole Underwriter and the Company may agree on. Under the terms and conditions of the Underwriting Agreement, the Company has agreed to indemnify Sole Underwriter in respect of any breach of warranty or representations by the Company as contained therein.

Transaction Fees

The Sole Underwriter shall receive from the Company a fee equivalent to 1.5% of the gross proceeds of the Offer, inclusive of the amounts to be paid to the PSE Trading Participants. The underwriting fees shall be withheld by the Sole Underwriter from the proceeds of the Offer. All of the Offer Shares are or shall be lodged with the PDTC and shall be issued to the PSE Trading Participants in scripless form. They may maintain the Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Offer Shares from the PDTC's electronic system after the closing of the Offer.

Lock-Up

The PSE rules require that if there is any issuance or transfer of shares or securities (i.e., private placements, asset for shares swap or a similar transaction) or instruments that lead to issuance of shares or securities (i.e., convertible bonds, warrants or a similar instrument) done and fully paid for within 180 days prior to the start of the offer period, and the transaction price is lower than that of the offer price in the public offering, all shares or securities availed of shall be subject to a lock-up period of at least 365 days from full payment of the aforesaid shares or securities. To implement this lock-up requirement, the PSE requires the applicant company to lodge the shares with the PDTC through a PCD participant for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

The PSE rules also require that, for related party transactions, whereby the rights or public offering requirement has been waived by a majority vote of the minority stockholders, the related party subscriber must enter into an agreement with the PSE not to sell, assign, or in any manner dispose of their shares for a minimum period of 180 days after the listing of the shares subscribed in the transaction.

Sale and Distribution

The distribution and sale of the Offer Shares shall be undertaken by the Sole Underwriter who shall sell and distribute the Offer Shares to third party buyers/investors. The Sole Underwriter reserves the right to organize a syndicate of underwriters, sub-underwriters, soliciting dealers and/or selling agents for the purpose of the domestic Offer. As of the date of this Prospectus, the Sole Underwriter has not appointed any sub-underwriter.

There is no private placement tranche involved in the Offering. All of the Offer Shares will be subject to a book-building process.

Selling Restrictions

Philippines

No securities, except of a class exempt under Section 9 of the SRC or unless sold in any transaction exempt under Section 10 thereof, shall be sold or distributed by any person within the Philippines, unless such securities shall have been registered with the SEC on Form 12-1 and the registration statement has been declared effective by the SEC.

Financial Advisor to the Issuer

SCCM has been engaged by the Issuer to render overseas assistance, particularly: (1) in its investor relations efforts leading up to the Transaction; (2) on the selection and appointment of the professional advisers in connection with the Transaction overseas; (3) in the coordination of overall timeline and weekly deliverables, including organizing regular update call for the professional advisers in connection with the Transaction overseas; (4) in reviewing and producing its marketing materials in connection with the Transaction overseas; (5) in reviewing and drafting of the offering document for the Transaction overseas; and (6) in coordinating the Transaction marketing process, particularly international roadshows. All the foregoing services are being rendered by SCCM abroad.

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LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Offer will be passed upon by Angara Abello Concepcion Regala & Cruz Law Offices for the Company and by Picazo Buyco Tan Fider & Santos Law Office for the Sole Underwriter.

Each of the foregoing legal counsels has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for securities in the Company. None of the legal counsels will receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

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INDEPENDENT AUDITORS

The audited consolidated financial statements of the Company as at December 31, 2015, 2016 and 2017 and for the years ended December 31, 2015, 2016, and 2017 have been audited by SGV, a member firm of Ernst & Young Global Limited, independent auditors, as set forth in their report appearing herein.

The following table sets out the aggregate fees billed for each of the last three (3) years for professional services rendered by SGV, excluding fees directly related to the Offer.

	For the year ended December 31		
	2015	2016	2017
	(₱ Thousands)		
Audit and Audit-Related Fees ⁽¹⁾	12,979.3	12,243.3	9,339.00
Non-Audit Services ⁽²⁾	13,145.9	17,297.6	2,680.2
Total	26,125.2	29,540.9	12,019.2

Notes:

- (1) *Audit and Audit-Related Fees.* This category includes the audit of annual financial statements, review of interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years.
The fees presented above include out-of-pocket expenses incidental to the independent auditors' work, the amounts of which do not exceed 15.0% of the agreed-upon engagement fees.
- (2) *Non-Audit Services.* This category includes the tax advisory fees for the tax advisory services provided by SGV, on PGMC's corporate restructuring. The fees presented above include out-of-pocket expenses incidental to the work performed, the amounts of which do not exceed 15.0% of the agreed-upon engagement fees.

Audit Committees Approval Policies and Procedures for Audit, Tax and Other Accounting Services

Change in Auditors

The auditing firm of SGV, a member firm of Ernst & Young Global Limited was nominated and recommended to the stockholders for reappointment as external auditor for the year 2017-2018.

In compliance with SRC Rule 68 (3) (b) (iv) of the SRC, the appointment of a signing partner of SGV shall not exceed five (5) consecutive years. Mr. Jaime F. Del Rosario commenced as engagement partner of the Company starting 2014. Ms. Eleanore A. Layug has been the engagement partner in 2017.

The independent auditors for the Company were changed from Navarro, Amper & Co. to SGV effectively from July 2014 after the acquisition of the PGMC by the Company. SGV has been the auditor for PGMC since 2005, for the considerations of consistency and ease of consolidation of the Company's and PGMC's financial stations. SGV was also appointed by the Company as its auditors. There were no disagreements between the two (2) auditing firms.

ANNEX A

PMRC- Competent Person's Technical Report
Economic Assessment and Ore Reserve Estimation of
Platinum Group Metals Corporation
Cagdiano Nickel Expansion Project (MPSA 007-92-X)
October 15, 2017

**PMRC- COMPETENT PERSON'S TECHNICAL REPORT
ECONOMIC ASSESSMENT AND ORE RESERVE ESTIMATION
OF PLATINUM GROUP METALS CORPORATION
CAGDIANAO NICKEL EXPANSION PROJECT (MPSA 007-92-X)
BARANGAY CAGDIANAO, MUNICIPALITY OF CLAVER
SURIGAO DEL NORTE, MINDANAO, PHILIPPINES**

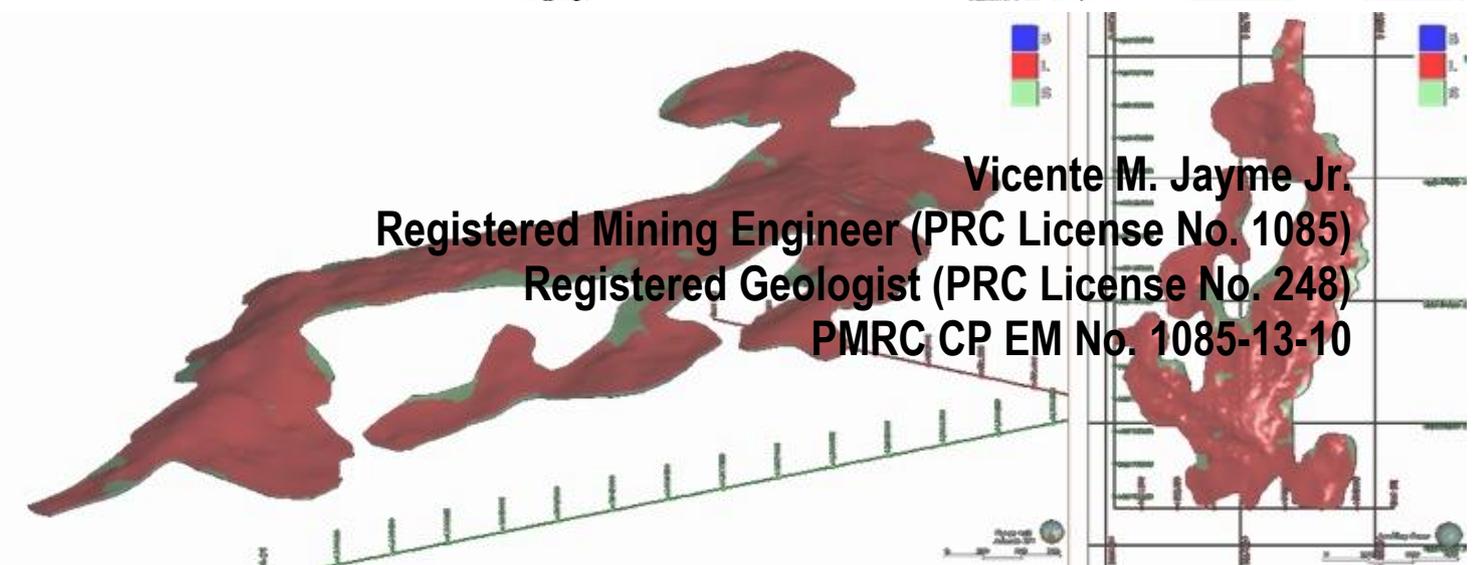
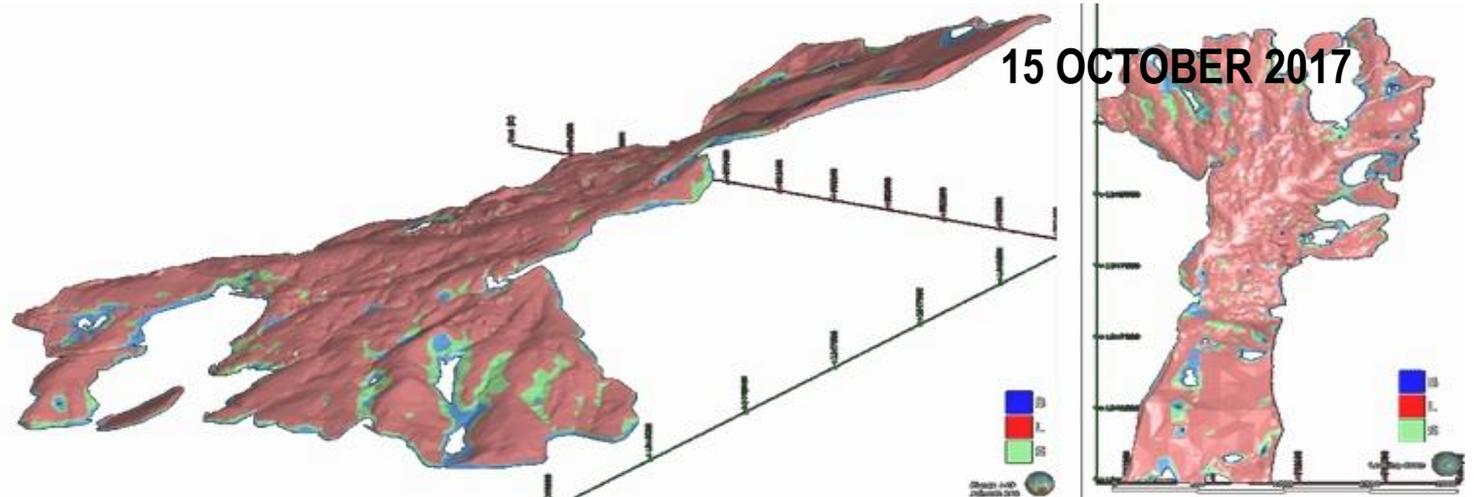


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IMPORTANT INFORMATION ABOUT THIS TECHNICAL REPORT

1. The Client

This Technical Report has been prepared and produced by Mining Engineer-CP, **Vicente M. Jayme Jr.**, (“the “Author”) solely for Platinum Group Metals Corporation, (“the Client”).

2. Client Use of Report

The Client’s use of this Technical Report is subject to the terms and conditions under which (“the “Author”) prepared the Technical Report. As discussed, agreed and understood with the Client, this Technical Report is intended to provide an updated ore reserves estimate of the Project. It is also intended to be used as a supporting document in PGMC’s filing of updated Project Description with the DENR-MGB and subsequent Follow on Offering (“FOO”) in the Philippine Stock Exchange (“PSE” or “Exchange”)

3. Notice to Third Parties

This Technical Report was prepared for the Client only and any third party should take note:

- This Technical Report was generated to the specific requirements of the Client, and upon the Client’s instructions and objectives. The Technical Report has no regard to any third party’s needs or interests.
- The “Author” does not make and expressly disclaims from making any representation or warranty to third party – whether express or implied – regarding this report on the opinions or conclusions presented in this report. Likewise, the “Author” expressly disclaims any liability to you and any duty of care to you.
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4. Inputs and Non- Duty to Update Due to Subsequent Changes

- This report was prepared using all available data and information supplied by or on behalf of the Client’s consultants and contractors. Unless clearly stated and implied otherwise, the “Author” has not independently verified all data and information although necessary and appropriate checks have been made as required.
- The “Author” accepts no liability for the accuracy or completeness of that data and information, even if that has been included and referenced into or relied upon in preparing this Technical Report.
- The opinions and conclusions expressed in this Technical Report apply as at the date of the report. Events (including changes to any of the data and information that the “Author” used in preparing the Technical Report) may have occurred since that date which may impact on those opinions and conclusions and make them less reliable. The “Author” is under no obligation to update the Technical Report upon the occurrence of any such event, though it reserves the right to do so and under a separate agreement with the Client.

This Technical Report has been prepared for the Client and must be read in its entirety and subject to the third party disclaimer clauses contained in the body of the Technical Report.

5. CP Technical Report Reliance of Data

This is a CP Technical Report on the PGMC Cagdianao Nickel Expansion Project Economic Assessment and Ore Reserves Estimation having considered all the available geological, topographic and mining data gathered. The CP-EM has solely relied on the following documents and data in the preparation of this CP Technical Report.

- PMRC-Competent Person's Technical Report on Mineral Resource evaluation of Platinum Group Metals Corporation – Cagdianao Nickel Project (MPSA 007-92-X) dated 01 October 2017 by CP-Geologist Edgardo G. Garcia of which Sections 2 to 10 are entirely based;
- Project Description of the PGMC Cagdianao Nickel Expansion Project dated 08 May 2014 as prepared by Engr. Corsino L. Odtojan Jr, Engr. Richard C. Gimenez, Engr. Ramon Nicolas Dubduban and Engr. Marilou C. Celzo;
- PGMC Mine Engineering data of the Depletion surface of CAGA2 and CAGA4 as of end 23 June 2017;
- PGMC mine engineering data of the surveyed topography covering the deposits of CAGA1, CAGA3 and CAGA5 as of end 23 June 2017;
- BMP draft technical report on PGMC Environmental Protection and Enhancement Program and Final Mine Rehabilitation and Decommissioning Program for the Cagdianao Nickel Expansion Project (CAGA1 to CAGA5) dated August 2017;
- Geologist-CP Block Models of CAGA1, CAGA2, CAGA3, CAGA4 and CAGA5 in which CAGA2 and CAGA3 have been updated based on recently concluded exploration within the periods 2016 to 2017;
- PGMC marketing spot contracts covering the period 2012 to 2017;
- PGMC actual mine site operating cost (January to December 2016);
- PGMC actual mine site operating cost (January to June 2017);
- PGMC 2017 Annual Operating Budget;
- Mining contracts between PGMC and existing mine contractors covering the mining season for the Year 2017;
- Nickel ore spot prices taken from the 2012-2017 monitoring of www.nieba.cn website;
- Nickel price monitoring website such as www.lme.com and www.kitco.com,

CERTIFICATION AND CONSENT OF THE COMPETENT PERSON

As the Principal “Author” of the “**PMRC- COMPETENT PERSON’S TECHNICAL REPORT ON THE ECONOMIC ASSESSMENT AND ORE RESERVES ESTIMATION OF PLATINUM GROUP METALS CORPORATION- CAGDIANAO NICKEL EXPANSION PROJECT (MPSA 007-92-X)**” dated **15 October 2017** for the PGMC Nickel Expansion Project located in Sitio Kinalablaban, Barangay Cagdianao, Municipality of Claver, in the south-eastern part of Surigao del Norte Province, Mindanao, Philippines, I, **Vicente M. Jayme Jr.**, do hereby certify that:

- I currently work as an Independent Consulting Mining Engineer- Competent Person and was engaged by Platinum Group Metals Corporation (PGMC) to prepare the CP Technical Report on the Economic Assessment and Ore Reserves Evaluation of the PGMC Nickel Expansion Project in a manner compliant with the Philippine Mineral Reporting Code (PMRC) Standards/Requirements and the Philippine Stock Exchange, Inc’s (PSE or Exchange) Implementing Rules and Regulations (IRR) for Public Reports of Exploration Results, Mineral Resources and Ore Reserves.
- I graduated with a Bachelor of Science Degree in Mining Engineering from the Mapua Institute of Technology (B.Sc. EM) in 1961.
- I am a Certified Professional Mining Engineer (Reg. No. 001085) and Certified Professional Geologist (Reg. No.00248) under the Philippine Professional Regulations Commission.
- I am a member in good standing of the Geological Society of the Philippines and Philippine Society of Mining Engineers. My PMRC CP (Copper and Nickel Mining) accreditation (No.1085-013-10) is valid at the time of filing of this certificate.
- I have practiced the profession as a geologist and mining engineer in the mining industry for over 50 years and have extensive experience working on minerals particularly nickel laterite deposits and copper properties in the Philippines.
- I have sufficient relevant experience to the style of mineralization, type of nickel laterite deposit and mining method under consideration and to the activity which I am undertaking as a Competent Person (CP) as defined both in the 2007 PMRC Code for Reporting of Ore Reserves.
- I have read the definition of “Competent Person” set out in the PMRC Code of 2007 and certify that by reason of my education, affiliation with professional associations (as defined in the code) and past relevant work experience, I fulfil the requirements to be a “Competent Person” for the purposes of the Technical Report.
- I am the primary “Author” responsible for the preparation and compilation of the Technical Report, and supervision of the technical team who assisted in the ore reserve estimation section of the Technical Report.
- I am not aware of any fact or change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.
- I have had no previous involvement with the Platinum Group Metals Corporation Nickel Expansion Project prior to my preparation of the initial CP Technical Report for Reporting of Ore Reserves. I have no interest, nor do I expect to receive any interest, either directly or indirectly, neither in the Nickel Project, nor in the securities

Abbreviation List

AIMME	American Institute of Mining and Metallurgical Engineers
AusIMM	Australasian Institute of Mining and Metallurgy
Al ₂ O ₃	Alumina
BD	Bulk Density
block_vol	volume of a cell in a block mode
°C	Degrees Celsius
Co	Cobalt
CP	Competent Person
CPR	Competent Person's Report
Cr	Chromium
Cr ₂ O ₃	Chromium (III) oxide
CMDC	Case Mining & Development Corporation
CTPCDC	CTP Construction & Development Corporation
D	Dunite
DENR	Department of Environment and Natural Resources
DMT	Dry Metric Tonnes
E	East
EIA	Environmental Impact Assessment
EIS	Environmental Impact Statement
EM	Mining Engineer
Fe	iron
g	gram
>	greater than
GPRI	GeoPacific Resources, Inc.
GSP	Geological Society of the Philippines
GW	Geovia Whittle
ha	Hectare
Hz	Harzburgite Bedrock
Ind	Indicated
Inf	Inferred
JORC	Joint Ore Reserves Committee
Kg	Kilogram
Km	Kilometer
km ²	square kilometer
LA	Yellow limonite
LB	Yellow limonite
<	less than
LF	Red-brown limonite
m	Meter
M	Million

m ³	cubic meter
Mes	Measured
MGB	Mines and Geosciences Bureau
MgO	Magnesium Oxide
MPSA	Mineral Production Sharing Agreement
Mt	Million tonnes
Mtpa	Million tonnes per annum
Mwt	Million wet tonnes
N	North
Ni	Nickel
num_a ₂ O ₃	number of alumina samples
num_co	number of cobalt samples
num_cr	number of chromium samples
num_fe	number of iron samples
num_mgo	number of magnesium oxide samples
num_ni	number of nickel samples
num_si ₂	number of silicate samples
%	percent
RPM	RungePincockMinarco
PGMC	Platinum Group Metals Corporation
PMRC	Philippine Mineral Reporting Code
PSEM	Philippine Society of Mining Engineers
QA/QC	Quality Assurance/Quality Control
R_SAP	Rocky saprolite
S	South
S_ROCK	Saprolitic rock
SAP	Saprolite
SD	SerpentinizedDunite
SG	Specific gravity or dry bulk density
SHz	SerpentinizedHarzburgite
SiO ₂	Silica
SIRC	Surigao Integrated Resources Corporation
SRK	SRK Consulting China Limited
SS	Serpentinite
t	Tonnes
TM	Transition Material
tpa	tonnes per annum
W	West
WMT	Wet Metric Tonnes
XRD	X-ray diffraction
XRF	X-ray fluorescence

EXECUTIVE SUMMARY

The Platinum Group Metals Corporation (“PGMC”) engaged the “Author”, Vicente M. Jayme Jr., a Mining Engineer- CP to prepare a PMRC CP Technical Report on the Economic Assessment and Ore Reserve Estimation of the Cagdianao Nickel Expansion Project (“Cagdianao Project”) located in Sitio Kinalablaban, Barangay Cagdianao, Claver, Surigao Del Norte, in north-eastern Mindanao, Philippines, for PGMC’s filing of updated Project Description with the DENR-MGB and its planned Follow on Offering (“FOO”) with the Philippine Stock Exchange (“PSE” or “Exchange”).

The Project is located within a mineral reservation in the Surigao Domain in the northeastern region of Mindanao Island identified as a nickel-iron laterite rich region derived from the weathering of Cretaceous ultramafic rocks of the Bicol-Eastern Mindanao Ophiolite Belt.

The Project is covered by MPSA No. 007-92-X granted to Cagdianao Mining and Development Corporation (CMDC) on 13 June 1992 covering an area of 4,376.0 hectares which is valid for 25 years (until 12 June 2017). The MPSA was extended by the DENR Secretary for another 25 years on 21 June 2016 and valid until 20 June 2041.

CMDC entered into a life of mine agreement with the Surigao Integrated Resources Corporation Resources (“SIRC”) on 15 September 2006 which then was eventually 100% owned by PGMC by 2007.

PGMC commenced development of the CAGA-4 deposit on January 2007 with an Environmental Compliance Certificate (ECC) with an authorized annual production capacity of 1.4 million tons shared with CTP Construction and Development Corporation (“CTPCDC”), another company operating its Adlay Nickel Project under the SIRC Joint Venture. In 2010, PGMC purchased CTPCDC’s share in SIRC which then became 100% owned by the company. The ECC was then amended to allow an authorized annual production capacity of 5 million dry metric tons from the entire tenement area.

In line with PGMC’s plan to expand mine operations and increase production capacity, the company embarked in a comprehensive exploration program on July 2011-November 2012 which culminated in the subsequent preparation of a CP Technical Report on the Mineral Resource of the CAGA Nickel Project on 6 September 2013 which was updated last 22 September 2014 and 30 June 2016. These activities were undertaken and managed by GeoPacific Resources, Inc. (GPRI) with the supervision of the Geologist-CP Edgardo G. Garcia (Geologist-CP).

The company thru its exploration contractor BOHRER Mining Consultants Services (“BMCS”) embarked in another phased exploration program from October 2016 to May 2017 covering the CAGA2 and CAGA3 in-fill and peripheral extensions which led to the preparation of an updated CP Technical Report on the Mineral Resource of the CAGA Nickel Project which was dated 01 October 2017. These activities were undertaken and managed by BMCS with the supervision of the Geologist-CP Edgardo G. Garcia (Geologist-CP).

The mineral resource estimate was undertaken to take in to account the mine depletion that has occurred since the initial resource estimation made during abovementioned

date as well as the result of the recent phased exploration that was conducted from October 2016 to May 2017. During the updated resource estimation, the Geologist-CP reviewed PGMC's drilling and sampling procedures and indicated that appropriate practices were used during the drilling program and that all exploration activities were accomplished to the PMRC Code standard. The QA/QC process indicated the following: that there is no significant assay bias; that with the significant amount of samples used in the estimation and the normal distribution and small range of sample grades within each estimation domain, the observed scatter of repeat data have no material and adverse impact on the resource estimate. Using the results of QA/QC, considerations were made when assigning PMRC classifications to the resource estimates.

The Geologist-CP mineral resource estimate complied with the recommendations of PMRC (2007) as highlighted by adoption of the guidelines listed on the PMRC "Table-1- Checklist of Assessment and Reporting Criteria". The PGMC PMRC Statement of Mineral Resources as reported as at end 23 June 2016 has a measured and indicated mineral resource of **54.1 Million Dry Metric Tonnes at 1.1%Ni and 31.4%Fe**.

On 01 October 2017, the "Author", in his capacity as an independent consulting Mining Engineer-CP was engaged by PGMC to do an economic assessment and ore reserve evaluation for its Cagdianao Nickel Expansion Project and subsequently prepared an updated PMRC CP-Technical report for economic assessment and ore reserve evaluation for purposes of submission to the Philippine Stock Exchange.

Based on the 2014 Project Description as prepared by the PGMC mine engineering team, PGMC 2017 operating budget, 2016 to June 2017 actual operating cost data and other relevant data provided by the PGMC mine engineering team, the project has been determined to be profitable as reflected in the detailed financial model prepared by the "Author". Based on the Financial Analysis, the project with an initial investment of **PhP3.4 Billion or US\$68.0 Million**, has **Net Present Value (NPV) of PhP3.74 Billion or US\$ 74.8 Million, Internal Rate of Return (IRR) of 72%** and a **Payback (discounted) period of 4.5 years**.

The proven and probable ore reserves estimate for the PGMC Cagdianao Nickel Expansion Project as at ending 30 June 2016 stands at **36.3 Million WMT at 1.22%Ni and 31.7%Fe**. The ore reserves estimate was proven to be viable based on the results of the economic assessment done by the "Author".

The "Author" recommends to PGMC the following:

Further exploration work should be done to delineate additional mineral resource with the potential to be converted to ore reserves and extend the life of the mine to beyond its projected eight (8) years mine life at an annual mine production of 5.0 Million WMT. Peripheral drilling on CAGA1, CAGA4, CAGA5 as well as grass roots drilling at CAGA6, CAGA7 and HIGDON areas should be prioritized as a new road will be constructed which will provide easy access to these ore extensions when the exploration results are favorable. Other potential resource commodities such as limestone should also be studied as the SIRC tenement contains a considerable volume located at its western side. Chromite deposits have also long been identified to occur also within the SIRC tenement. Recent geological investigation conducted by PGMC suggests possible economic volume of chromite within the areas of CAGA2 and CAGA7 areas which warrants further detailed investigation.

The viability of putting up a mine-mouth Blast Furnace plant for NPI production to tap the vast low nickel-high iron ore potential within the tenement should be thoroughly studied. This will allow PGMC to further maximize its resource and value of its property thereby strengthening its position in the Philippine nickel mining industry as well as become a more reliable supplier to China and other potential markets.

Strategic mine planning should continue to focus on the long term outlook of the possibility of a Philippines export ban on unprocessed ore and the slow upward movement of prices and demand for carbon steel as against its effect on the ore reserves of PGMC. It should also determine the optimum production of the mine putting into consideration the future demand of nickel particularly the medium and high grade and the risk of slowing down on the low grade nickel-high iron ore exports if the prices of iron ore will not significantly increase. The strategic mine plan should address the question on the effect of the low grade nickel-high iron if it were to become a non-marketable product with the demise in demand of China.

The mine has been aggressively opening up new areas of CAGA2 and CAGA4 which could pose as an environmental risk since the disturbed areas are increasing fast and the implementation of the progressive rehabilitation program cannot cope due to possible cost constraints. In compliance to the EPEP and ECC conditionality, PGMC should continue to conduct progressive rehabilitation consistently to make up for the backlog in the area required for rehabilitation and re-vegetation to which the "Author" believes they can achieve.

The company should also look into acquiring additional tenements with high potential for nickel laterites in identified ultramafic domains particularly in Palawan, MIMAROPA as well as in Dinagat Island and in the southern part of Mindanao.

1.0 INTRODUCTION

1.1 Purpose

The purpose of this Technical Report is to provide an independent technical update on the PMRC Economic Assessment and Ore Reserve Estimation of the Cagdianao Nickel Expansion Project (“the Project”) of Platinum Group Metals Corporation (“the Company”) covering all the identified and explored deposits at CAGA-1, CAGA-2, CAGA-3, CAGA-4 and CAGA-5 for PGMC’s filing of an updated Project Description with the DENR-MGB and its planned Follow on Offering (“FOO”) with the Philippine Stock Exchange (“PSE” or “Exchange”). The latest reporting of resources referenced in this CP Technical Report is the Mineral Resource estimation report prepared by the Geologist-CP Edgardo G. Garcia dated 01 October 2017.

1.2 Scope of Work

The Competent Person (CP), Vicente M. Jayme Jr., as an independent Mining Consultant- CP supervised and carried out the preparation of the economic assessment and ore reserves estimation presented in this Technical Report. This Technical Report includes assessment and comments with regards to compliance to the PMRC Standard for Economic Assessment and Ore Reserve Reporting Check List (Table-1).

During the resource evaluation several meetings/discussions were made with:

Joseph C. Sy, Chairman, PGMC
Atty. Dante R. Bravo, President/CEO, PGMC
Seng Gay Chan, SVP/CFO, PGMC
Carlo A. Matilac, SVP Operations, PGMC
Corsino L. Odtojan, VP Operations, PGMC
Edgardo G. Garcia, Geologist-CP

The work program included the following items:

- Collation of relevant technical information on the Project including resources data, topographic and production data;
- Site visits were conducted at the Project area to monitor progress and discuss technical aspects with staff of PGMC;
- Review, validation of all the acquired data (block model, topographic data, etc.), detailed analysis of available data in preparation for ore reserve estimation;
- Discussions on the updated Project Description that was submitted to the Philippine Government (DENR) last 09 May 2014;
- Discussions on the Project short to long term development and production plans with PGMC mine planning engineering staff and SVP Operations;
- Discussions on the concluded extension drilling at CAGA2 and CAGA3 as well as on the proposed additional exploration on potential areas covering CAGA1, CAGA5, CAGA6, CAGA7 and HIGDON;
- Discussions on the Competent Person’s Technical Report on PGMC’s Mineral Resource which was prepared by the Geologist-CP Edgardo G. Garcia
- Generation and completion of the Competent Person’s Technical Report on PGMC’s Economic Viability and Ore Reserves which is basically in line with the reporting requirements of PMRC and PSE.

It was noted by the “Author” that the Geologist-CP has for a long period been acquainted with the geologic setting, nickel laterite exposures, company’s exploration and mining activities which proved substantive in the preparation of the PMRC-Compliant Technical Report on resource estimates. The Geologist-CP in his resource evaluation considered the mining/production period ending 23 June 2017 for mine depletion.

1.3 Compliance

This Competent Person’s Technical Report presents the updated and latest ore reserves estimate as of end 23 June 2017 of the Cagdianao Nickel Expansion Project for the CAGA-1 to CAGA-5 deposits. The nickel laterite ore reserves have been determined following the standards and guidelines set forth by the PMRC Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The PMRC Code is a locally recognized standard for the public reporting of mineral resources and ore reserves, adopted by the Philippine mining industry and the associated local Accredited Professional Organizations (APOs) and is included in the listing rules of the Philippine Stock Exchange. The PMRC closely referenced the internationally accepted set of standards and definitions of Australia, Canada, South Africa, European Union and the International Reporting Template by the Committee for Mineral Reserves International Reporting Standard (CRIRSCO) for the reporting of mineral resources and ore reserves. *The reporting standards and definitions of the PMRC Code are compatible to the reporting standards and classification systems of the 2012 JORC Code of Australia.*

1.4 Declaration and Qualification

The Competent Person, Vicente M. Jayme Jr., is an independent consulting mining engineer and does not hold any securities in PGMC, its subsidiaries or affiliates, nor will it hold any securities in the future listing of the company. The CP has no vested interest in any properties or concessions held by PGMC and his sole commercial interest with PGMC is to provide professional consulting services in connection with the ore reserve evaluation and CP Technical Report preparation as presented herein. The payment of professional fees is established under a proposal/contract agreement and is not influenced by an additional company financing or on the outcome of the future listing of PGMC.

The CP, Vicente M. Jayme Jr., has practiced the profession as a geologist and mining engineer in the mining industry for over 50 years. He has extensive experience working on nickel properties in the Philippines (Surigao, Dinagat, Davao, Isabela, Palawan, Cebu, and Negros Oriental). He has completed investigations on nickel properties on behalf of private companies. His education includes a B.Sc. Degree (1961) in Mining Engineering from Mapua Institute of Technology. He is a Certified Professional Geologist (Registration Number 248) and a member in good standing of the Geological Society of the Philippines. He is a Certified Professional Mining Engineer (Registration Number 1085) and a member in good standing of the Philippine Society of Mining Engineers. He is qualified to be a “Competent Person” under the requirements of the PMRC (CP-EM No. 1085-13-10).

1.5 Reliance on other Experts or CPs

This is a CP Technical Report on the PGMC Cagdianao Nickel Expansion Project Economic Assessment and Ore Reserves Estimation having considered all the available geological, topographic and mining data gathered. The Mining-CP has solely relied on the following documents prepared by Expert CP(s) in the preparation of this CP Technical Report.

- PMRC-Competent Person's Technical Report on Mineral Resource Evaluation of Platinum Group Metals Corporation – Cagdianao Nickel Project (MPSA 007-92-X) dated 01 October 2017 by CP-Geologist Edgardo G. Garcia of which Sections 2 to 10 are entirely based;

1.6 Disclaimer

In the preparation of this CP Technical Report, the "Author" has relied upon the work completed by other persons. Every effort has been made to check the accuracy and reliability of the previous drilling, sampling and geological work, but it was not possible to independently verify all of the information provided. For the most part, this information was collected, generated and/or compiled directly by, or under the supervision of, PGMC professionals well versed in the geological and technical requirements for nickel projects.

The sources of data for much of this report are in the form of Technical Reports prepared by geologists and engineers of PGMC. Most of the geological data, drill logs, analytical reports, and field maps collected by PGMC are available in the PGMC offices in Manila and Surigao. The "Author" acknowledges that the Geologist-CP was able to verify the accuracy of the data presented in the reference reports by comparison with the source data and as such has no reason to doubt the integrity of the information presented. During the validation process several transcriptional errors were corrected. Overall, the data supplied was found to be in good condition and to be reasonably accurate. The Geologist-CP considered this information to be reliable and of good quality.

The opinions expressed in this Technical Report have been based on the information supplied to the "Author" by PGMC. The "Author" has exercised all due care in reviewing the supplied information and the accuracy of the results and conclusions generated in the Technical Report are entirely reliant on the accuracy and completeness of the supplied data.

The "Author" does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them.

A list of the reports and scientific papers used in this report is given in the reference section.

2.0 TENEMENT INFORMATION

2.1 Description of Mineral Rights

The Project is covered by MPSA No. 007-92-X granted to Case Mining and Development Corporation (“CMDC”) on 13 June 1992 covering an area of 4,376.0 hectares which is valid until 2017 for 25 years. The Surigao Integrated Resources Corporation (“SIRC”) was granted a “Deed of Assignment” from CMDC by the DENR-MGB on 15 September 2006 which then was 100% owned by Platinum Group Metals Corporation (“PGMC”) by 2007. The MPSA was renewed and extended for another 25 years on 21 June 2016 and valid until 2041.

The details of the PGMC MPSA are given in **Table-1**.

Table-1. Details of the PGMC MPSA

Project Type	Ni-Laterite Mining Project
Name of Certificate	Mineral Production Sharing Agreement
Certificate No.	MPSA-007-92-X
Mining Title Holder	Platinum Group Metals Corporation
Name of Mine	Cagdianao Nickel Mine
Company Category	Limited Liability Company
Mining Method	Open Cut Mining
Production Scale	5,000,000 Dry Metric Tonnes (DMT)
Area/Size	4,376 hectares
Validity (Original)	January 12th 2017
Issue Date (Original)	January 13th 1992
Date of Extension	June 21, 2016
Validity (Extended)	June 20, 2041
Issuing Agency	Department of Environment and Natural Resources (DENR)

The geographic coordinates of the MPSA as defined by the mining license for the Cagdianao Nickel Project are presented in **Table-2** and the MPSA Tenure Map is shown in **Figure-1**.

Table-2. Geographic Coordinates of PGMC Tenure

Points	Longitude			Latitude		
1	125°	47'	00"	9°	30'	00"
2	125°	51'	30"	9°	30'	00"
3	125°	51'	30"	9°	27'	00"
4	125°	47'	30"	9°	27'	00"
5	125°	47'	30"	9°	28'	00"
6	125°	47'	00"	9°	28'	00"

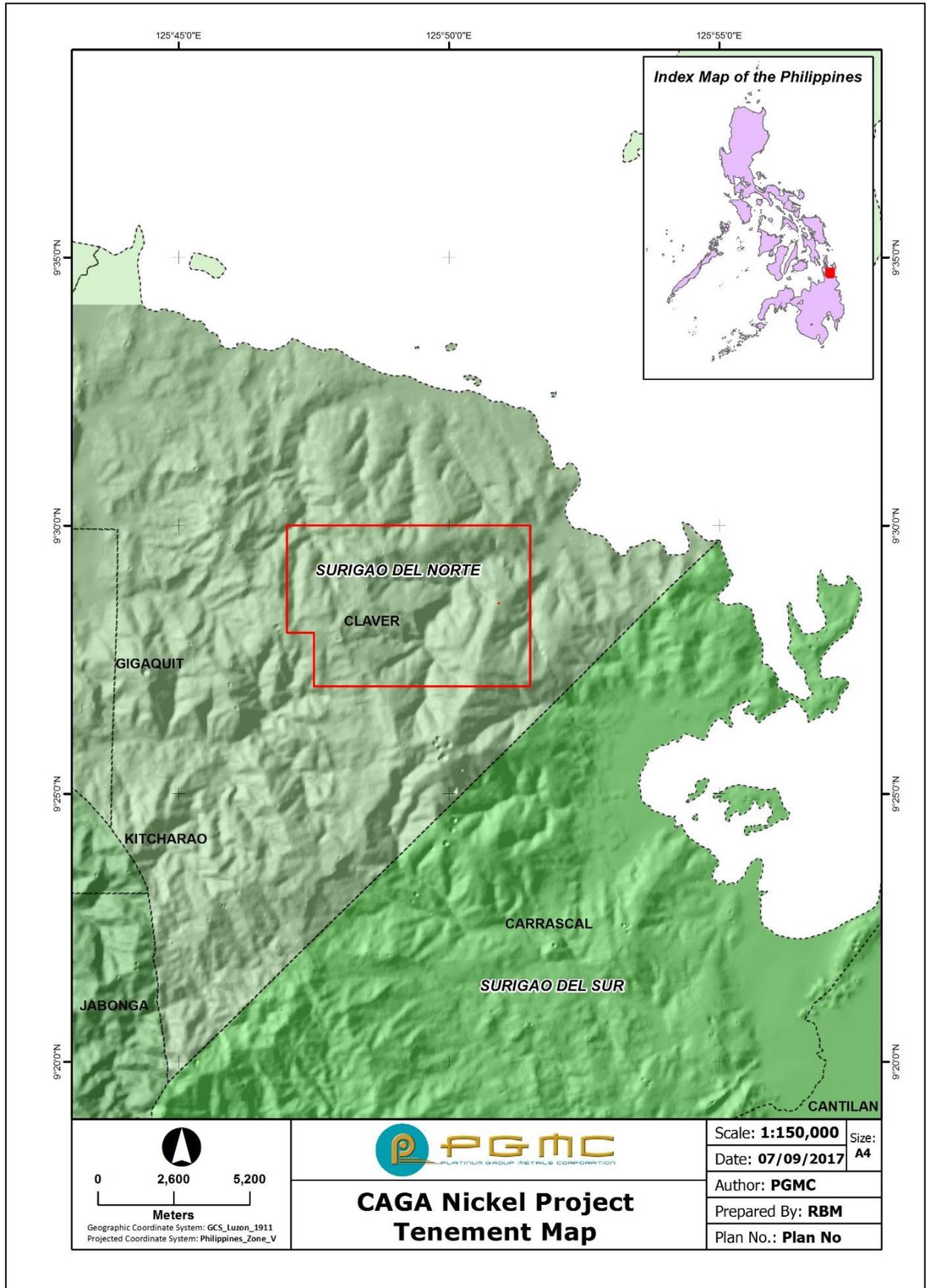


Figure-1. MPSA Tenure Map

2.2 History of the Mineral Rights

Platinum Group Metals Corporation (“PGMC”) owns 100% of Surigao Integrated Resources Corporation (“SIRC”) and operates the Cagdianao Nickel Mine under a “Deed of Assignment” which SIRC was granted upon by the DENR-MGB on 15 September 2006. Under the “Deed of Assignment”, SIRC was assigned the MPSA rights of Case Mining and Development Corporation (“CMDC”) and allowed to explore, develop, mine at determine production rates, mining methods, processing methods and carry out construction, on condition that SIRC will be complying with all government requirements. PGMC which owns 100% of the shares in SIRC assumed and honors all of its previous agreements.

3.0 GEOGRAPHIC FEATURES

3.1 Location and Accessibility

The PGMC- Cagdianao Nickel Project is located in Sitio Kinalablaban, Barangay Cagdianao, Municipality of Claver, in the south-eastern part of Surigao del Norte Province, Mindanao, Philippines. The province belongs to the CARAGA Region of Mindanao. The Municipality of Claver is approximately located at 9 34” N 125 44” E. **Figure-2** shows the general project location.

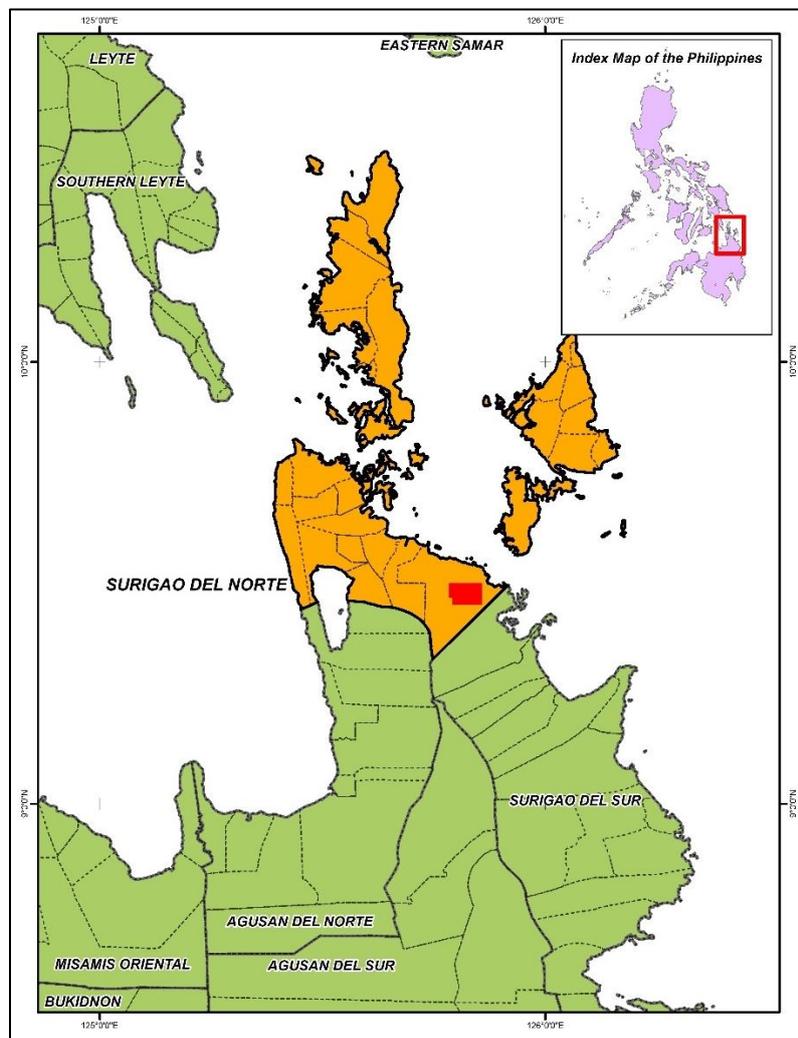


Figure-2. Project Location Map – Regional

The area can be accessed from Surigao City or Butuan City (**Figure-3**) via a concrete national highway, with travel times at 1.5 hours and 3 hours, respectively. Regular domestic flights and ferry trips between Manila and Cebu to both Surigao and Butuan are available.

The Project is located about 89 km south of Surigao City, the north-easternmost tip of Mindanao Island and the capital of the province of Surigao del Norte.



Figure-3. Project Accessibility Map (Source: SRK Consulting)

3.2 Physiography, Climate and Vegetation

3.2.1 Topography and Drainage

The topography of the Project site and vicinities is rugged to rolling and gently undulating hill terrain. Northward of the site, the terrain recedes into the coast of Hinadkaban Bay and Hinatuan Passage. Eastward are the Dahican Bay and Carrascal Bay.

The CAGA Area is generally a plateau with elevations ranging from 200 to 600 masl.

The CAGA Area is drained by the following:

- Hinadladan River system which originates from the slopes of Mt. Legaspi and flows north-eastward into the Hinadkaban Bay.
- Hubasan Creek drains the westernmost part of CAGA-4. The creek also drains the Taga 2 mining area, Taga 3 exploration area, and stockyard and other facilities of Taganito Mining Corporation (TMC). Hubasan Creek feeds the Taganito River which discharges into the Hinatuan Passage.
- Hayanggabon Creek drains the northern middle portion of CAGA-4 as well as TMC's Taga 3 exploration area. The creek discharges into the Hinatuan Passage.

3.2.2 Climate

The climatological/meteorological normal values (**Table-3**) for the project area may be interpreted from the weather station located in Hinatuan, Surigao Del Sur located adjacent to the area.

Table-3. Climatological/Meteorological Data (Source: PAGASA)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)		
MONTH	RAIN-FALL MM	NO. OF RD	TEMPERATURE						DEW PT.	VP MBS.	RH %	MSLP	WIND			No. Days w/	
			MAXI- MUM	MIN- IMUM	MEAN	DRY BULB	WET BULB	DIR					SPD KTS	CLD AMT	TSTM	LTNG	
JAN	776.3	25	29.7	23.0	26.4	26.1	24.6	24.0	29.9	88	1010.5	NE	2	6	1	1	
FEB	547.6	22	30.1	23.0	26.5	26.3	24.6	24.0	29.7	87	1011.0	NE	2	6	1	1	
MAR	448.3	23	30.8	23.2	27.0	26.8	25.0	24.4	30.4	86	1010.9	NE	2	5	1	2	
APR	318.7	19	31.9	23.7	27.8	27.7	25.6	24.9	31.4	84	1010.0	E	2	4	3	4	
MAY	252.9	18	32.5	24.2	28.4	28.2	26.0	25.3	32.1	84	1009.2	E	2	5	7	12	
JUN	258.1	17	32.5	24.0	28.2	27.9	25.8	25.1	31.8	85	1009.0	W	2	6	9	11	
JUL	218.9	16	32.6	23.8	28.2	27.8	25.5	24.7	31.0	83	1008.6	W	2	6	10	13	
AUG	186.7	13	33.0	23.9	28.4	28.1	25.6	24.8	31.1	82	1008.5	W	2	6	9	13	
SEP	206.5	15	32.9	23.6	28.2	28.0	25.6	24.8	31.2	82	1008.9	W	2	5	11	14	
OCT	270.9	17	32.5	23.6	28.1	27.8	25.6	24.8	31.3	84	1008.8	W	2	5	11	14	
NOV	424.9	20	31.5	23.5	27.5	27.3	25.4	24.7	31.1	86	1008.8	W	2	5	5	7	
DEC	555.1	23	30.5	23.3	26.9	26.6	25.0	24.4	30.6	88	1009.8	W	2	5	3	3	
ANNUAL	4464.9	228	31.7	23.6	27.6	27.4	25.3	24.7	31.0	85	1009.5	W	2	5	71	95	

Station Name: Hinatuan, Surigao Del Sur Latitude: 08°22'12" N Elevation: 3.0 m
 Period: 1981-2010 Longitude: 126°20'12" E

Parameters included are rainfall, temperature, relative humidity, vapor pressure, wind (speed and direction), cloud cover, thunderstorms and lightning data.

The climate in the area is classified as Type II (**Figure-4**). There is no dry season and a very pronounced rainy period, *i.e.*, monthly rainfall in excess of 400 mm, from November to March. The mean annual rainfall is 4464.9mm.

Rainfall

The maximum and minimum monthly rainfalls were recorded in January (776.3mm) and August (186.7mm), respectively. The number of rainy days was pronounced from November to March with a range of 20-25 days. However, the less pronounced rainy period from April to October still has a range of 13-19 rainy days at 186.7mm to 318.7mm of rainfall/month. The typical number of rainy days in a year is 228 (62% of the year).

Temperature and Relative Humidity

The variations in temperature follow the trend of rainfall and other global changes. The highest maximum temperature of 33.0°C was recorded in August while the lowest minimum temperature was 23.0°C in January. The annual average maximum and minimum temperatures are 31.7°C and 23.6°C, respectively. The relative humidity ranges from 82-88% and averages 85%.

Cloud Cover

The monthly average cloud cover at the site ranges from 4-6 okta implying cloud cover is present most of the time at the site.

Surface Winds

A wind rose diagram is a graphical representation that depicts a bi-variate frequency distribution table of wind speed and wind direction using sixteen compass directions. The annual wind roses from the Hinatuan synoptic station (1981-2010) showed the wind speed average frequency of 2mps in the prevailing directions of NE, E and W.

Typhoon Frequency

The site is located in a zone where the probability of having tropical cyclones is high.

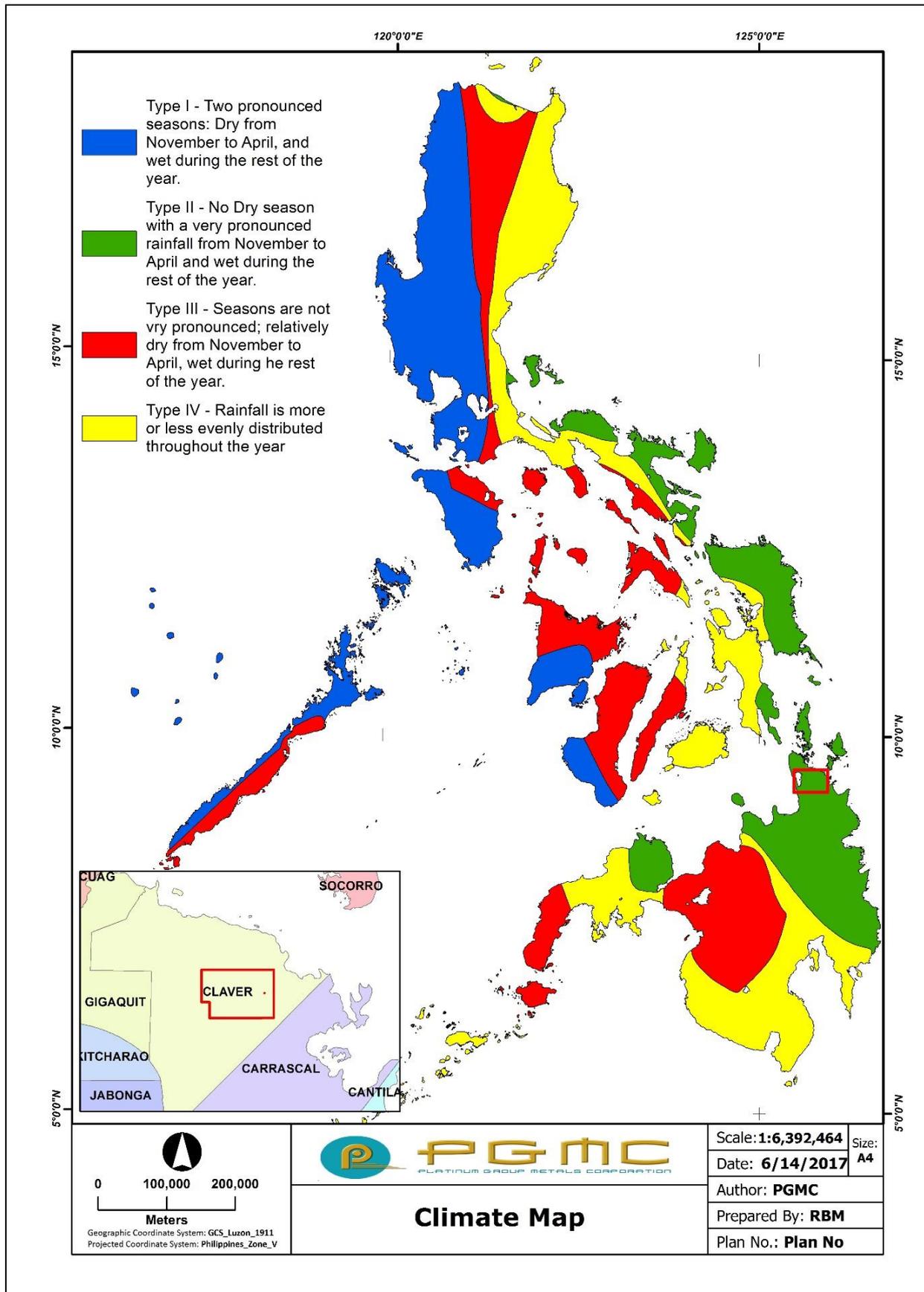


Figure-4. Philippine Climate Map (Modified from PAGASA)

3.2.3 Vegetation

The vegetal cover is a sub-marginal forest of dipterocarp type, open canopy. The forest condition is attributed to some factors identified as stressors in the EIA Study. In addition, the location and exposure of the area makes the trees vulnerable to cyclones.

3.3 Land Use and Infrastructure

Claver, where several nickel mine projects are located nearby, is a second-class municipality in the province of Surigao del Norte, Philippines. The area has a rural setting that is typical of the Philippine countryside. The other sources of livelihood apart from the mining and related jobs are fishing and agriculture where there is suitable land (far from the Project site). Tree cutting for firewood and other uses is the only means of subsistence in the absence of arable land.

The area is known with the mining industry and a large part of the Claver district is a mining reservation having large iron and nickel laterite deposits. Generally, local economy is self-sufficient and on a development stage with the upsurge of the mining industry.

Local infrastructure is able to support the mining industry, as:

- Transportation of products and goods is convenient with existing well-paved roads and available jetty;
- Both domestic and industrial water can be sourced from underground, surface (Hinadladan river and tributaries) and the sea;
- Electric power is supplied by two sources with transmission facility.
- There is sufficient labor resource in the area.

3.4 Socio Economic Environment

The Municipality of Claver, Surigao Del Norte with its 14 barangays reported a total population of 18,258 (~2000) and a total number of households of 3,248. The average household size was 5.03. Barangay Cagdianao had 1,162 residents by the end of 2007. Cagdianao is one of the barangays which are in the outlying area of Municipality Claver. For the same year, the Municipality of Carrascal, Surigao Del Sur had a total population of 13,157 and a total number of households of 2,756. The average household size in the municipality was 4.77.

In 2000, the NSCB reported that more than half of the people in Surigao Del Norte (50.8%) lived below the poverty level of P 10,987/person-year.

The residents of Barangay Cagdianao subsist on two major resources, namely, forest and coastal resources. Forest resources are used up mainly as fuel wood, timber, or lumber. Coastal resources include the fish, crustaceans, and woody plant found in the mangroves, beach, tidal flats, and reefs.

Based on the household surveys, a total of 137 households from the impact barangays are engaged in wood cutting. Thirty-seven (37) households are from Sitio Kinalablan, 32 from Barangay Cagdianao, 20 from Barangay Taganito, and 48 from Barangay Adlay. Given a selling price per piece of wood and assuming an annual household subsistence cost of P 33,500 for a household size of 5 and the sole

dependence of the 137 households on wood cutting, the annual land clearing rate from wood cutting may be estimated. The estimate is 160 has/year.

Based on the same household surveys, around 289 residents are fishermen. The majority, *i.e.*, 42% comes from Barangay Adlay; 28% from Barangay Cagdianao; 19% from Barangay Hayanggabon; 6% from Sitio Kinalablaban, and 5% from Purok Nos. 3A and 4A of Barangay Taganito.

A Participatory Coastal Resources Assessment (PCRA) involving the residents of the impact barangays identified a total of 141 marine fish and other species distributed among the mangroves, beach, tidal flat, seagrass beds, coral reefs, and deep waters of the barangays. Of the four barangays, Adlay has the biggest number of marine species and livelihood opportunities. The reported fishing gears included hook and line, fish pot, fish corral, multiple line, spear, crab pot, set gill net, harpoon, triple net, and drift gill net. There were also illegal methods declared such as dynamite, poison, and drag net.

The fisher folks of Adlay reported an average fish catch of 8 kg for three hours of fishing. The fisher folks of the other barangays cited a lower catch of 2 kg. All fisher folks stated that conditions were a lot better in 1985. The average fish catch then for three hours of fishing was from 47 to 50 kg. The low productivity was attributed to various factors, namely:

- Increasing population and number of fisher folks
- Cutting of mangroves
- Destructive fishing practices such as dynamite and cyanide
- Unsustainable fishing practices like use of fine mesh net
- Sedimentation of mangroves, flats and coral areas
- Intrusion by commercial fishers into the municipal waters.

Filariasis, considered the second leading cause of permanent disability among infectious diseases, is endemic in Barangay Taganito, Municipality of Claver, Surigao Del Norte and Barangay Adlay, Municipality of Carrascal, Surigao Del Sur. The disease is a parasitic infection transmitted by the same mosquito that spreads Malaria. They live in abaca and banana trees as well as pandan plants.

3.5 Environmental Features/Concerns (*Source: QNPH EIA Report*)

3.5.1 Oceanographic Characteristics of the Project Site

The bathymetry (depth distribution) and coastal geometry within the vicinity of the Project is available from the map produced by the National Mapping and Resources Information Authority (NAMRIA).

The Hinatuan Passage is the portion of the sea fronting the Surigao provinces, starting from Nonoc Island to the passage between Surigao and Bucas Grande Island. The bathymetry of the Passage indicates a flat and undulating area that gradually slopes northeastwardly to a depth of about 100 m. Numerous coral reefs abound near the coastline at less than 60 m water depth.

Hinadkaban Bay is a small embayment that faces Bucas Grande Island. Its bathymetry is relatively shallow compared with the adjacent areas. The average depth at the center is only 25 m. The floor deepens northeastwardly into the open sea. The

coastline of the bay is irregular. The beach is predominantly sandy and shallow mud deposits are observed at the mouth of the Hinadladan and Tandawa water bodies.

3.5.2 Heritage and Cultural Values

No archeological artifacts were discovered during any of PGMC's exploration and development works. Moreover, the upland areas which host the haul roads, mining areas, stockyards and dumpsites are also non-archaeological sites. There are no caves and relevant life support systems such as fertile soil, agricultural plantations that could promote human habitation.

During the Community Consultations conducted during the EIA preparation in 2004 the residents of Barangay Cagdianao confirmed that there are no historical sites in the vicinity of the project site.

3.5.3 Geological Hazards

The Project is located on the Eastern Seaboard of the Philippines, where several typhoons pass during the year. Landslide, flashfloods, storm surge are common natural calamities besieging coastal islands with mountainous slopes in the region. Landslides are geological phenomenon whereby massive debris materials which includes rocks, soil, organic matter, etc., rush down the slopes as a result of gravity, aided or unaided by water. Landslides can be induced by man or by natural causes. Man induced landslides can be triggered by road development where the slopes are steeply cut with no engineering support; land use conversion from forest land to agricultural lands or to urban use or mining/quarrying, where the original land cover has become unstable; drawdown of reservoirs; deforestation; irrigation; artificial vibration and extreme water leakage from utilities. Natural causes, on the other hand may be intense rainfall / prolonged exceptional precipitation (rain-induced) and earthquake / volcanic eruption (earthquake-induced landslides).

The Philippine Seismicity Map and Seismic Hazard Map are shown in **Figures-5 and 6**, respectively. PGMC mine design has taken into consideration all possible geological hazards associated with the Project.

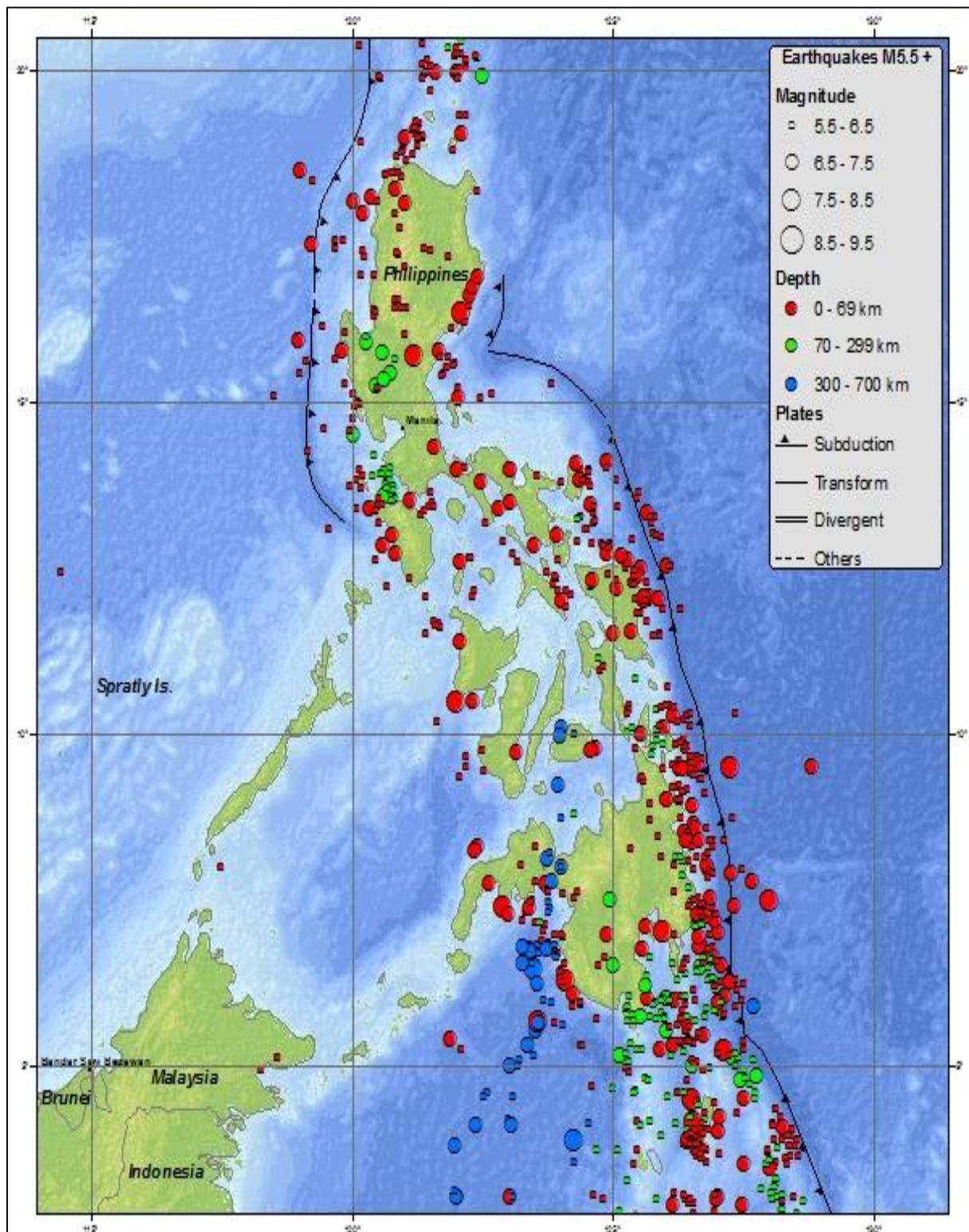


Figure-5. Philippine Seismicity Map (Source: *Phivolcs*)

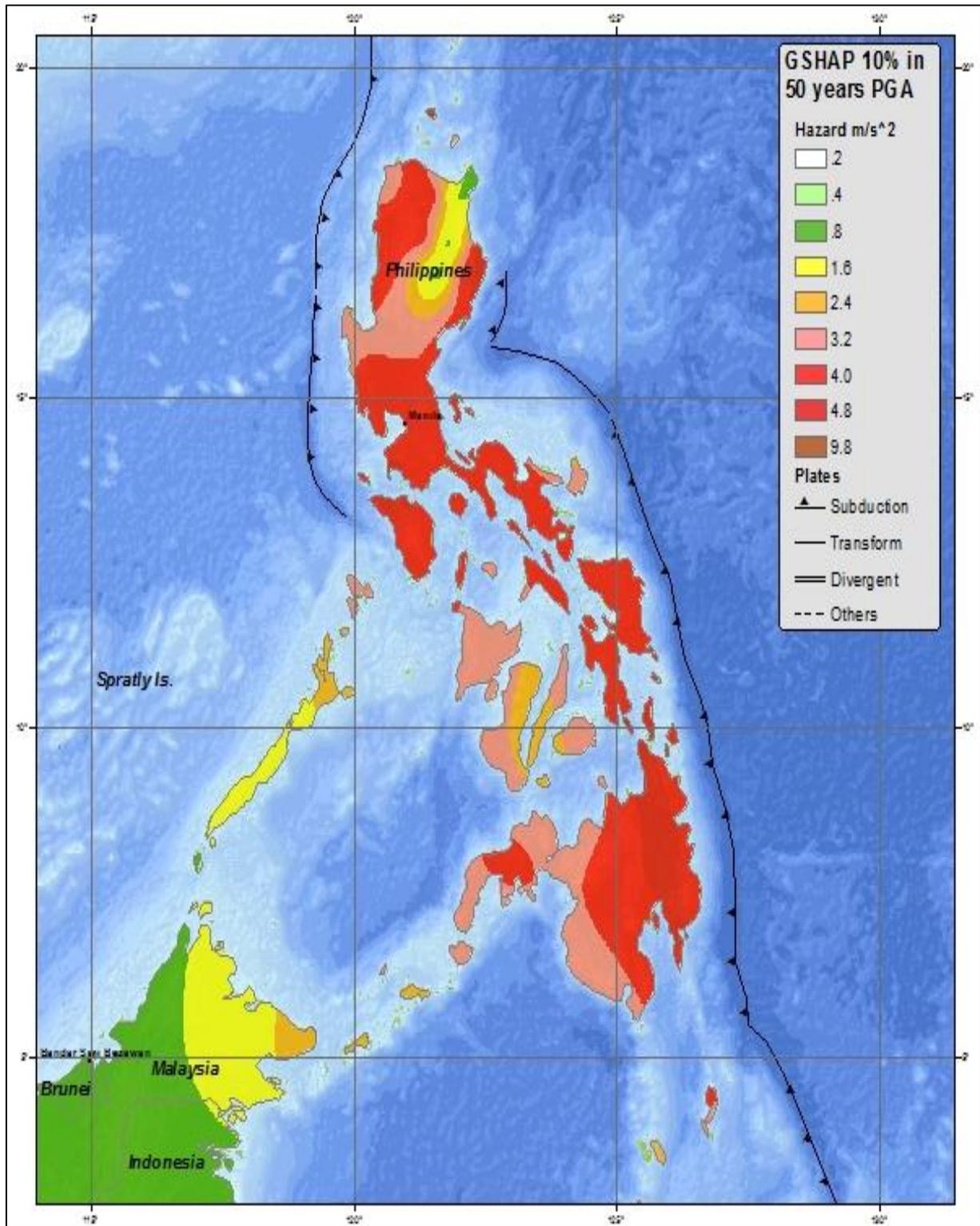


Figure-6. Philippine Seismic Hazard Map (Source: Phivolcs)

3.5.4 Biological and Ecological Environment

3.5.4.1 Terrestrial Flora and Fauna

The mine site is adjacent to the floodplain of the Hinadladan River. It is generally covered by grasses and bushes. Fruit trees are found planted along the national road.

Two floral species of special interest were found in the area. These are the Pitcher plant (*Nepenthes elata*) and Mangkono (*Xanthostemon verdugonianum*). Mangkono is listed for priority protection based on the IUCN's Red List of Threatened Species and CITES. The conservation status of Mangkono is "vulnerable".

There is a general paucity of terrestrial faunal species in terms of composition and numbers. The dearth of wildlife species is best illustrated among the birds by the absence of the coraciforms (hornbills), piciforms (woodpeckers) and psittaciforms (parrots). These avian forms have varied dietary preferences but they have a common trait of nesting and caring their young in nests fashioned in cavities of snags or standing dead trees. Also, they are known as top canopy dwellers. In the site, these ecological niches are non-existent.

Among the mammalian forms, the Philippine Brown Deer (*Cervus mariannus*) has been extirpated from the study site. Due to lack of food sources, the wild pig populations forage at established but less inhabited coconut plantations along the coastal villages.

The current stressors to wildlife include:

- Vicious cycle of burning and retrogressive regeneration of natural wildlife habitats
- Destructive cyclones
- Wood gathering and
- Hunting

3.5.4.2 Freshwater and Marine Biology

The freshwater biological assessment noted only a few species of plankton and benthic macro-invertebrates in the creeks and Rivers. They were found in small numbers and not in all stations investigated. This may be attributed to the intermittent nature of the streams, high flow velocity in the upper reaches, strong rainfall during the sampling, thin riparian vegetation, and lateritic soil which gets eroded into the water bodies.

The shoreline fronting the barge loader site has no fringing coral reefs. The reefs are located along the northern entrance of Hinadkaban Bay up to near the mouth of Hinadladan River and along the southern entrance of the Bay to about 900 m southward. These two reefs are called the Mayambago and the Liba-Liba Reefs, respectively. A single patch reef with fair coral cover also occurs about 400 m northeast of Tandawa Creek. The estimated area of the patch reef is about 700 sq m.

A manta tow reconnaissance determined the live hard coral within the Mayambago Reef at 31%. The live hard coral at Liba-Liba Reef was assessed at 33%. Reef degradation was attributed to several factors such as wave action, predators, exposure to extremely low tides, lowering of salinity due to heavy rains and floods,

sedimentation, destructive fishing techniques, and boat anchoring. The overall coral reef condition in the study area may be categorized as fair coral cover.

Reef fishes within Mayambago, Liba-Liba, and Hinadkaban Reefs were likewise assessed. As these reefs encountered heavy sedimentation due to rains which attended the survey, another observation site was established at Punta Naga which was not turbid. The latter is located at the northern part of Hinadkaban Bay close to Barangay Cagdianao.

Twenty (20) reef fish species belonging to seven families were recorded at the three reef sites. With a species richness (d) of 4.07 and general diversity (H') of 2.39, the highest reading was obtained at Mayambago. Liba-Liba and Hinadkaban Patch reefs had a d of 1.06 and 1.08, respectively. The corresponding H' was 1.26 and 1.31, respectively. The Punta Naga observation site assessment yielded higher d and H' values of 6.23 and 3.21, respectively. The low fish population in the three reef sites was attributed to heavy sedimentation.

Based on sampling conducted at eight sites within Hinadkaban Bay and one control station in Carrascal Bay fronting the Ca-ayongan River mouth, the following were determined:

- Plankton population was dominated by phytoplankton. This is typical of Philippine marine waters. The phytoplankton was composed of three major groups, namely, diatoms (the most dominant), green algae, and dinoflagellates.
- Soft-bottom benthic organisms consisted of foraminifers at 70%, polychaetes at 24%, crustaceans at 3%, and rhynchocoelans at 2%. The highest density of benthic organisms was obtained at a depth of 12 m in the muddy-sandy area near Mayambago Reef.

Seagrass beds were found in some protected beaches within the Hinadkaban Bay and vicinities. Large macrofauna, *e.g.*, sea cucumber, seashells, starfishes, and sea urchins, were observed in the seagrass beds just below the low tide level. No seagrass beds occur in the beach area fronting the proposed barge loader site.

A total of six seagrass species were noted. Seagrass cover was slightly higher at the Tandawa-Kinalablaban-Cagdianao site (57.34%) compared to the Mahaba-Dahican-Adlay site (55.14%) and Punta-Naga-Cagdianao site (35.80%). The higher density may be attributed to the substrate type.

4.0 PREVIOUS WORKS

Previous exploration/development activities in the area include **(Table-4)**.

Table-4: Summary of Previous Works

Summary of Previous Works		
Period	Company	Work Completed/Event
1912	Unknown Explorers	Iron rich laterites in Surigao area recognized
1914	Philippine Bureau of Mines	Surigao Iron Ore Reservation established
1914-1939	Philippine Bureau of Mines, Japanese companies	Area evaluated for iron ore potential
1939-1953	Unknown Explorers	Further work for iron ore in the area
1953	Unknown Explorers	Potential of the laterites as a source of nickel recognized
1982	Unknown Explorers	Original data from 1939-1953 destroyed in fire
1997-1999	BHP (Broken Hill Proprietary Limited)	282 pits excavated, 254 drill holes for CAGA-4
1999	BHP (Broken Hill Proprietary Limited)	Joint Venture agreement signed between Case Mining and Development and BHP. Initial resource by BHP
2000-2003	Queensland Nickel Philippines Inc. (QNPH)	Exploration work at CAGA-4
2004	Queensland Nickel Philippines Inc. (QNPH)	Feasibility Study completed for CAGA-4 deposit
2006	Platinum Group Metals Corporation (PGMC)	QNPH divestment of shares to PGMC
2007-2010	Platinum Group Metals Corporation (PGMC)	Exploration work at CAGA-2
2011-2012	Platinum Group Metals Corporation (PGMC)	Exploration work at CAGA-1, CAGA-3 and CAGA-5
2012-2013	GPRI and CP- Geologist	Prepared CP Technical Report on Resource Evaluation
2014	CP- Geologist	Prepared updated CP Technical Report on Resource Evaluation
2016	CP- Geologist	Prepared updated CP Technical Report on Resource Evaluation

Most notable exploration in the area was initiated by Broken Hill Proprietary Limited (“BHP”) of Australia at the Project in 1997 and excavated 282 test pits and drilled 254 holes at CAGA-4 from 1997-1999. Queensland Nickel Philippines Inc. (“QNPH”) a subsidiary of BHP-Billiton assumed management of the Project in 2000 and engaged in detailed exploration geared towards a feasibility study where additional holes at CAGA-4 were drilled in 2002. The QNPH exploration program details for CAGA-4 are shown in **Table-5**.

Table-5: BHP/QNPH CAGA-4 Exploration Program

Program Type	No. of TPs/DHs	Ave. Depth (m)	Total Meterage
CP, 200m×200m	110	6.4	705
CD, Koken Drilling	90	20.8	1,876
CT, Longyear Drilling	124	18.1	2,245
QNPH 2002 Drilling Program	455	18.8	8,572
Total	779	17.0	13,398

In 2007, Platinum Group Metals Corporation (“PGMC”) commenced exploration at the Project with drilling at the CAGA-2 deposit **(Table-6)** after divestment of QNPH shares to PGMC.

Table-6: PGMC CAGA-2 Exploration Program

No. of Drill Holes	785
Meterage	12,467
Average Hole Depth (m)	15
No. of Samples	12,655

4.1 Previous Resource Estimates

4.1.1 Estimates as of 18 October 2012

Additional exploration was undertaken in 2011- 2012 by PGMC thru GeoPacific Resources, Inc. (GPRI) at CAGA-1, CAGA-2, CAGA-3, CAGA-4 and CAGA-5 to upgrade resource inventory in support of planned increased annual production targets and upgrade of resource inventory. Details of the completed drilling program are shown in **Table-7**.

Table-7. DH Summary from 2011-2012 Exploration (Source: GPRI)

DH Summary	CAGA-1	CAGA-2	CAGA-3	CAGA-4	CAGA-5	Total
Total Drill Holes	284	1,389	219	779	218	2,889
Total Depth	3,542	22,764	3,328	13,394	2,546	45,574

Drilling results from the above exploration program were used for the 2012 resource estimations done by the "Author" (**Tables 8 and 9**) and Runge Pincock Minarco (**Table-10**) as presented below.

Table-8. Statement of Mineral Resources for Total Nickel as of 18 October 2012 Measured and Indicated)

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Co%	Dry Bulk Density
Combined	CAGA4 (as of 18 Oct 2012)	Measured	7,496,000	1.10	48.6	0.12	1.20
		Indicated	15,081,000	1.37	22.5	0.06	1.36
		Subtotal	22,577,000	1.28	31.2	0.08	1.3
	CAGA2 (as of 17 Oct 2012)	Measured	13,025,000	1.25	32.1	0.09	1.26
		Indicated	6,175,000	1.20	17.8	0.05	1.22
		Subtotal	19,200,000	1.23	27.5	0.08	1.2
	CAGA1 (unmined)	Measured	4,349,000	0.94	45.3	0.10	1.20
		Indicated	3,470,000	1.05	28.5	0.07	1.18
		Subtotal	7,819,000	0.99	37.9	0.09	1.2
	CAGA3 (unmined)	Measured	3,199,000	1.07	44.9	0.11	1.10
		Indicated	3,986,000	1.27	19.1	0.06	1.05
		Subtotal	7,185,000	1.18	30.6	0.08	1.1
	CAGA5 (unmined)	Measured	1,409,000	1.02	45.9	0.14	1.20
		Indicated	1,656,000	1.01	23.6	0.07	1.20
		Subtotal	3,065,000	1.01	33.9	0.10	1.2
	Total	Measured	29,478,000	1.13	40.3	0.10	1.2
		Indicated	30,368,000	1.27	21.9	0.06	1.3
		TOTAL	59,846,000	1.20	31.0	0.08	1.2

Table-9. Statement of Mineral Resources (+Inferred) for Total Nickel as of 18 October 2012

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Co%	Dry Bulk Density
Combined	CAGA4 (as of 18 Oct 2012)	Measured	7,496,000	1.10	48.6	0.12	1.20
		Indicated	15,081,000	1.37	22.5	0.06	1.36
		Inferred	6,786,000	1.32	17.6	0.05	1.39
		Subtotal	29,363,000	1.29	28.0	0.07	1.3
	CAGA2 (as of 17 Oct 2012)	Measured	13,025,000	1.25	32.1	0.09	1.26
		Indicated	6,175,000	1.20	17.8	0.05	1.22
		Inferred	1,091,000	1.14	12.9	0.03	1.20
		Subtotal	20,291,000	1.23	26.7	0.07	1.2
	CAGA1 (unmined)	Measured	4,349,000	0.94	45.3	0.10	1.20
		Indicated	3,470,000	1.05	28.5	0.07	1.18
		Inferred	740,000	1.12	17.1	0.05	1.11
		Subtotal	8,559,000	1.00	36.1	0.09	1.2
	CAGA3 (unmined)	Measured	3,199,000	1.07	44.9	0.11	1.10
		Indicated	3,986,000	1.27	19.1	0.06	1.05
		Inferred	992,000	1.23	13.9	0.05	1.06
		Subtotal	8,177,000	1.19	28.6	0.08	1.1
	CAGA5 (unmined)	Measured	1,409,000	1.02	45.9	0.14	1.20
		Indicated	1,656,000	1.01	23.6	0.07	1.20
		Inferred	2,230,000	1.00	30.6	0.12	1.20
		Subtotal	5,295,000	1.01	32.5	0.11	1.2
	Total	Measured	29,478,000	1.13	40.3	0.10	1.2
Indicated		30,368,000	1.27	21.9	0.06	1.3	
Inferred		11,839,000	1.22	19.3	0.06	1.3	
TOTAL		71,685,000	1.21	29.0	0.08	1.2	

Table-10. Cagdianao Nickel Project: Statement of Mineral Resources as at 31st AUG. 2012
 (Source: RUNGE)

High Fe Product								
Material Type	Deposit	JORC Classification	Quantity (Tonnes)	Ni %	Fe %	Co %	Dry Bulk Density	
Ni >= 0.7%, Fe >= 48%	CAGA 4	Indicated	6,368,000	1.08	50.4	0.1	1.2	
		Inferred	4,343,000	0.88	51.2	0.1	1.4	
		Subtotal	10,711,000	1	50.7	0.1	1.3	
	CAGA 2	Indicated	3,930,000	1.04	49.5	-	1.3	
		Inferred	233,000	0.98	49.7	-	1.3	
		Subtotal	4,163,000	1.04	49.5	-	1.3	
	CAGA 1	Indicated	1,284,000	0.88	49.3	-	1.2	
		Inferred	206,000	0.76	48.6	-	1.3	
		Subtotal	1,490,000	0.86	49.2	-	1.2	
	CAGA 3	Indicated	847,000	0.95	49.1	-	1.1	
		Inferred	25,000	0.9	48.7	-	1.4	
		Subtotal	872,000	0.95	49	-	1.1	
	CAGA 5	Indicated	794,000	0.83	49.1	-	1.3	
		Inferred	673,000	0.84	49	-	1.3	
		Subtotal	1,467,000	0.83	49	-	1.3	
TOTAL			18,703,000	0.98	50.1	0.1	1.3	
Medium-grade Ni Product								
Material Type	Deposit	JORC Classification	Quantity (Tonnes)	Ni %	Fe %	Co %	Dry Bulk Density	
Ni >= 0.8%, Ni < 1.5%, Fe < 48%	CAGA 4	Indicated	9,446,000	1.26	23	0.1	1.5	
		Inferred	5,659,000	1.17	25.5	0.1	1.4	
		Subtotal	15,106,000	1.22	24.1	0.1	1.4	
	CAGA 2	Indicated	15,381,000	1.15	22.7	-	1.3	
		Inferred	720,000	1.04	22.6	-	1.3	
		Subtotal	16,102,000	1.15	22.7	-	1.3	
	CAGA 1	Indicated	5,228,000	1.03	35.2	-	1.1	
		Inferred	367,000	0.97	38.6	-	1.1	
		Subtotal	5,596,000	1.02	35.4	-	1.1	
	CAGA 3	Indicated	6,546,000	1.15	27.7	-	1.1	
		Inferred	201,000	1.18	26	-	1.1	
		Subtotal	6,747,000	1.15	27.7	-	1.1	
	CAGA 5	Indicated	2,599,000	1.02	33.5	-	1.1	
		Inferred	2,074,000	1.02	34.6	-	1.1	
		Subtotal	4,673,000	1.02	34	-	1.1	
TOTAL			48,224,000	1.14	26.4	0.1	1.3	
High-grade Ni Product								
Material Type	Deposit	JORC Classification	Quantity (Tonnes)	Ni %	Fe %	Co %	Dry Bulk Density	
Ni >= 1.5%, Fe < 48%	CAGA 4	Indicated	6,276,000	1.7	15.6	0.1	1.4	
		Inferred	995,000	1.71	13.5	0	1.4	
		Subtotal	7,270,000	1.7	15.3	0	1.4	
	CAGA 2	Indicated	2,561,000	1.7	15	-	1.2	
		Inferred	8,000	1.54	13.4	-	1.3	
		Subtotal	2,569,000	1.7	15	-	1.2	
	CAGA 1	Indicated	164,000	1.63	18.3	-	1.2	
		Subtotal	164,000	1.63	18.4	-	1.2	
	CAGA 3	Indicated	724,000	1.64	17.3	-	1.1	
		Inferred	16,000	1.56	11.1	-	0.9	
		Subtotal	740,000	1.64	17.2	-	1.1	
	CAGA 5	Inferred	8,000	1.52	26.1	-	1.2	
		Subtotal	8,000	1.52	26	-	1.2	
	TOTAL			10,751,000	1.69	15.4	0	1.4

The Runge Consultants released Statement of Mineral Resources as at 31st August 2012 contained in their final report to PGMC dated February 2013 used identical data with the 2012 PMRC resource estimates presented in the 06 September 2013 CP Technical Report.

The Runge mineral resource total is 77,678,000 tonnes while the mineral resource total in the PMRC Technical Report by the "Author" including inferred resources is 71,685,000 tonnes. The ~8% over-estimation of Runge was due to the following:

- Average density values used by Runge are slightly higher,
- Interpolation of three-passes by Runge as against two-passes in the PMRC Technical Report, and
- Pit advance as at 31st Aug. 2012 for Runge as against 18 Oct. 2012 in the PMRC Technical Report.

All things being equal, then the two resource estimates are correlatable.

4.1.2 Estimates as of 31 May 2014

An update of the PGMC Mineral Resource was prepared by the “Author” and estimates are shown in **Tables- 11 and 12**.

Table-11. Statement of Mineral Resources for Total Nickel 31 May 2014 (Measured and Indicated) - PMRC

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Co%	Dry Bulk Density
Combined	CAGA4 (as of 31 May 2014)	Measured	5,898,000	1.12	48.3	0.13	1.20
		Indicated	14,018,000	1.38	22.6	0.06	1.36
		Subtotal	19,916,000	1.30	30.2	0.08	1.3
	CAGA2 (as of 31 May 2014)	Measured	10,975,000	1.26	29.1	0.08	1.25
		Indicated	6,053,000	1.20	16.1	0.05	1.22
		Subtotal	17,028,000	1.24	24.5	0.07	1.2
	CAGA1 (unmined)	Measured	4,349,000	0.94	45.3	0.10	1.20
		Indicated	3,470,000	1.05	28.5	0.07	1.18
		Subtotal	7,819,000	0.99	37.9	0.09	1.2
	CAGA3 (unmined)	Measured	3,199,000	1.07	44.9	0.11	1.10
		Indicated	3,986,000	1.27	19.1	0.06	1.05
		Subtotal	7,185,000	1.18	30.6	0.08	1.1
	CAGA5 (unmined)	Measured	1,409,000	1.02	45.9	0.14	1.20
		Indicated	1,656,000	1.01	23.6	0.07	1.20
		Subtotal	3,065,000	1.01	33.9	0.10	1.2
	Total	Measured	25,830,000	1.14	39.1	0.10	1.2
		Indicated	29,183,000	1.27	21.6	0.06	1.3
		TOTAL	55,013,000	1.21	29.8	0.08	1.2

Notes:

1. The Statement of PMRC Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Codes.
2. All Mineral Resources figures reported in the table above represent estimates at 31st May 2014. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
3. Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition).

Table-12. Statement of Mineral Resources (+Inferred) for Total Nickel as of 31 May 2014 PMRC

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Co%	Dry Bulk Density
Combined	CAGA4 (as of 31 May 2014)	Measured	5,898,000	1.12	48.3	0.13	1.20
		Indicated	14,018,000	1.38	22.6	0.06	1.36
		Inferred	6,786,000	1.32	17.6	0.05	1.38
		Subtotal	26,702,000	1.31	27.0	0.07	1.3
	CAGA2 (as of 31 May 2014)	Measured	10,975,000	1.26	29.1	0.08	1.25
		Indicated	6,053,000	1.20	16.1	0.05	1.22
		Inferred	1,091,000	1.14	12.9	0.03	1.20
		Subtotal	18,119,000	1.23	23.8	0.07	1.2
	CAGA1 (unmined)	Measured	4,349,000	0.94	45.3	0.10	1.20
		Indicated	3,470,000	1.05	28.5	0.07	1.18
		Inferred	740,000	1.12	17.1	0.05	1.11
		Subtotal	8,559,000	1.00	36.1	0.09	1.2
	CAGA3 (unmined)	Measured	3,199,000	1.07	44.9	0.11	1.10
		Indicated	3,986,000	1.27	19.1	0.06	1.05
		Inferred	992,000	1.23	13.9	0.05	1.06
		Subtotal	8,177,000	1.19	28.6	0.08	1.1
	CAGA5 (unmined)	Measured	1,409,000	1.02	45.9	0.14	1.20
		Indicated	1,656,000	1.01	23.6	0.07	1.20
		Inferred	2,230,000	1.00	30.6	0.12	1.20
		Subtotal	5,295,000	1.01	32.5	0.11	1.2
Total	Measured	25,830,000	1.14	39.1	0.10	1.2	
	Indicated	29,183,000	1.27	21.6	0.06	1.3	
	Inferred	11,839,000	1.22	19.3	0.06	1.3	
	TOTAL	66,852,000	1.21	27.9	0.08	1.2	

4.1.3 Estimates as of 30 June 2016

An update of the PGMC Mineral Resource was prepared by the “Author” and estimates are shown in **Tables- 13 and 14**.

Table-13. Statement of Mineral Resources for Total Nickel as of 30 June 2016 (Measured and Indicated) - PMRC

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Co%	Dry Bulk Density
Combined	CAGA4 (as of 30 June 2016)	Measured	10,456,000	1.1	43.8	0.1	1.0
		Indicated	8,042,000	1.3	21.9	0.1	1.1
		Subtotal	18,498,000	1.2	34.3	0.1	1.1
	CAGA2 (as of 30 June 2016)	Measured	8,354,000	1.2	26.9	0.1	1.3
		Indicated	5,393,000	1.1	22.3	0.1	1.3
		Subtotal	13,747,000	1.2	25.1	0.1	1.3
	CAGA1 (unmined)*	Measured	4,349,000	0.9	45.3	0.1	1.2
		Indicated	3,470,000	1	28.5	0.1	1.2
		Subtotal	7,819,000	1	37.9	0.1	1.2
	CAGA3 (unmined)*	Measured	3,199,000	1.1	44.9	0.1	1.1
		Indicated	3,986,000	1.3	19.2	0.1	1.1
		Subtotal	7,185,000	1.2	30.6	0.1	1.1
	CAGA5 (unmined)*	Measured	1,409,000	1	46	0.1	1.2
		Indicated	1,656,000	1	23.5	0.1	1.2
		Subtotal	3,065,000	1	33.8	0.1	1.2
	Total	Measured	27,767,000	1.1	39.2	0.1	1.2
		Indicated	22,547,000	1.2	22.6	0.1	1.2
		Total	50,314,000	1.1	31.8	0.1	1.2

**Table-14. Statement of Mineral Resources (+Inferred) for Total Nickel as of 30 June 2016
PMRC**

Material Type	Deposit	JORC Classification	Quantity (Tonnes)	Ni %	Fe%	Co%	Dry Bulk Density
Combined	CAGA4 (as of 30 June 2016)	Measured	10,456,000	1.1	43.8	0.1	1.0
		Indicated	8,042,000	1.3	21.9	0.1	1.1
		Inferred	12,042,000	1.3	16.2	0.1	1.1
		Subtotal	30,540,000	1.2	27.2	0.1	1.1
	CAGA2 (as of 30 June 2016)	Measured	8,354,000	1.2	26.9	0.1	1.3
		Indicated	5,393,000	1.1	22.3	0.1	1.3
		Inferred	2,077,000	1.1	20	0.1	1.3
		Subtotal	15,824,000	1.2	24.4	0.1	1.3
	CAGA1 (unmined)*	Measured	4,349,000	0.9	45.3	0.1	1.2
		Indicated	3,470,000	1	28.5	0.1	1.2
		Inferred	740,000	1.1	17.2	0.1	1.1
		Subtotal	8,559,000	1	36.1	0.1	1.2
	CAGA3 (unmined)*	Measured	3,199,000	1.1	44.9	0.1	1.1
		Indicated	3,986,000	1.3	19.2	0.1	1.1
		Inferred	992,000	1.2	13.9	0.1	1.1
		Subtotal	8,177,000	1.2	28.6	0.1	1.1
	CAGA5 (unmined)*	Measured	1,409,000	1	46	0.1	1.2
		Indicated	1,656,000	1	23.5	0.1	1.2
		Inferred	2,230,000	1	30.6	0.1	1.2
		Subtotal	5,295,000	1	32.5	0.1	1.2
Total	Measured	27,767,000	1.1	39.2	0.1	1.2	
	Indicated	22,547,000	1.2	22.6	0.1	1.2	
	Inferred	18,081,000	1.2	18.3	0.1	1.2	
	Total	68,395,000	1.2	28.2	0.1	1.2	

5.0 HISTORY OF PRODUCTION

5.1 Mining/Production History

The Company commenced development of the CAGA-4 deposit on January 2007 with an Environmental Compliance Certificate (EEC) authorized annual production capacity of 1.4 million tons shared with CTP Construction and Development Corporation (CTPCMC), another company operating its Adlay Nickel Project under the SIRC Joint Venture. In 2010, the Company purchased CTPCMC's share in SIRC which then became 100% owned by the Company. The EEC was then amended to allow an authorized annual production capacity of 5 million dry metric tons from the entire tenement area.

Currently, there are four (4) mining areas in CAGA-4, namely: Area-1, Area-2, Area-3 and Area-6. Over at the CAGA-2, there are two (2) mining areas: Upper and Lower Areas. There are at least six (6) ore types (**Table-15**) mined according to a combination of the nickel- iron grades and these include:

- Low Grade Nickel- High Iron Ore (LGHF)
- Low Grade Nickel-Medium Iron Ore (LGMF)
- Low Grade Nickel- Low Grade Iron Ore (LGLF)
- Medium Grade Nickel- Medium Iron Ore (MGMF)
- Medium Grade Nickel- Low Iron Ore (MGLF)
- High Grade Nickel Ore (HG)

Table-15. Ore Types Grade Specifications

Ore Type	Grade Specifications
Low Grade Nickel- High Iron Ore (LGHF)	<1.20% Ni and >=48% Fe
Low Grade Nickel-Medium Iron Ore (LGMF)	>=1.20% Ni to <1.40% Ni and >=40% Fe
Low Grade Nickel- Low Grade Iron Ore (LGLF)	>=1.20% Ni to <1.40% Ni and <40% Fe
Medium Grade Nickel- Medium Iron Ore (MGMF)	>=1.40% Ni to <1.70% Ni and >=30% Fe
Medium Grade Nickel- Low Iron Ore (MGLF)	>=1.40% Ni to <1.70% Ni and <30% Fe
High Grade Nickel Ore (HG)	>=1.70% Ni and regardless % Fe
Waste- Limonite (WL)	>=1.0% Ni to <1.20%Ni and >=30% to <47% Fe
Waste- Saprolite (WS)	<1.0% Ni to <1.20%Ni and <30% Fe
Waste (W)	<1.0% Ni, <30% Fe and all lithology "B"

The production/shipment data for each ore type for the past five years are shown in **Table-16**.

Table-16. Five Year Production/Shipment Data

Five (5) Year Production/Shipment Data						
Ore Type	2012	2013	2014	2015	2016	June 2017
LG	4,862,398	4,391,657	3,825,112	607,660	2,451,029	1,161,220
MGLF	431,320	109,572	1,299,869	4,095,466	1,802,092	698,919
MGHF	420,900		1081468	272,474		
HG	214,017		96543	376,223	55,500	
SHG						
TOTAL	5,928,635	4,501,229	6,302,992	5,351,823	4,308,621	1,860,139

5.2 Mining System Description

Nickel laterite mining operations involve relatively simple phases that include the following:

- Land clearing
- Overburden removal and storage for rehabilitation use
- Ore mining
- Stockpiling, sun drying and screening/blending
- Transport, barge and ship loading
- Waste dumping
- Rehabilitation

Mining is carried out for 120 days (four months) of the year and ore is currently hauled around 3 km to 5 km from the CAGA-2 deposit and the CAGA-4 deposit to the stockyard. At the stockyard, the ore is dried and screened for large boulders before being transferred to the barge loading facilities at the port then eventually loaded onto the Supramax vessels for transport to the buyers.

Mine rehabilitation is progressively carried out during the mining operation cycle. For the CAGA-4 deposit, mining is carried out by an external contracting company under the supervision and management of the Company, while for the CAGA-2 deposit; mining is carried out by the Company in-house in an owner/operator arrangement

Pictures of the Project's general mining operations are shown in **Figure-7** and **Figure-8**.



Figure-7: Typical Ore Mining Operations at Mine Pit (Source: Runge Pincock Minarco)



Figure-8: Excavator - Articulated Dump Truck Loading Operations
(Source: Runge Pincock Minarco)

6.0 REGIONAL GEOLOGY

6.1 Regional Geologic Setting

The Project is located within the Surigao Laterite Domain in the northeastern region of Mindanao Island, southern Philippines.

The Nickel Cobalt (Ni-Co) Laterites in the Surigao Domain were derived from the weathering of Cretaceous ultramafic rocks from the Samar-Surigao segment of the Bicol-Eastern Mindanao Ophiolite Belt that lies along the eastern flank of the Philippines. This belt is one of nine such belts that form the main structural domains of the Philippines archipelago.

The ophiolite belts, comprising sections of oceanic crust, have been thrust or uplifted onto or next to calc-alkaline rocks of island arc association and form prominent ridges. They consist of sequences of ultramafic rocks, predominantly peridotites (mostly dunite and harzburgite), pyroxenites and gabbros.

The peridotites have been serpentinized and locally metamorphosed to greenschist facies. Uplift and a wet tropical weathering environment have resulted in the development of surficial residual Ni-Co laterite deposits. Where pyroxenite and gabbros have undergone such weathering, the laterites have relatively lower Ni and Co content.

The Project lies within Caraga Region XIII which comprises the northern-most portion of the Eastern Mindanao Ridge (also known as the Mindanao Pacific Cordillera), an orogenic belt bounded by the Philippine Trench and the Philippine Fault Zone. The geological evolution of the Mindanao Pacific Cordillera was controlled by complex tectonics active during Upper Cretaceous to Pleistocene times. These tectonic events juxtaposed older metamorphic basement rocks with ophiolite suite rocks which were

later superposed by younger multiple-stage island arc volcano-sedimentary sequences. The geomorphology of the region is largely controlled by these tectonic processes.

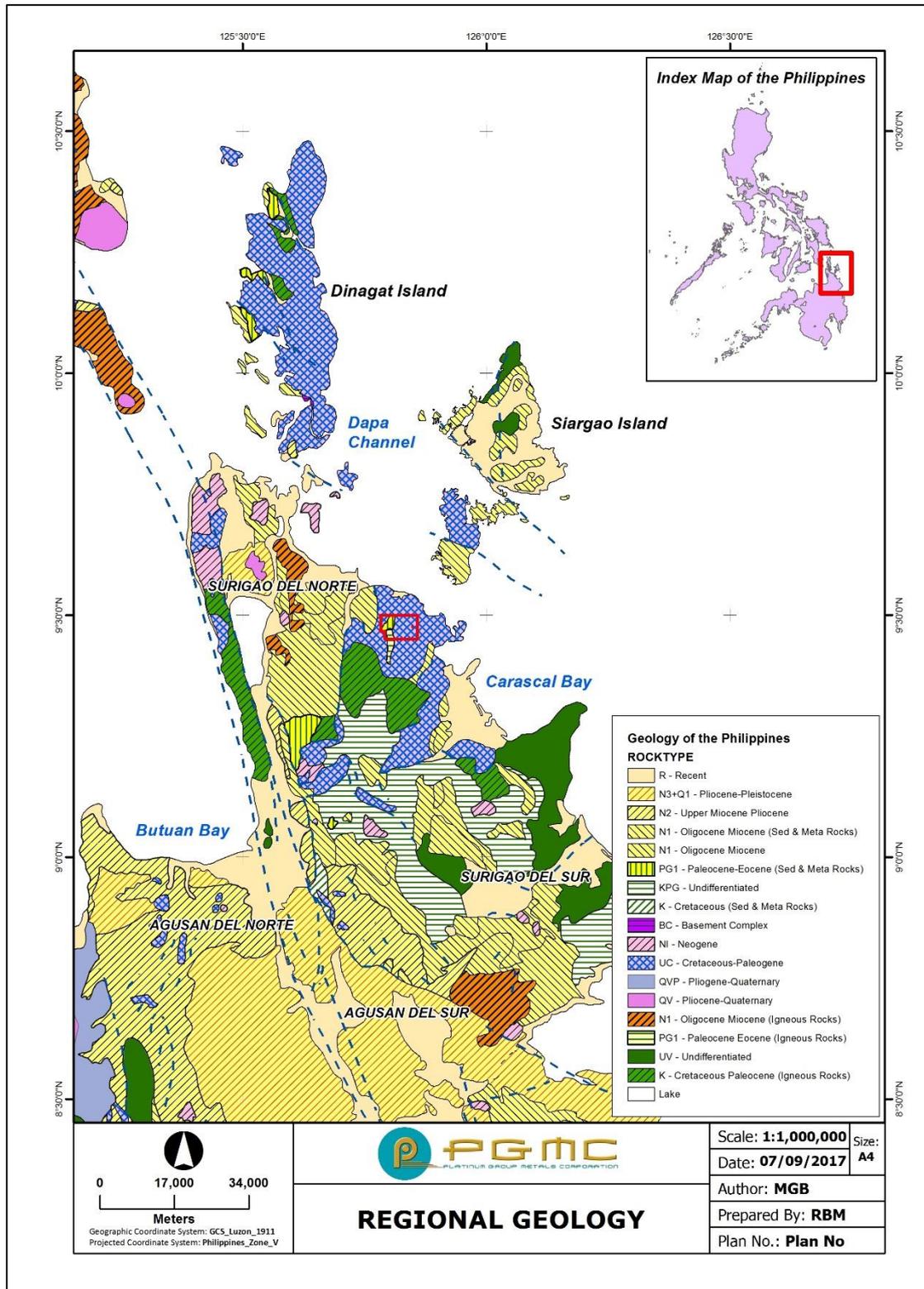


Figure-9. Regional Geological Map (Source: MGB)

6.2 Structural Geology

The major structures trend northeast - southwest in the deposit area and are controlled by the left-lateral strike-slip Philippine Fault. Faults and folds are well developed in the area however there is no indication that the faults and/or folds significantly affected the mineralization.

6.3 Nickel Laterite Deposits- Weathering/Mineralization (*Source: W. Ahmad- VITSL*)

6.3.1 General

Laterites are essentially residual soils that are rich in ferro-magnesian minerals, formed under the influence of chemical weathering with special ground-water conditions. Residual soils that are rich in hydrated aluminum oxides are termed "bauxite". Mafic rocks, that have more Fe than Al, lead to the formation of Ni laterites while granitic, syenitic and argillaceous rocks that have more Al than Fe, lead to the formation of bauxites.

The original rock composition does play an important role in providing the necessary sesquioxide (*oxide containing three atoms of oxygen and two of another element*), but the prevailing climatic conditions and geologic history of the soil development ultimately control the final composition of the residuum.

The weathering of mafic and argillaceous rocks may simply lead to the formation of clays under cold climatic conditions while advanced chemical weathering under hot and humid conditions may lead to the development of laterite or bauxite from parent rocks where Fe or Al may be relatively poor.

6.3.2 Requirements for the Development of Ni- Laterites

The development of laterites requires:

- Availability of rocks that contain iron
- Relatively high temperature (to aid in chemical attack)
- Slightly acidic waters (to aid in chemical attack)
- High rainfall (to aid chemical weathering & remove mobile elements)
- Strongly oxidising environment (to convert Fe, Al to sesquioxides)
- Supergene enrichments (to yield nickel concentrations)
- Gentle topography (to preserve the laterite soil after development)
- Sufficient time duration (to allow reasonable thickness to accumulate)

Brief description of the relevant factors for development of Ni- laterites are discussed below.

Availability of Appropriate Rocks

For the development of Ni laterites, rocks must contain appreciable amounts of ferromagnesian minerals. Thus, mafic and ultramafic rocks are most suitable for this purpose. Ultramafic rocks have a significantly higher proportion of ferromagnesian minerals and are ideally suited for the development of nickel-iron laterites. Within the ultramafic clan, rocks that are relatively high in nickel content (such as dunites and high-olivine peridotites) are more likely to yield higher concentrations of nickel than say pyroxenites and hornblendites.

Relatively High Temperatures

Temperature plays a very important role in accelerating the process of chemical weathering. Thus, tropical climates where temperatures are generally higher than 20°C are ideally suited for the development of laterites. Most laterite deposits in the world occur either in present-day warm tropical environments or where presence of warm temperatures can be deduced during their time of formation.

Slightly Acidic Waters

Solubility of minerals increases in waters that have pH levels less than normal. Thus, waters that are slightly acidic hasten the process of chemical attack very significantly. Such acidic waters are provided in wet tropical climate through natural acid rain and the availability of humic acid produced by decaying vegetation on the forest floor.

High Rainfall

Lateritic soils are product of wet-hot climate and do not develop without significant levels of rainfall. Rainfall is required to initiate the process of chemical attack and weathering and also to rapidly remove dissolved solids in the ground water. The actual level of rainfall may vary and will result in somewhat different types of lateritic soils. Poor flushing of soils in wet-dry climate will result in the retention of much of magnesia and silica in the form of smectite/nontronite clays while the constant flushing of magnesia and silica in humid climate will prevent the formation of clays.

Strongly Oxidising Environment

Exposure of decomposing ultramafics to oxygen (above the water table) allows the oxidation of divalent iron and divalent manganese to trivalent iron and trivalent and tetravalent manganese that are highly insoluble and prone to residual concentrations.

Supergene Enrichments

Nickel and to some extent cobalt, yield supergene enrichments due to their specific geochemical characteristics. Nickel generally tends to enrich in the middle of the saprolitic layer while cobalt tends to enrich at the lower part of the limonite layer (or at the top of the saprolite layer). The levels of such supergene enrichment may vary considerably from place to place.

Gentle Topography

Topography and topographic relief exert a powerful influence on the rate of weathering and accumulation of residuum. For the preservation of recently formed laterite it is important that the topography must not be very steep. Very steep land surfaces will lead to constant erosion of lateritic soil. Extremely flat topography, particularly with poor drainage, does not favors the development of laterite soil due to poor flushing of the system.

At the same time, the process of laterization leads to the development of some unusual landscapes. **Figure-10 and Figure-11** show the characteristics of laterite topographies and resulting different laterite landforms.

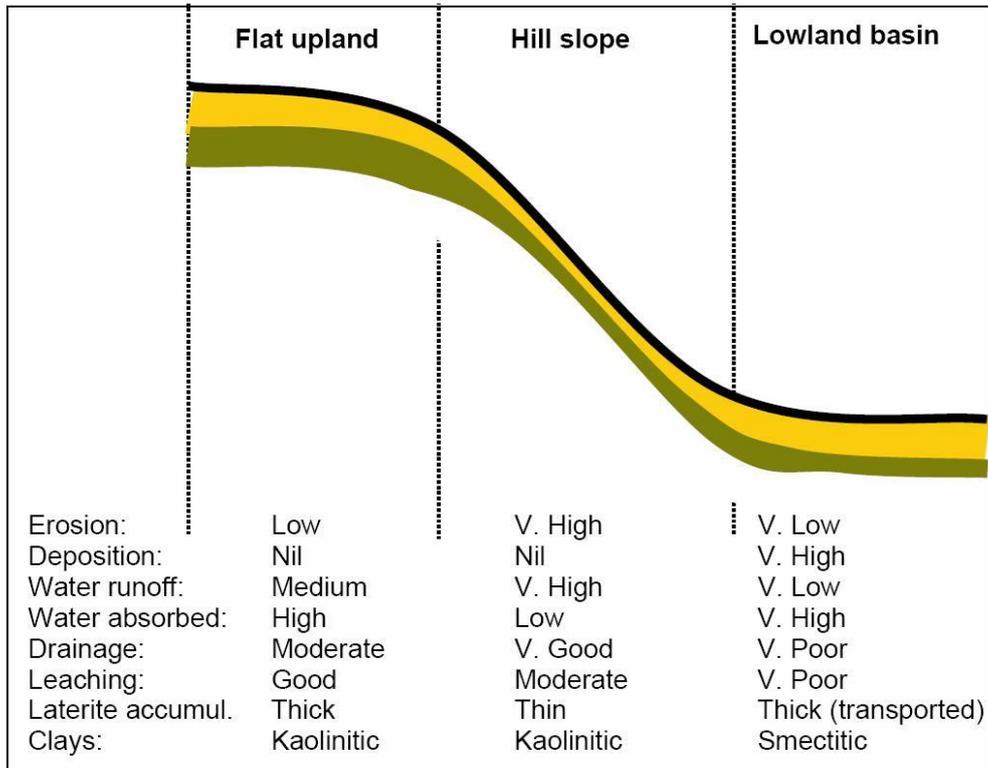


Figure-10. Composite Diagram and Characteristics of Laterite Topographies

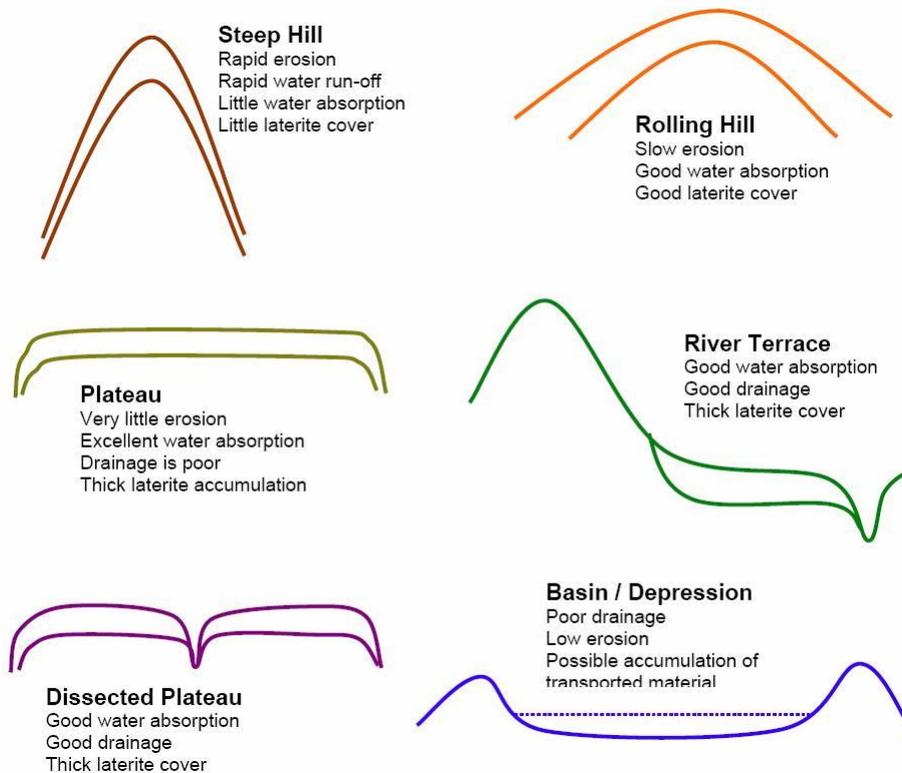


Figure-11. Simplified Schematics of Different Laterite Landforms.

Adequate Time Available

The laterization process requires adequate duration time to operate in order to produce in mature laterite development of significant thicknesses and grade. It is estimated that duration of only a few million years could result in exploitable thicknesses of nickel-iron laterites.

6.3.3 Nickel Laterite Profile

Chemical weathering of ultramafic rocks is accompanied by fractionation of the elements into water-soluble and water-insoluble types. Water-soluble elements are eventually leached out of the weathering system while water-insoluble elements are left behind as residual enrichment. The processes of chemical weathering eventually result in the formation of a stratified laterite profile with youngest laterite at the bottom and oldest laterite at the top. Much of the stratification in a laterite weathering profile is imparted by the presence of water, both due to its downward movement as well as through the fluctuation of its level in the ground (water table).

In the case of residual soils, chemical weathering takes place at the bottom of the regolith. The regolith-protolith boundary marks the weathering front which may be very irregular in shape depending upon the local topography and the shape of the water table. All material above this weathering front is the residual soil (may be affected by some deposition of transported material) and all material below this front represents unweathered bedrock. As chemical weathering continues, the weathering front moves further downward toward the bedrock.

The **Figure-12** below illustrates the relationships among topography, weathering front and water table:

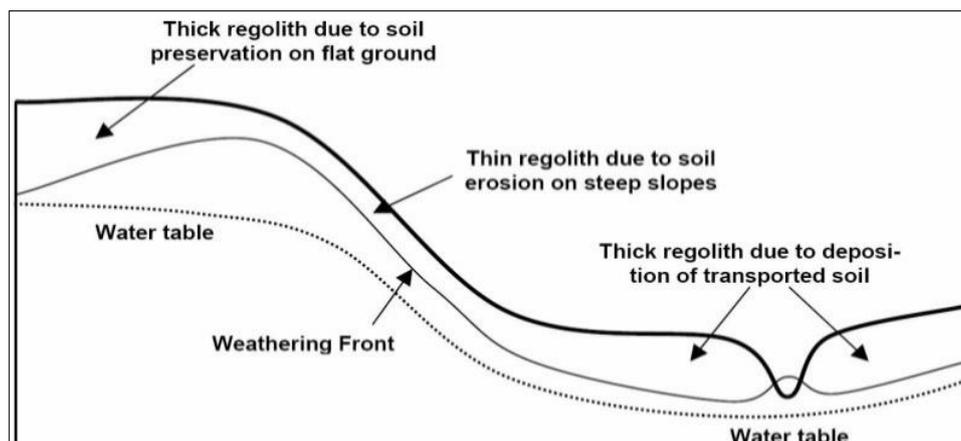


Figure-12. Relationships of Topography, Weathering Front and Water Table

The process of weathering consists of progressive dissolution of magnesia and silica while iron remains in-situ. The final step of evolution is iron hydroxide. In some places, as a result of special (thermodynamic) environment, silica and magnesia can precipitate.

The weathering (**Figure-13**) normally progresses on the joints and fractures which cut the peridotites/harzburgites up into more or less large and regular boulders of fresh rock.

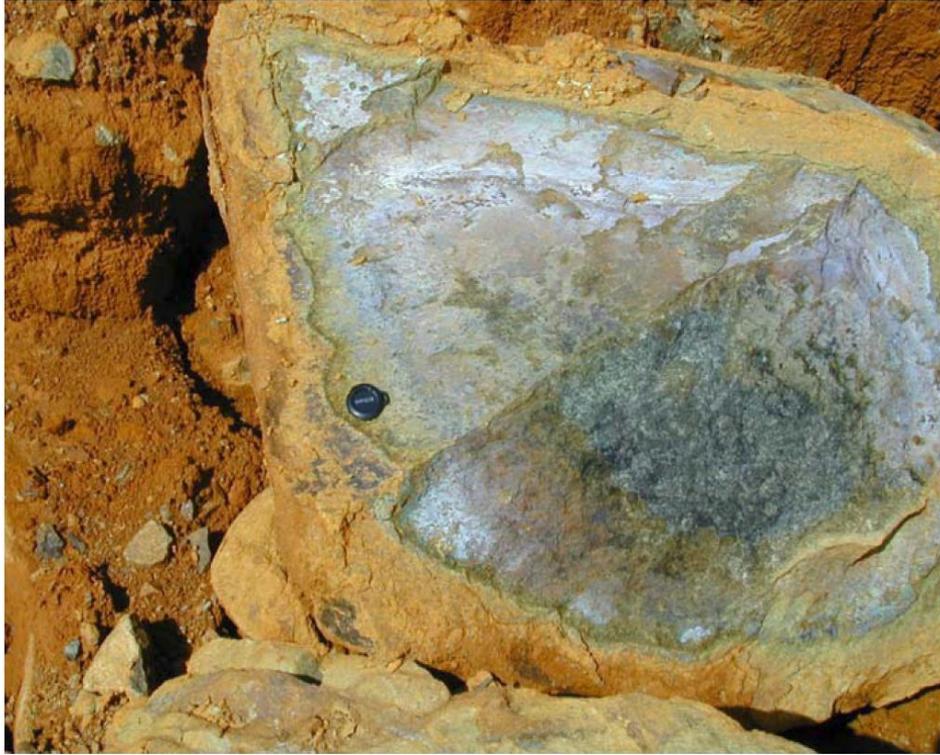


Figure-13. Weathering Development on a Hz Boulder

During alteration, boulders are blunted and surrounded by the weathered product, which replaces the rock progressively until complete weathering. We then obtain the soft saprolites/earthy materials and later, after full elimination of silica/magnesia, the limonite formation and complete laterite profile (**Figure-14**).

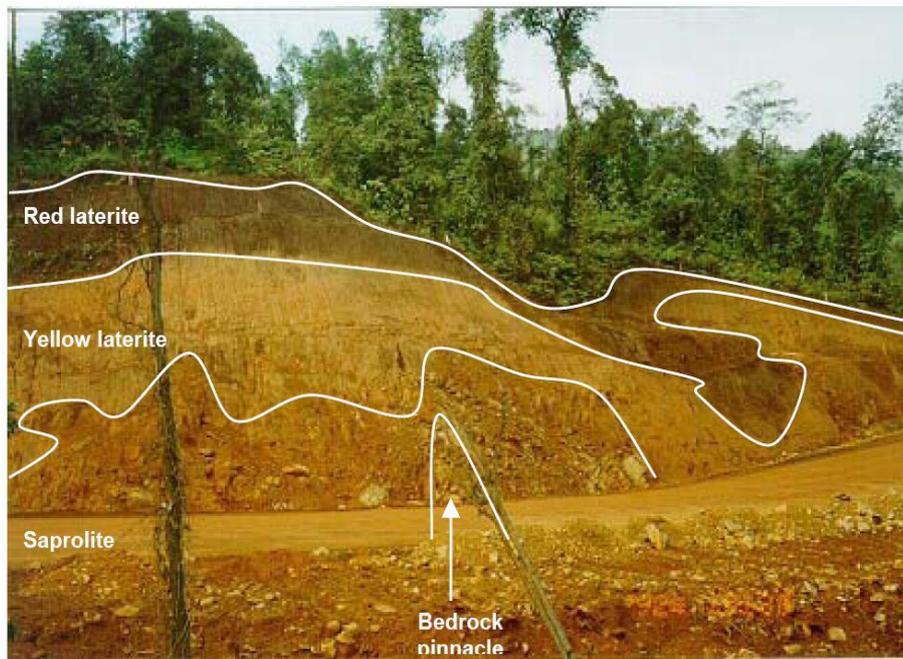


Figure-14. Typical Complete Laterite Profile

The profile of alteration includes several horizons which are divided into two (2) main “mineralized” horizons:

- Limonite Horizon which is essentially composed of iron hydroxide. The structure of parent rock is compressed and completely weathered and destroyed.
- Saprolite Horizon in which silica and magnesia are the main constituents. The relict structure of parent rock is still recognizable and bedrock pinnacles maybe generally present.

The simplified laterization process is shown in **Figure-15**.

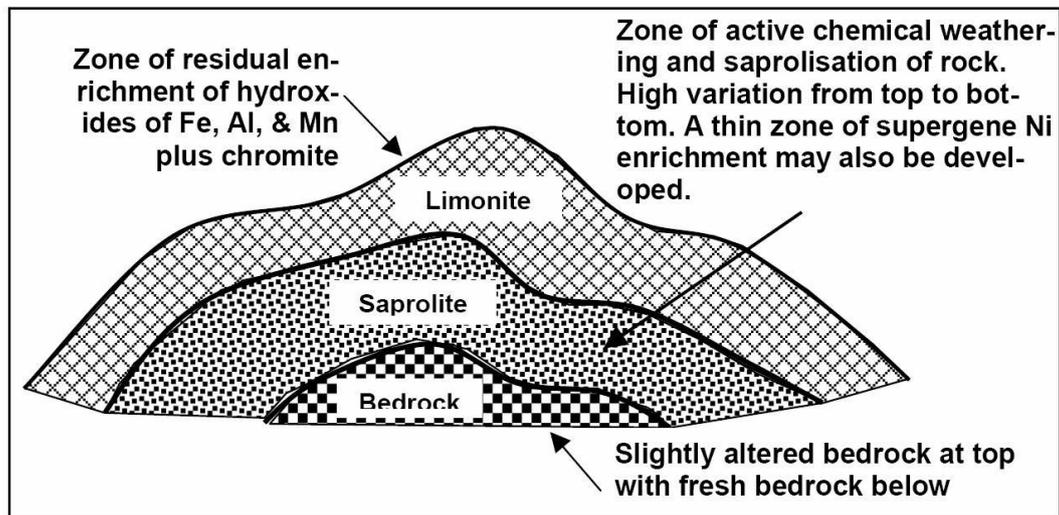


Figure-15. Simplified Laterization Process

Both groups are divided into different horizons. From surface to bottom, limonitic formations include:

- Iron crust
- Red limonite
- Yellow limonite

Saprolites are divided into:

- Earthly saprolites
- Rocky saprolites, a horizon which is a mixture in all proportions of intermediate materials, boulders of more or less slightly weathered peridotites.

A complete laterite weathering profile is shown in **Figure-16**.

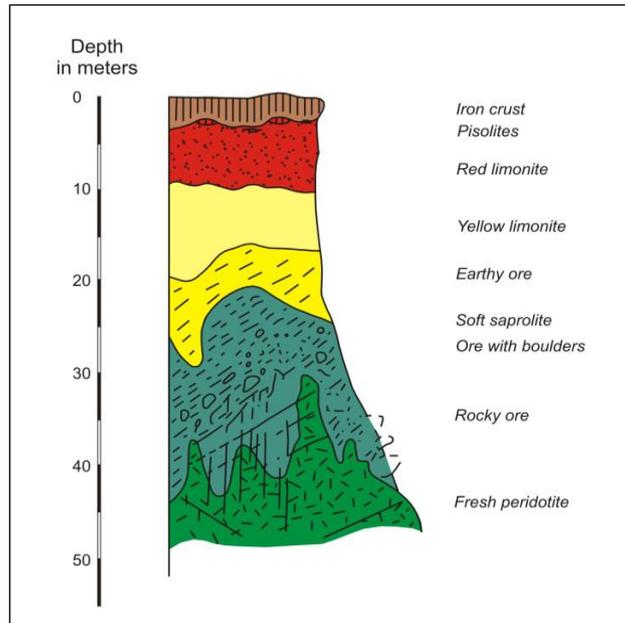


Figure-16. Laterite Weathering Profile

The profile given above is theoretical. Locally, some horizons are overdeveloped and some others are missing.

The drainage through joints and fractures is the main alteration process. The evolution of saprolite and limonite fronts depends on the drainage. If the drainage density is intense, these two fronts can be telescoped and give a leading place to limonitic formations in the profile. The saprolite thickness can be a few meters, and zero in some cases. If the drainage density is not so intense, the saprolite formation can be largely developed and their thickness can reach up to 50 m.

6.3.4 Bulk Densities in Laterites

An unserpentinised dunite made up essentially of high-forsterite olivine has a specific gravity of about 3.1 – 3.2 while a serpentinized peridotite will approach the specific gravity of pure serpentine or 2.4–2.6. Relationship of bulk densities with depth of laterite is shown in **Figure-17**.

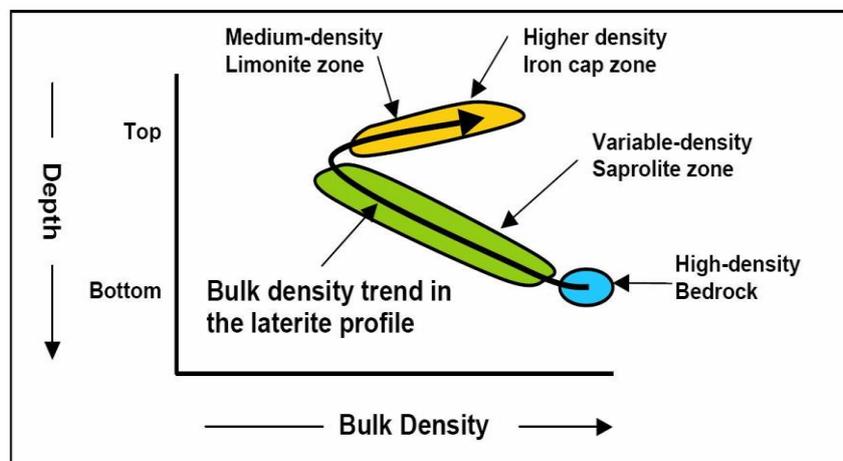


Figure-17. Relationship of Bulk Densities with Depth of Laterite

During laterization, soluble elements such as magnesia, silica and alkalis begin to leach from the bedrock making it porous and lowering its dry bulk density. Its wet bulk density may be affected less since the pore spaces created are usually filled with water. Laterites in wet climates are practically supersaturated, except for the very top where capillary action dry up the surface during dry weather. A well leached piece of saprolite has dry bulk density well below 1.0.

As laterization progresses the dry bulk density of the saprolite continues to fall until such time that the material is too porous to withstand the hydrostatic weight of the overlying limonite. At this point, the saprolitic rock begins to collapse *thereby increasing its dry bulk density*. With further leaching and thickening of the layer, the material reaches its final completely collapsed state and any existing rock textures are finally obliterated. Bulk densities reach their highest levels (2.0 – 2.4) in the ferruginous zone if an indurated iron cap is developed due to repeated solution and precipitation of ferric iron. *This phenomenon explains the wide range of bulk density values of saprolite from below 1.0 to 2.4 wherein it is either lower or higher than limonite bulk density values. During the different levels of the laterization process, the saprolite bulk density values vary according to its collapse state.*

The limonite zone of the laterite profile seldom exceeds 1.9 wet bulk density or 1.3 dry bulk density.

6.4. Nickel Laterite Deposits- Surigao and Dinagat Regions

Significant thicknesses of nickel-cobalt bearing laterite have formed over large parts of Surigao Del Norte, Surigao Del Sur, Dinagat Island and other adjacent islands which are underlain by ultramafic rocks.

The laterite profile can be sub-divided into an upper iron-rich limonite (oxide type) and a lower iron-poor saprolite (silicate type), while a transition zone of intermediate composition is developed over a thickness of <1 – 5m at the contact. The limonite is relatively uniform, but is best developed on ridge crests and gentle slopes, whereas the underlying saprolite is variably developed, depending on the degree of fracturing in the bedrock.

6.5 Historical Exploration

Iron rich laterites in the Dinagat/Surigao areas were recognized in 1912 and in 1914 the Surigao Mineral Reservation (SMR) was established. Following this, the Philippine Bureau of Mines and Japanese mining companies explored parts of the area for iron ore until 1939.

The Bureau of Mines enlarged the boundaries of the Surigao Mineral Reservation in 1939 and the exploration work continued intermittently until 1953 when the potential of the laterites as a source of nickel was recognized. At this time the Bureau commenced a program of test pitting to assess the nickel/iron prospectivity. This then started exploration interests in the SMR Area which is active to date.

7.0 CAGDIANAO PROPERTY- GEOLOGY and MINERALIZATION

The Cagdianao Nickel Project can be divided into seven contiguous laterite sub-areas, namely: CAGA-1 to CAGA-7. The seven areas share a similar geological setting and among which CAGA-4 and CAGA-2 were explored and developed first, while CAGA-1, CAGA-3 and CAGA-5 were just recently explored thru core drilling. CAGA-6 and 7 will be explored thru geologic mapping and laterite assessment prior to drilling this 2017.

The Project can be divided geologically into three distinct areas:

- An Eastern Area of ultramafic terrain occupying most of the Project (CAGA-1 to 5), principally composed of harzburgite and dunite with well-developed laterite ridges and steep incised creeks with ultramafic bedrock and rock float;
- A Central/Western Area of Tertiary sediment predominantly carbonates (i.e. limestone) with some shale and mudstone overlying the ultramafic rocks. These younger sediments are probably related to a north-south trending structural trough; and
- A Western Area of remote ultramafic terrain with laterite developed on ridges, such as CAGA-6 and some areas of unexplored laterites (CAGA-7). These areas will be explored and drilled to conclusively define their resource potential.

The bulk of the Project is underlain by Late Oligocene ultramafics, which are associated with metavolcanics and overlain by younger Tertiary sediments. The once extensive surface laterite veneer has been eroded into a series of discrete remnants referred to as CAGA-1 to CAGA-7 Areas (**Figure-18**).

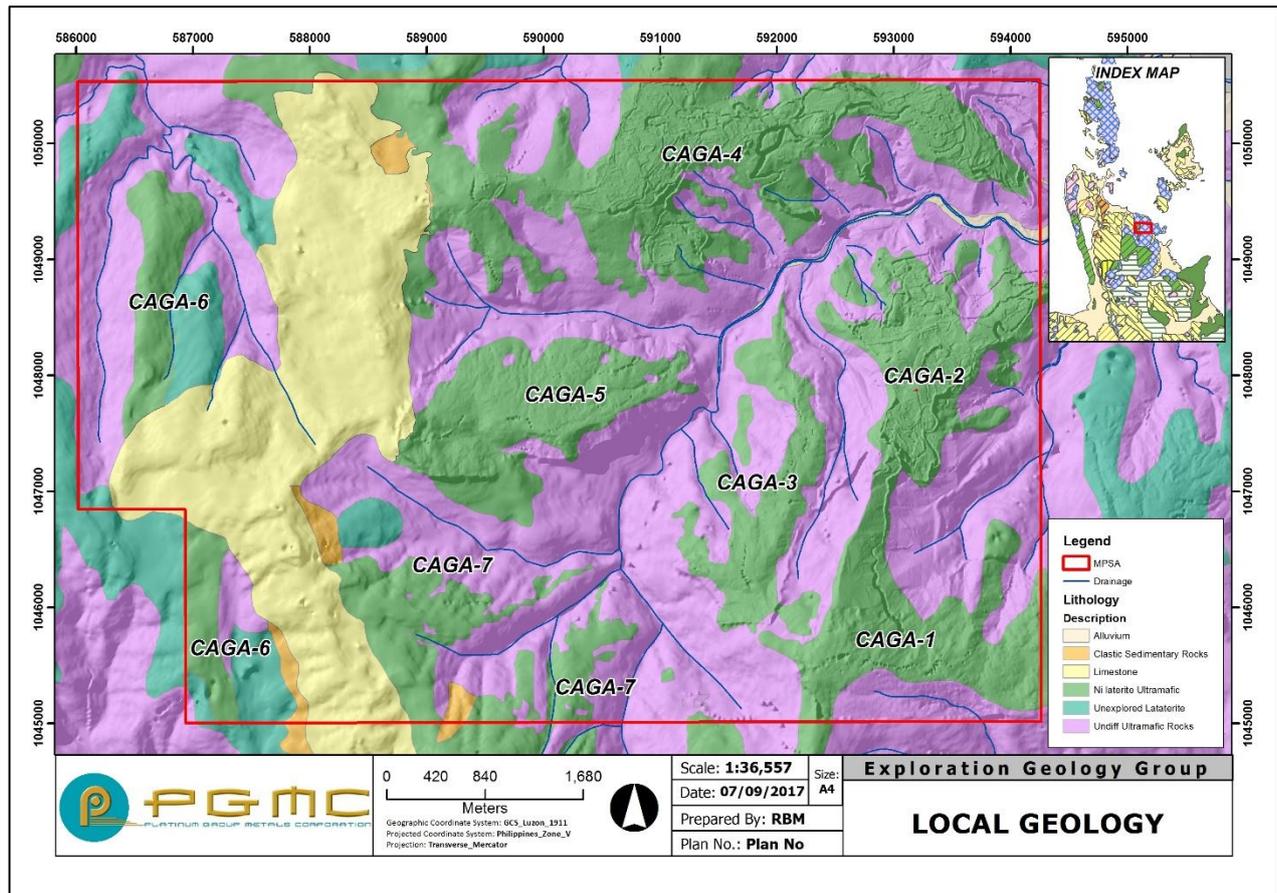


Figure-18. Geological Map of Cagdianao Project (Modified after QNPH)

7.1 Stratigraphic Units/Laterite Profile

Overall observation at the Cagdianao Nickel Project during the site visit indicated five main lithological units, arranged from top to bottom based on occurrence, were defined as Limonite Overburden, Limonite, Transition Zone, Saprolite and Basement.

Limonite Overburden

This zone is developed intermittently across the deposit area and is usually less than one meter thick. The occurrence of shallow tree roots and stumps is common in this zone, which is red to dark brown in color and loosely packed.

Limonite

The limonite zone is fairly homogenous and red-brown to yellow-brown in color containing localized black manganese-oxide veins and staining.

Mineralization is consistent with Ni and Co grades increasing downward towards the transition zone or saprolite contact. Co is significantly higher when associated with manganese veining or staining. Fe generally decreases slightly with depth.

Transition Zone

Where present, this zone is usually defined as representing a gradational change from limonite to saprolite, where the prominent chemical characteristics are higher Ni-Co grades and Fe values between 20 % and 40 %.

This zone is narrow and was intersected in only a few drill holes drilled during the different phases of core drilling.

Saprolite

There is usually a distinct chemical change at the limonite-saprolite contact with an increase in Ni, SiO₂ and MgO and a sharp decrease in Fe and Co grades.

The saprolite zone is a mixture of pale greenish, yellow or grey material, which varies from soft, powdery to harder and blockier with depth.

Ni and Fe grades are highest near the limonite contact. SiO₂ and MgO are expected to be high, with MgO increasing at the bedrock contact.

Boulders and pinnacles of bedrock are common throughout the deposit, especially near the saprolite-bedrock contact typical of other laterite deposits in the Surigao Region.

Basement

The saprolite is underlain mainly by a complex assemblage of serpentinized ultramafic rocks, namely harzburgite, dunite and other pyroxene-rich peridotite.

7.2 Indicative Mineralogy of PGMC Nickel Laterite Deposits

The mineralogy of the nickel ore samples are either made up of iron oxides and hydroxides and hydrous silicates such as serpentine, talc-pyrophyllite, and amphibole. The presence of these silicates is accompanied by a significant increase in Mg and Si.

The limonite overburden has nickel less than 1% but with an iron grade generally higher than 48% Fe. Limonite is associated with nickel grade at about 1.2% - 1.5%, and with iron grade varying from 35% to 42%. Cobalt mineral is a by-product in limonite as the grade reaches about 0.1% Co. The saprolite zone has a higher nickel grade of about 1.6% - 2.5% with the iron grade of 4% to <35%; the cobalt grade averages about 0.04% in saprolite zone.

Goethite and serpentinite are the primary nickel-carrying minerals; garnierite and Mg-rich chlorite are thought as the secondary host minerals of the nickel. Limited samples were collected by Dr. Carlo A. Arcilla from the field and were analyzed by X-ray diffraction (XRD) and X-ray fluorescence (XRF). His resource report has presented sample analytical results of the chemical compositions and a summary of is presented in **Table-17**.

Table-17. Summary of Mineralogy of PGMC Nickel Laterites (Source: Dr. C.A. Arcilla's Report)

Note: Values are express in Wt. %

Sample ID	Goethite	Hematite	Serpentine	Magnetite	Chlorite	Iron Oxyhydroxide	Ferripyrophyllite	Amphibole	MgO	Al ₂ O ₃	SiO ₂	Cr ₂ O ₃	MnO	Fe ₂ O ₃	Co ₂ O ₃	NiO
310-FS 212-151	59.1	11	8	22	0	0			11.0	0.4	2.9	2.2	1.6	76.8	3.3	1.9
BF2247	25.7	0	47.3	14.3	12.7	0	P		12.6	0.0	13.7	1.8	1.5	63.8	3.1	3.5
FS2.197 B462	88.6	0	0	0	0	11.4		P	12.6	0.0	1.4	1.1	0.7	80.2	2.8	1.2
FS2219 B459415	70.7	5.1	0	11.2	0	13	P		9.0	0.0	1.4	2.2	1.6	80.7	3.4	1.7
FS2225 B459	68.1	6.7	0	25.2	0	0	P		9.2	0.0	1.7	2.8	2.0	78.6	3.3	2.4
FS2227 B459	9.2	13.3	42.3	10.8	19.3	5.1	P	P	17.2	0.1	18.5	2.0	1.1	51.7	2.2	7.2
FS2236 B459	73.8	4.3	0	8.5	0	13.5			4.2	0.4	5.9	2.5	2.0	79.1	3.2	2.7
FS2212 B459312	81.2	2.4	0	4.7	0	11.7			12.0	0.3	3.8	1.9	2.2	75.1	3.3	1.4
FS2246 B459	13.5	0	57.6	15.6	8.9	4.5			14.3	0.1	20.8	2.2	1.2	53.1	2.2	6.2
Mean	54.4	4.8	17.2	12.5	4.5	6.6	NA	NA	11.3	0.1	7.8	2.1	1.5	71.0	3.0	3.1

8.0 EXPLORATION

Recent recorded exploration in the Project started in 1997 by BHP and concluded in 2012 by PGMC/GPRI. Data used in this Technical Report were mostly from PGMC, PGMC/GPRI and BOHRER activities from 2007- 2017.

8.1 Geological Mapping

Mapping was constrained by the lack of observable geological features due to the prevailing thick vegetation and absence of erosional 'windows,' except towards the northeastern part of the deposit in Area-2 of CAGA-4. Similarly, exposures in creek beds were limited to weathered saprolite and bedrock. Data from geological mapping were supplemented by available terrain analysis data.

8.2 Diamond Drilling

Pre-determined drill hole targets are located on the ground using handheld GPS (Garmin Montana 650) and marked with labeled stake markers by geologists and geologic assistants. PDH's located in mining infrastructures such as silt ponds, main access roads, crusher facility, and berms are offset within to 2.00 meters or cancelled. PDH's in steep and unsafe ground condition are also cancelled. Drilling was carried out by contractors such as BOHRER Mining and Consulting Services and RAG Mining Services using man-portable YBM-Type rigs. Core size is NQ (~47mm) to be drilled at desired depth (2.00 – 3.00 meters of bedrock) or upon advice of a geologist. Data such as run, core recovery, depth, and date started/completed are recorded. Drilling practice was within acceptable international (JORC) and local standards (PMRC), and the guaranteed DH core recovery is 90%.

8.2.1 CAGA-1 Deposit

The CAGA-1 Deposit of about 220 hectares exhibits a generally flat to slightly undulating terrain covered by thick vegetation. The abundance of boulders particularly on the ridge and the mapped outcrops along road cuts displaying a thin limonite overlying the bedrock and with a missing saprolite zone indicate an immature laterite profile.

Exposures of thin and undeveloped laterite profile are shown in **Figure-19**. The CAGA-1 thematic map showing projected laterite thickness is in **Figure-20**.



Figure-19. CAGA-1 Deposit Laterite Outcrops (Source: GPRI)

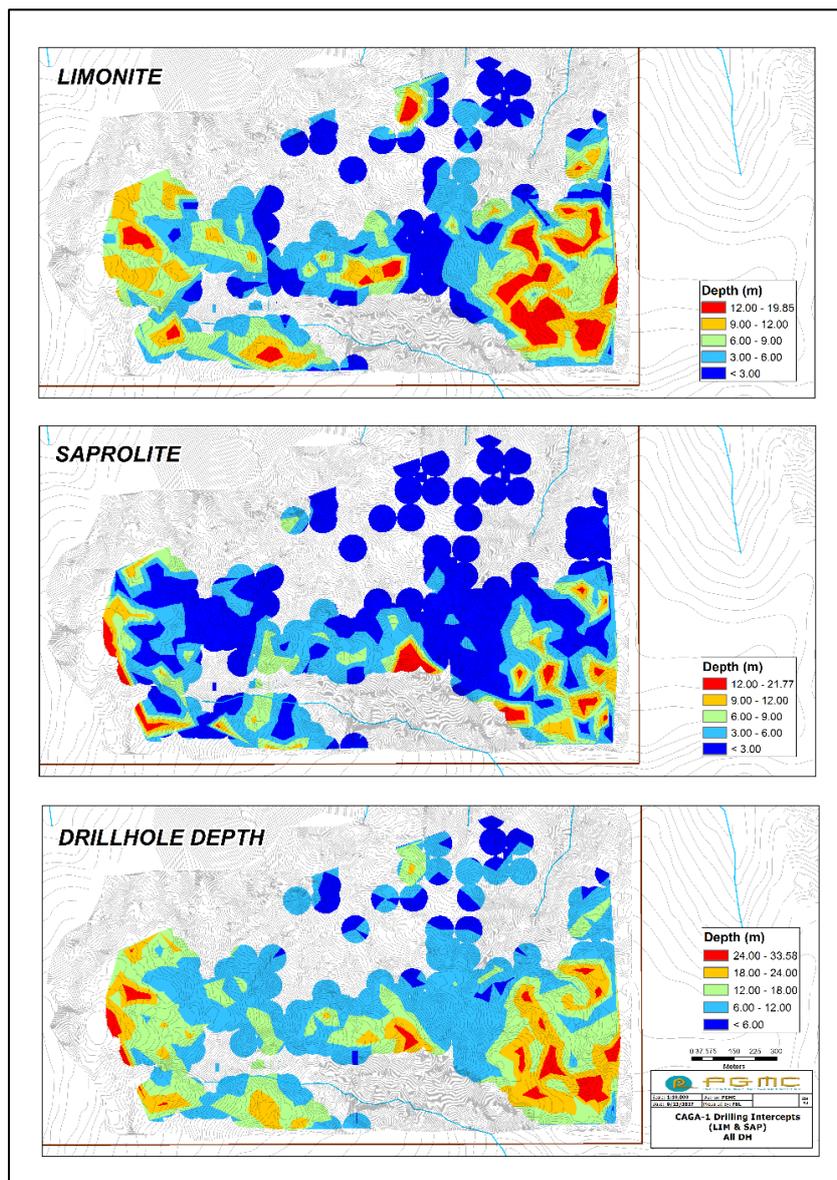


Figure-20. CAGA-1 Thematic Map Showing Projected Laterite Thickness (Old DH)

8.2.2 CAGA-2 Deposit

The CAGA-2 Deposit is approximately 335 hectares and displays a generally flat terrain particularly on the ridge and partly covered by thick vegetation. The area is divided into three main blocks and two of which (Blocks 1 and 2) are currently being mined. The geologic mapping resulted in the delineation of the laterite boundary with most of the outcrops observed relatively thick. This was confirmed by drill holes exhibiting a complete laterite profile which is an evidence for a mature weathering profile (**Figure-21**). The 2016 – 2017 in-fill drilling campaign was designed to confirm previous historical drill hole intercepts and to explore for lateral extension located at peripheries of existing pit limits.

For the update, a total of 1,020 drill holes at 9,056.65 meters with an average depth of 8.88 meters at 95.73% core recovery were completed and added to previous drill hole data. Completed drill holes are composed of the following: 78 DH at 100x100 meter interval, 257 DH at 50x50 meter drill spacing, and 685 DH at 25x25 meter spacing.

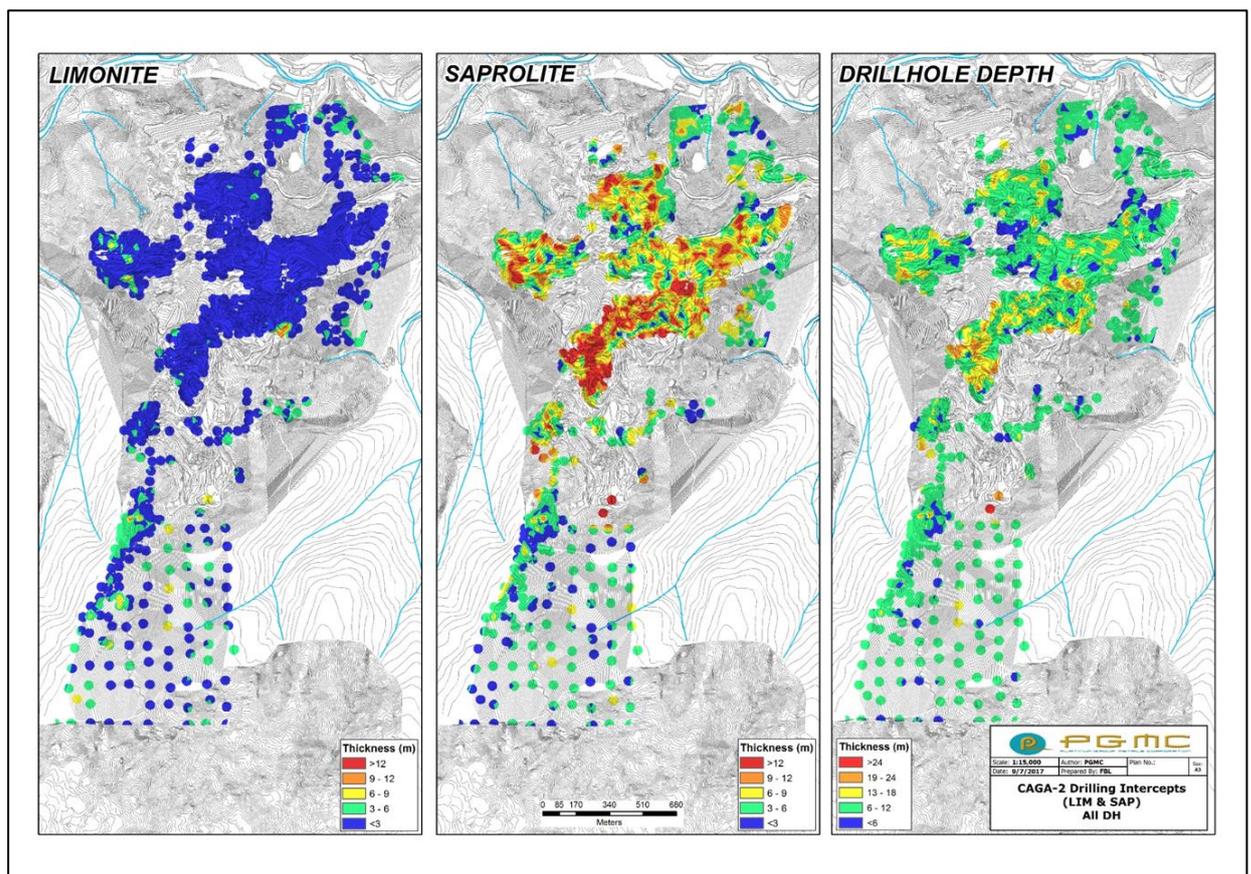


Figure-21. CAGA-2 Thematic Map Showing Projected Laterite Thickness (New DH)

8.2.3 CAGA-3 Deposit

The CAGA-3 Deposit (**Figure-22**) is approximately 115 hectares displaying a generally flat NNE-SSW trending ridge covered by thick vegetation and bounded by steep slopes. Results from the geologic mapping conducted revealed a relatively thick laterite deposit showing a complete sequence of a typical laterite profile. An outcrop of lumpy chromite deposit was also mapped several meters north of the camp site.

For the update, a total of 1,213 drill holes at 14,110.60 meters with an average depth of 11.63 meters at 93.22% core recovery were completed and added to previous drill hole data. Completed drill holes are composed of the following: 315 DH at 50x50 meter interval, and 898 DH at 25x25 meter drill spacing.

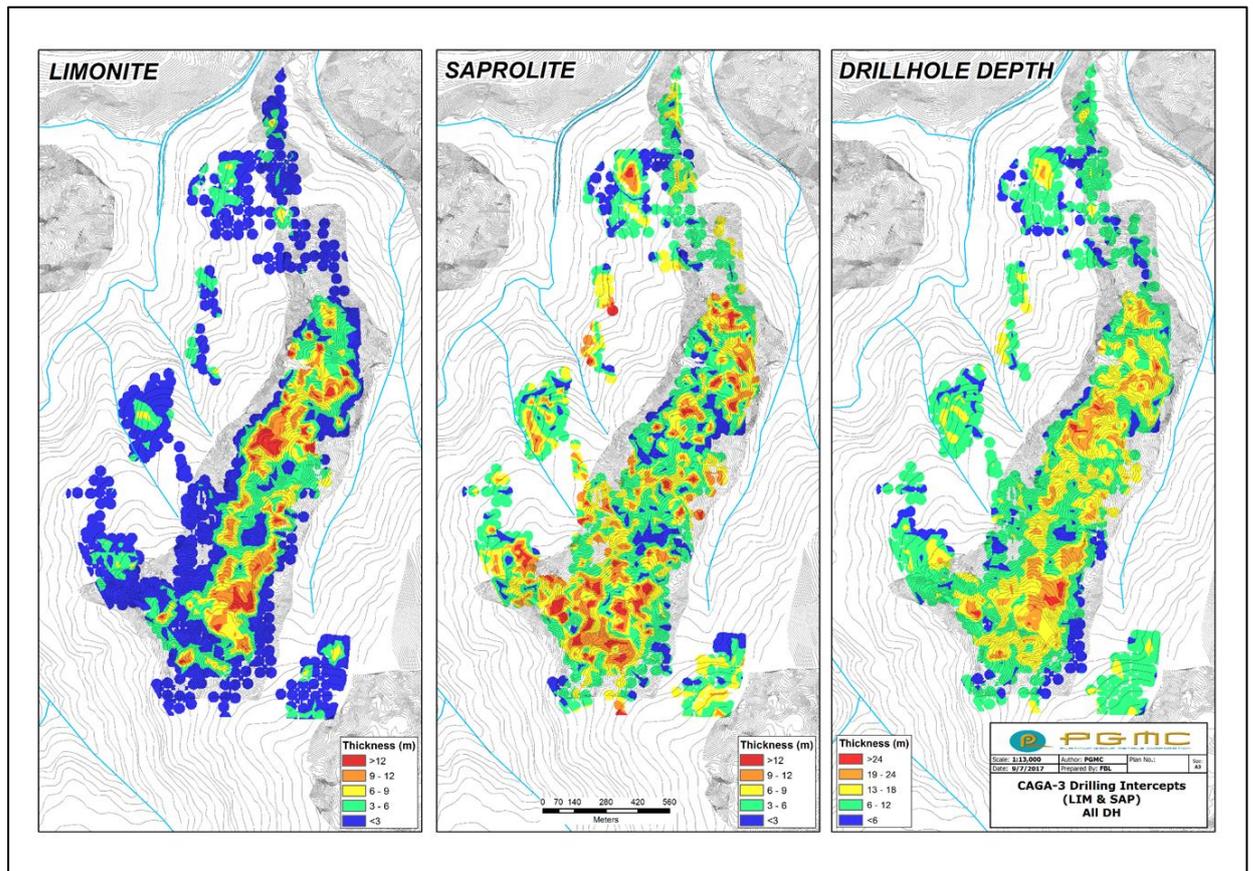


Figure-22. CAGA-3 Thematic Map Showing Projected Laterite Thickness (New DH)

8.2.4 CAGA-4 Deposit

The CAGA-4 Deposit was initially identified by BHP/QNPH based on its moderately sloping to almost flat characteristics generally trending in an east west direction. For easy reference, it was subdivided into six (6) continuous sub-deposits. Delineation of thick (>5m) and thin (<5m) limonite at CAGA-4 (**Figure-23**) was made by QNPH and subsequently checked by a 200m grid test pits followed up by a 100 and 50m grid core drilling. The 2015 – 2016 in-fill drilling campaign at CAGA-4 was intended to confirm previous drill hole intercepts and to explore for lateral extension located at peripheries of existing pit limits.

Included in the 30 June 2016 update, a total of 1,606 drill holes at 16,725.20 meters with an average depth of 10.41 meters at 94.73% core recovery were completed and added to previous historical drill hole data. Completed drill holes are composed of the following: 8 DH at 200x200 meter interval, 31 DH at 100x100, 1069 DH at 50x50, and 498 DH at 25x25 meter drill spacing.

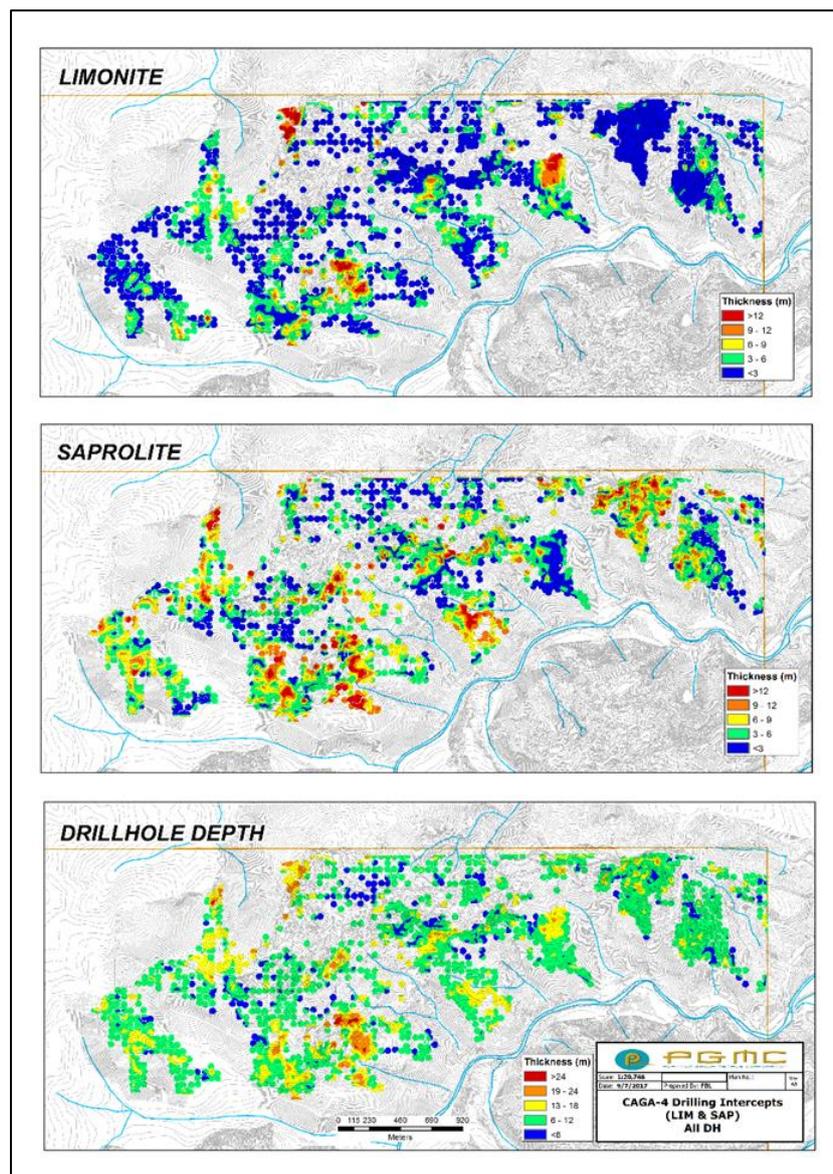


Figure-23. CAGA-4 Thematic Map Showing Projected Laterite Thickness (New DH)

8.2.5 CAGA-5 Deposit

CAGA-5 Deposit (**Figure-24**) is approximately 225 hectares, exhibiting entirely a flat and slightly undulating plateau, generally underlain by ultramafic rocks except on the western limit of the area which is bounded by a limestone deposit. Field mapping conducted revealed irregular formations of laterite particularly at the upper mid part of the site area showing several floats and sub-outcrops of dunite and serpentinized dunite, indicative of a thin deposit of laterite to be expected underneath. Although most parts of the area show relatively thick laterite profile, some of this shows an incomplete laterite profile sequence particularly on the center and near the edge of the site area, an evidence of relatively immature laterite deposit.

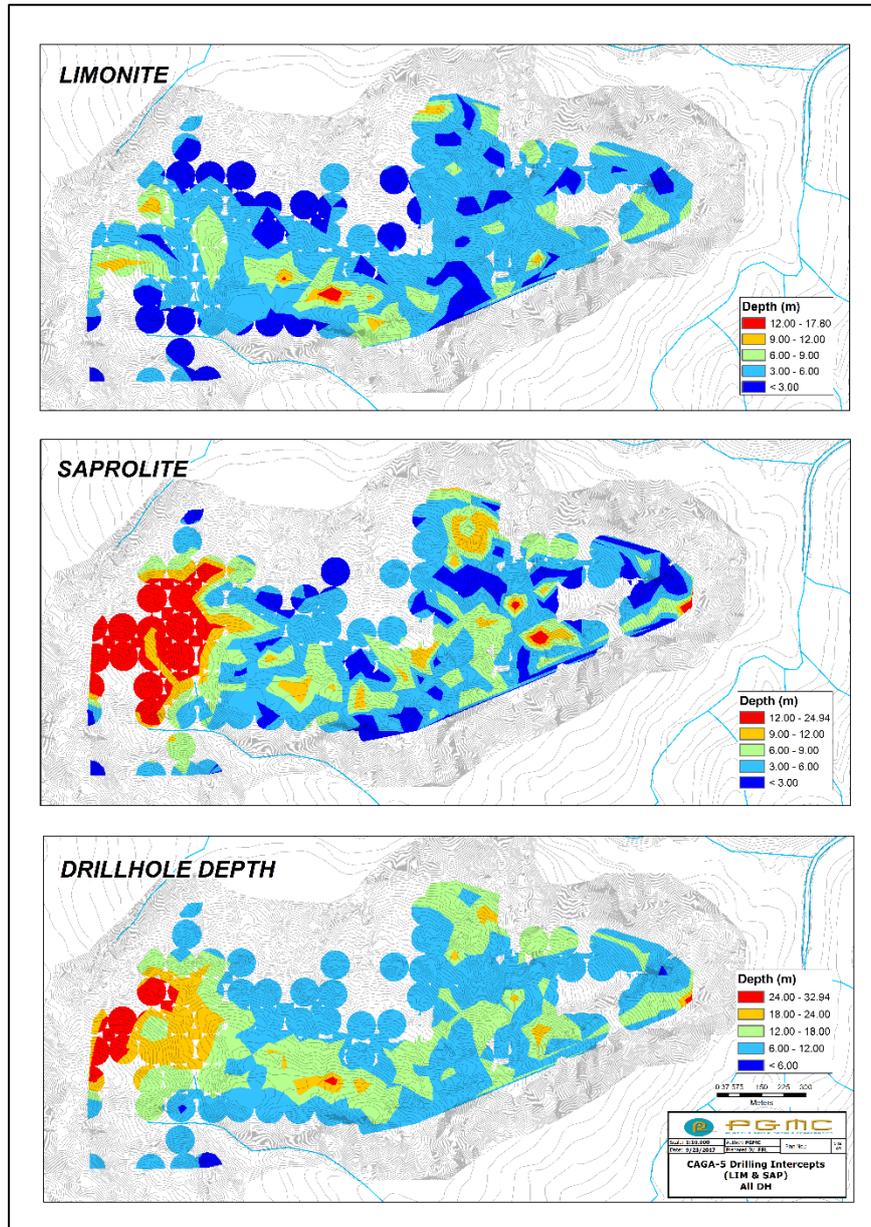


Figure-24. CAGA-5 Thematic Map Showing Projected Laterite Thickness (Old DH)

8.3 Topographic Survey

The five (5) laterite deposits at the PGMC area were surveyed using a TOPCON GTS-230N Total Station, Differential GPS GNSS South T82 (rover) and T86 (base) instruments by the GPRI survey group. Emphasis was given on the survey of drill hole collars, test pits, roads, structures, topographic features, depleted mine areas, etc. to assist in generating an accurate resource estimate.

The Philippine Transverse Mercator Zone 5 is being used for all survey data and maps.

The basic PTM Zone 5 parameters include:

Projection	Transverse Mercator
Datum	Luzon (Philippines)
Central Meridian Scale Factor	0.99995
Central Meridian	125.0
Origin Latitude	0.00

For active CAGA-2 and CAGA-4 mines, the topographic survey included the pit updates which was then used on this resource estimation report. Deposits CAGA-1, 3 and 5 are with their original topographic surfaces and still un-mined as of the resource estimation and reporting period.

A digital terrain model of all the surface topographic data were generated for use as upper constraints in the block modelling.

Topographic coverage (**Table-18 and 19**) and survey results for CAGA-2, CAGA-3, and CAGA-4 deposits are shown in **Figures 25-30**.

Table-18. GPRI Topographic Survey Details (2012)

Activity	Measured Output	CAGA-1	CAGA-2	CAGA-3	CAGA-5
Hole Survey	Site location (number of holes)	284	663	219	218
Survey	Collar Survey (number of holes)	284	1389	219	218
	Topographic (hectares)	220	335	115	225

Table-19. PGMC Topographic Survey Details (2015 – 2017)

Drill Hole and Topographic Summary							
Particulars	NEW			OLD			Total
	CAGA-2	CAGA-3	CAGA-4	CAGA-2	CAGA-3	CAGA-4	
Total Holes	1,020	1,213	1,606	1,360	219	785	6,203
Total Depth (m)	9,056.65	14,110.60	16,725.20	22,373.07	3,328.30	13,417.77	79,011.59
Collar Survey (DHs)	1,020	1,213	1,606	1,360	219	785	6,203
Topo Survey (has)	184.63	143.42	388.88	146.29	65.04	473.36	1401.62

Note: Overlaps included between old and new drill holes topographic survey

8.3.1 Drill Hole Collar Location

Proposed drill hole sites/collars were originally sited by a hand-held GPS unit with compass and measuring tape using old DHs and pits as tie-points.

During the topographic survey the collar locations of completed DHs were accurately surveyed using a Topcon Total Station instrument model GTS-230N and Differential GPS GNSS South T82 (rover) and T86 (base) with the coordinates recorded in the Philippines Transverse Mercator (Zone 5) coordinate system. Regular calibrations of the instruments at least twice a year from the National Mapping Resource Information Administration (NAMRIA) are done. The DH collar site was marked by a wooden pole inserted into the hole with the hole ID and location coordinates marked on it.

8.3.2 Downhole Surveys

All drill holes were shallow and drilled vertically. No down hole surveys were carried out as any minor hole deviation would be immaterial to the resource estimate.

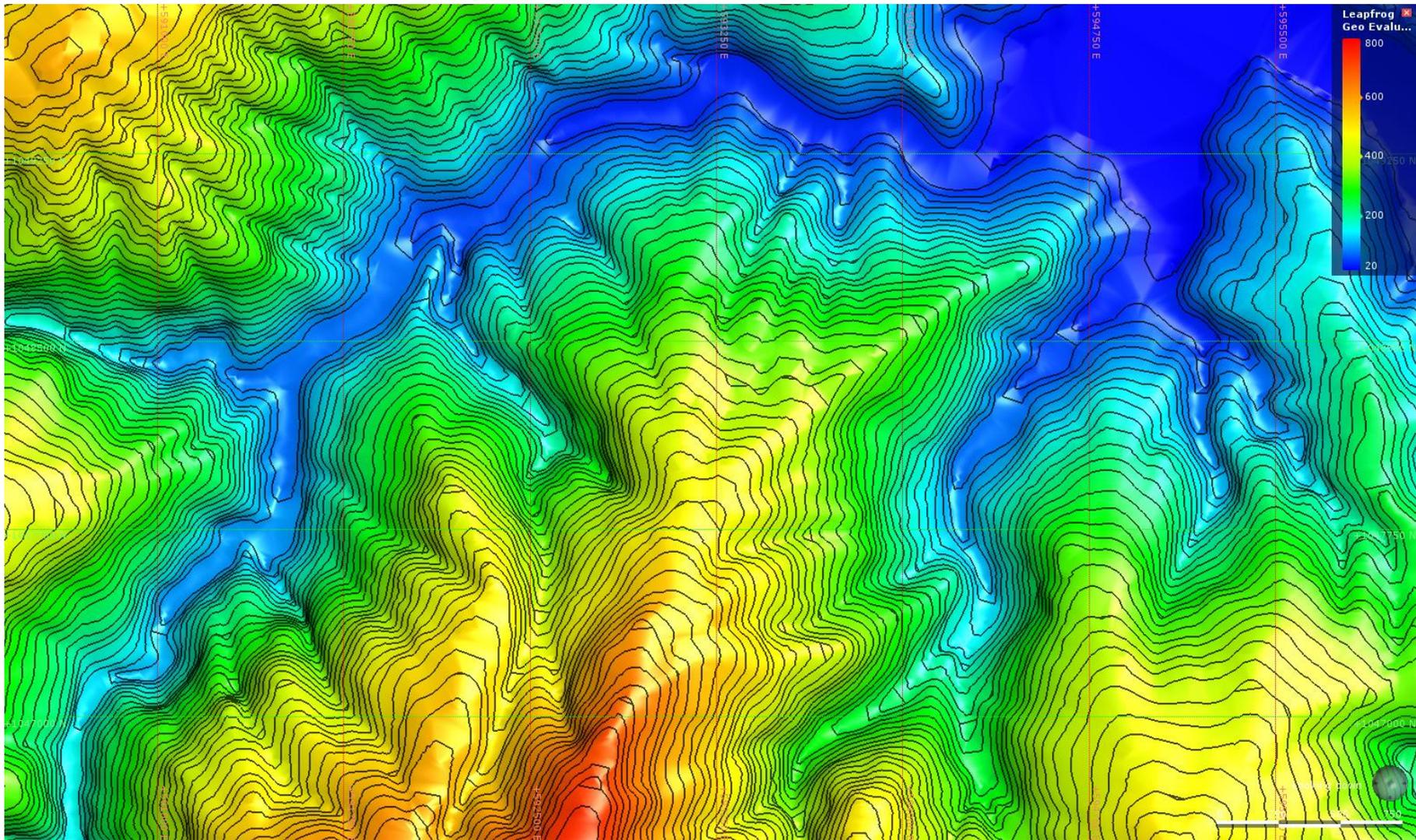


Figure-25. Topographic Survey of CAGA-2 Original Ground

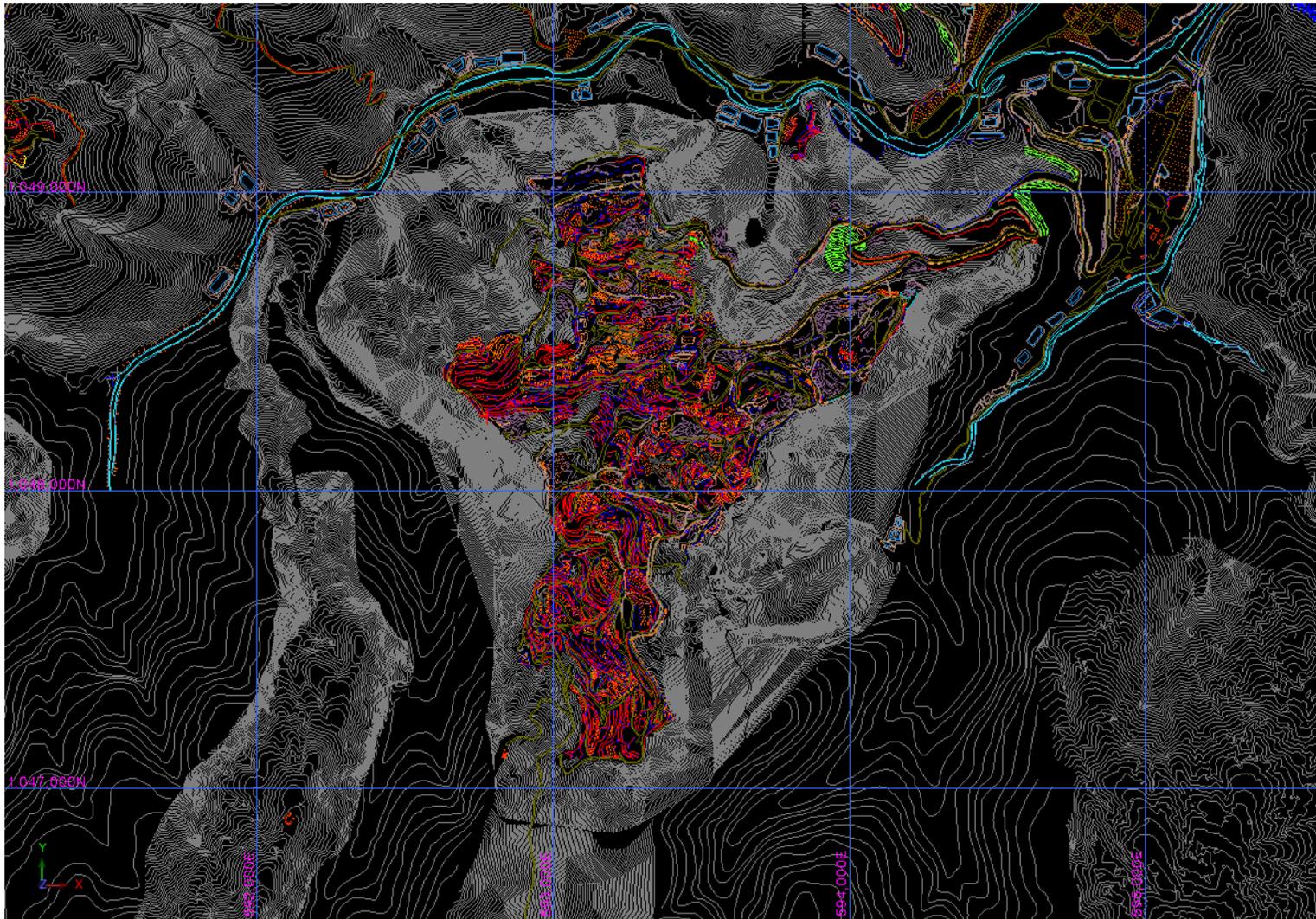


Figure-26. Topographic Survey of CAGA-2 as of 23rd June 2017

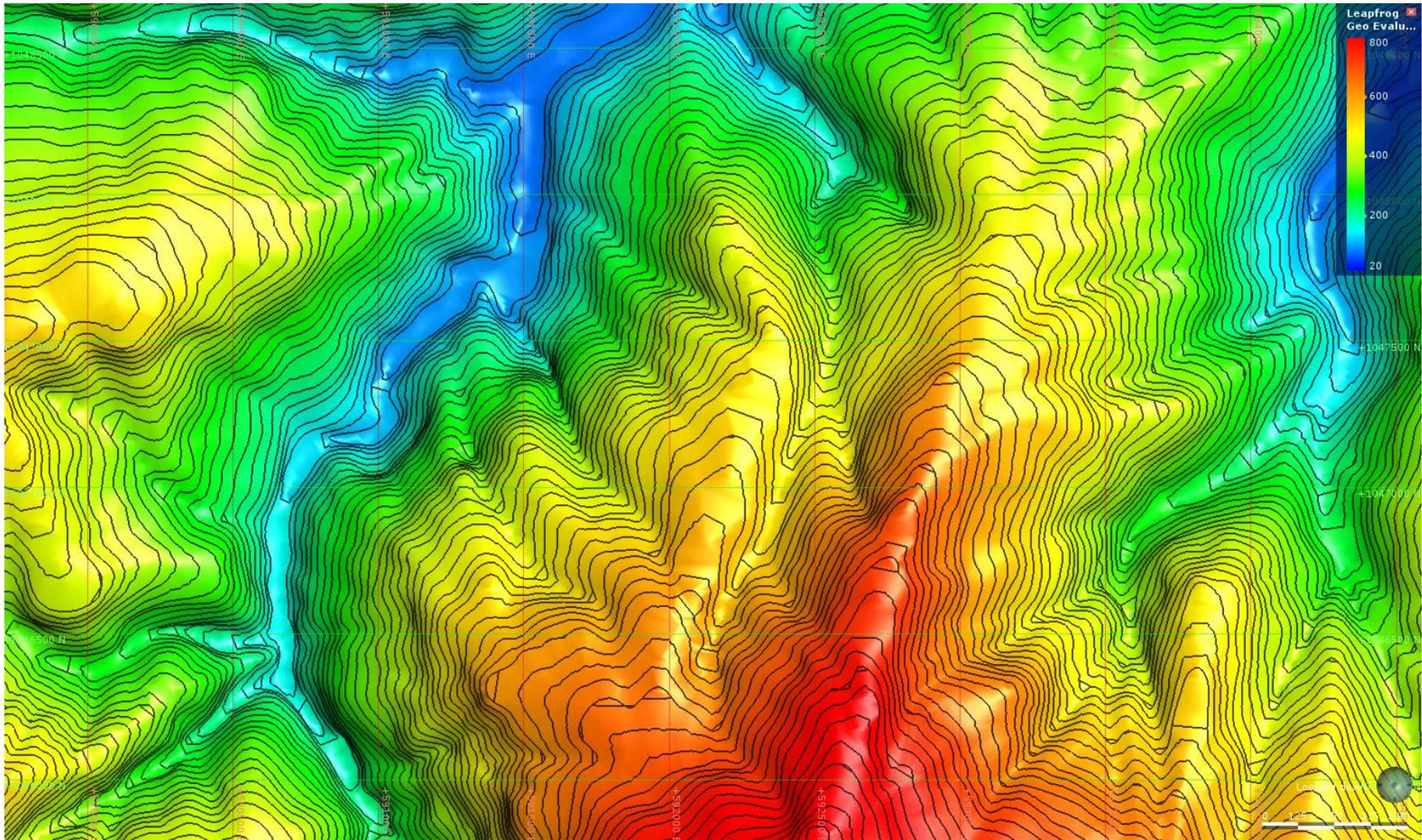


Figure-27. Topographic Survey of CAGA-3 Original Ground

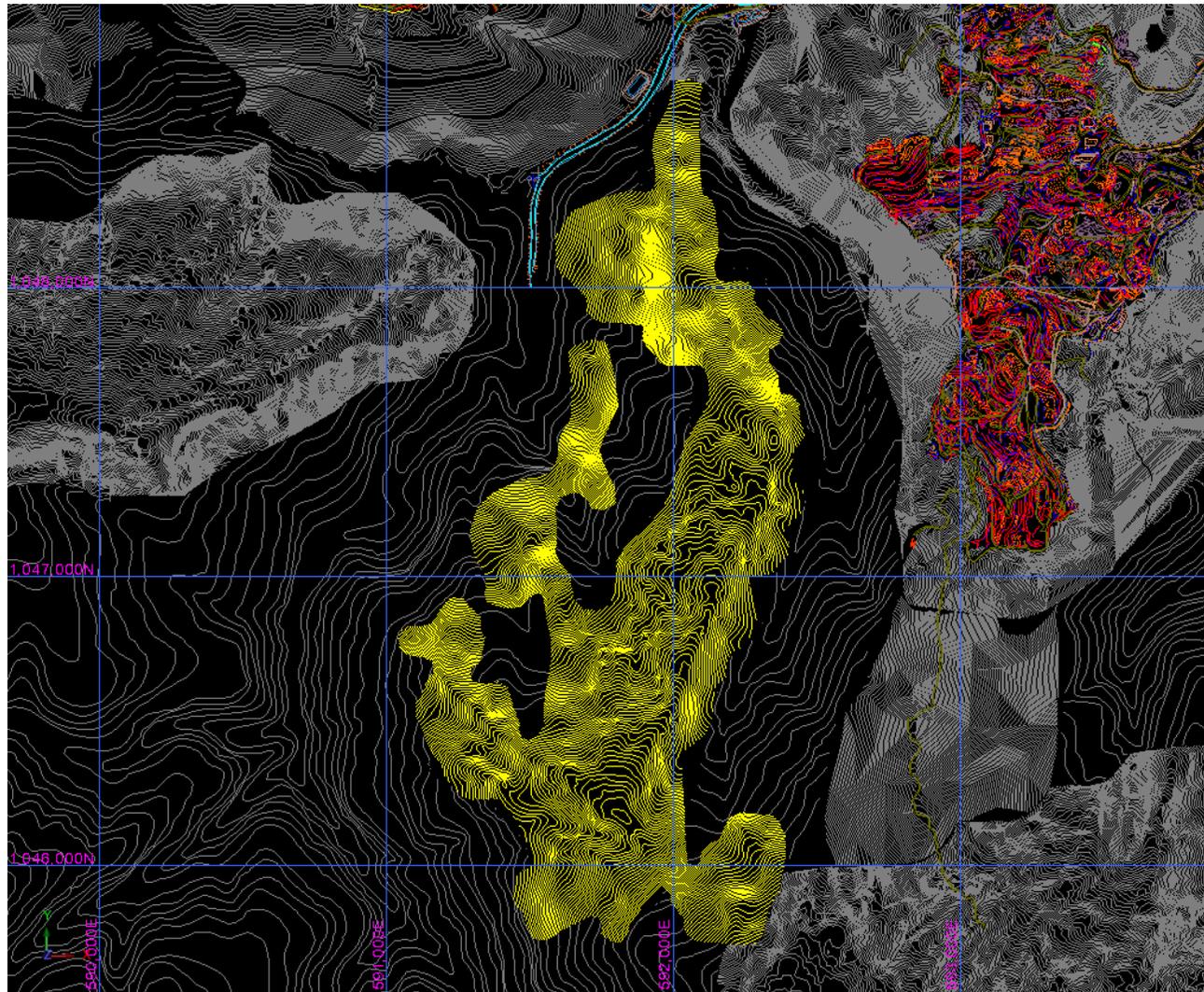


Figure-28. Topographic Survey of CAGA-3 as of 23th June 2017

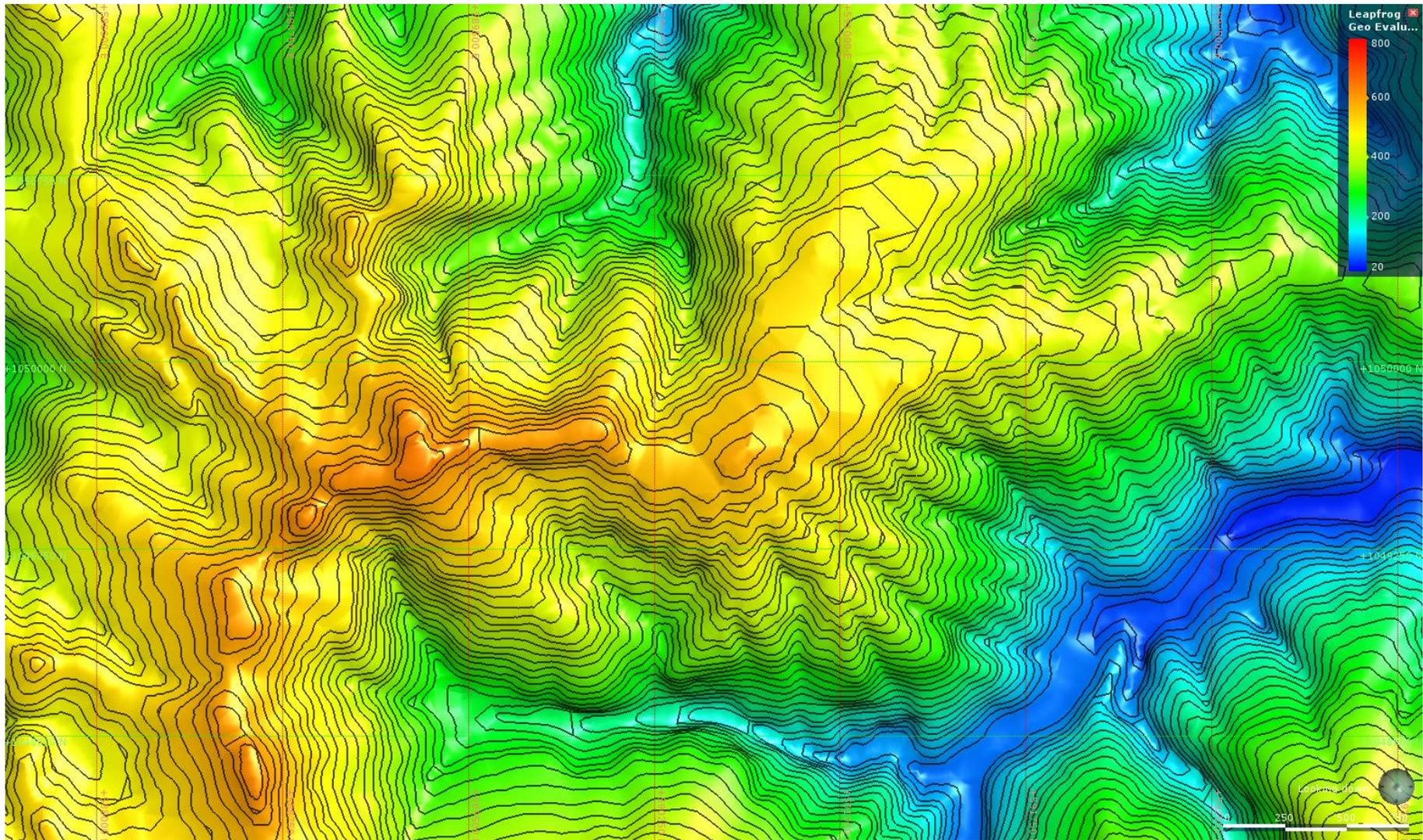


Figure-29. Topographic Survey of CAGA-4 Original Ground

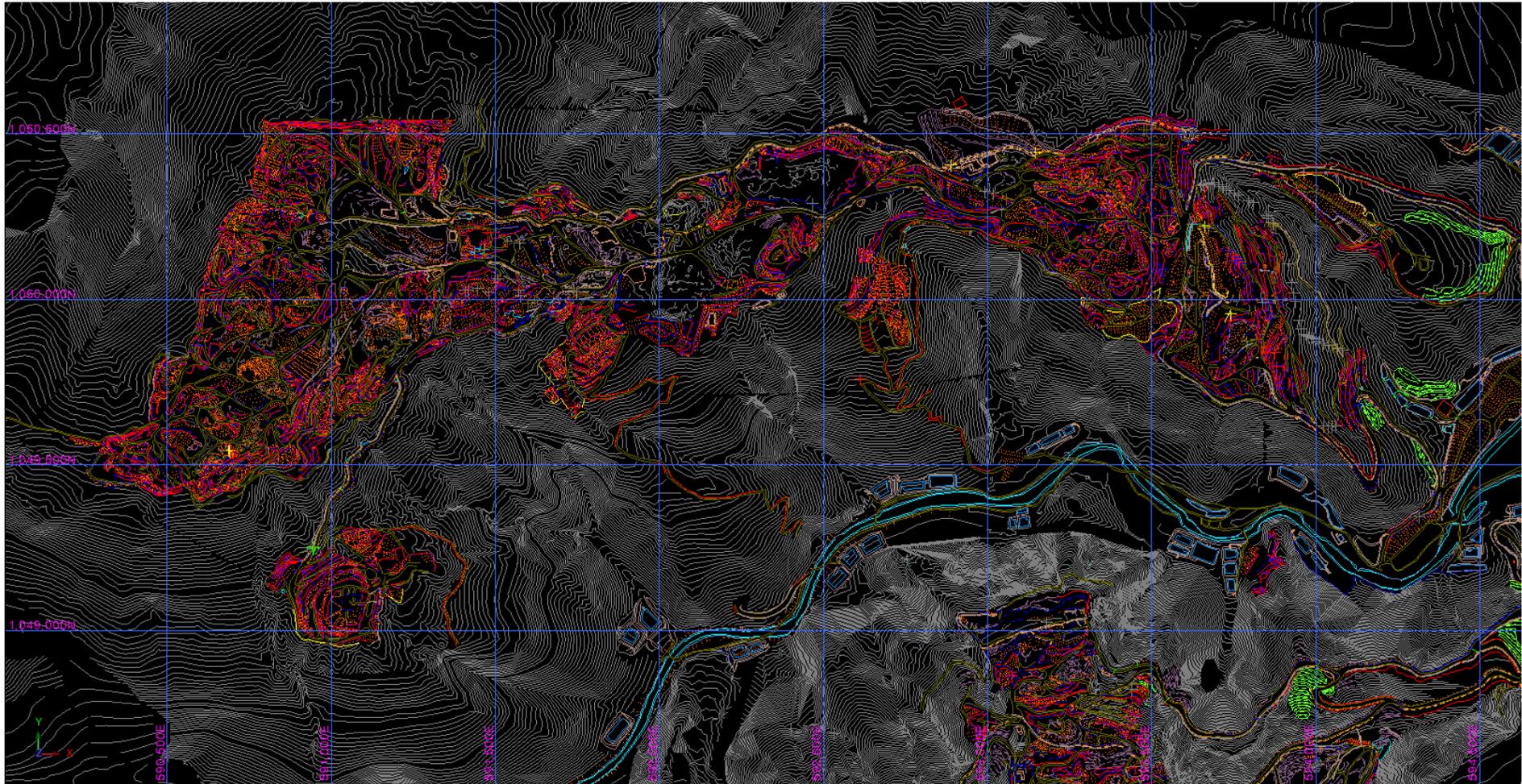


Figure-30. Topographic Survey of CAGA 4 as of 23th June 2017

8.4 Drilling

Several man-portable drill rigs of YBM-type were used for the recent drilling program. NQ diameter core was produced for the entire length of the hole using conventional wireline core drilling methods with 3-meter rods in a single tube arrangement and tungsten carbide drilling bits. The core was extracted from the core barrel normally after every one-meter drill run. The core was expelled into a half-tube PVC pipe before being placed into a wooden one-meter-long core box. The meterage and core recovery were measured by the drilling recorder before being written on a wooden core marker block which was placed in the core box at the end of the appropriate core run. All core drilling operations were supervised by a BOHRER supervisor. The CAGA-2 and CAGA-3 core drilling program details are given in **Table-20**.

Table-20. Core Drilling Details

Core Drilling Statistics							
Particulars	NEW			OLD			Total/Average
	CAGA-2	CAGA-3	CAGA-4	CAGA-2	CAGA-3	CAGA-4	
Total Holes	1,020	1,213	1,606	1,360	219	785	6,203
Total Depth	9,056.65	14,110.60	16,725.20	22,373.07	3,328.30	13,417.77	79,011.59
Average Depth	8.88	11.63	10.41	16.45	15.2	17.09	13.28
Total Core Recovered	8,691.63	13,176.61	15,870.98	22,104.00	22,104.00	11,693.00	93,640.22
Average Core Recovered	95.73%	93.22%	94.73%	97.10%	96.60%	87.30%	94.11%
Core Drilling Schedule							
Area	No. of Holes	Meterage	Date Started		Date Completed		
CAGA-2 (new)	1,020	9,056.65	January 25, 2016		May 11, 2017		
CAGA-3 (new)	1,213	14,110.60	September 06, 2016		June 15, 2017		
CAGA-4 (new)	1,606	16,725.20	October 10, 2015		May 30, 2016		

Core logging and core sampling were completed as per protocols provided in **Appendix A**.

Summary of drill hole statistics is given in **Table-21**.

Table-21. Drill Hole, Assay, Bulk Density and Moisture Statistics

Particulars	NEW			OLD			Total
	CAGA-2	CAGA-3	CAGA-4	CAGA-2	CAGA-3	CAGA-4	
Number of Drill holes	1,020	1,213	1,606	1,360	219	785	6,203
Total Meterage	9,056.65	14,110.60	16,725.20	22,373.07	3,328.30	13,417.77	79,012
Number of Assays	9,828	15,102	17,615	23,799	3,584	12,535	82,463
Number of Interval Logged	9,828	15,102	17,616	23,799	3,584	12,535	82,464
Core recovery Records	16,893	23,771	1,606	44,947	9,547	4,041	100,805
Bulk Density Samples	1,093	2,204	2,834	1,188	705	1,401	9,425
Moisture Content Samples	1,093	2,204	2,834	1,188	705	1,401	9,425

Flow charts of activities during the drilling program implementation are shown in **Figures- 31 to 32**. DH location maps are in **Figures-33 to 35**.



Figure-31. Exploration Protocol Flow Chart (Source: GPRI)

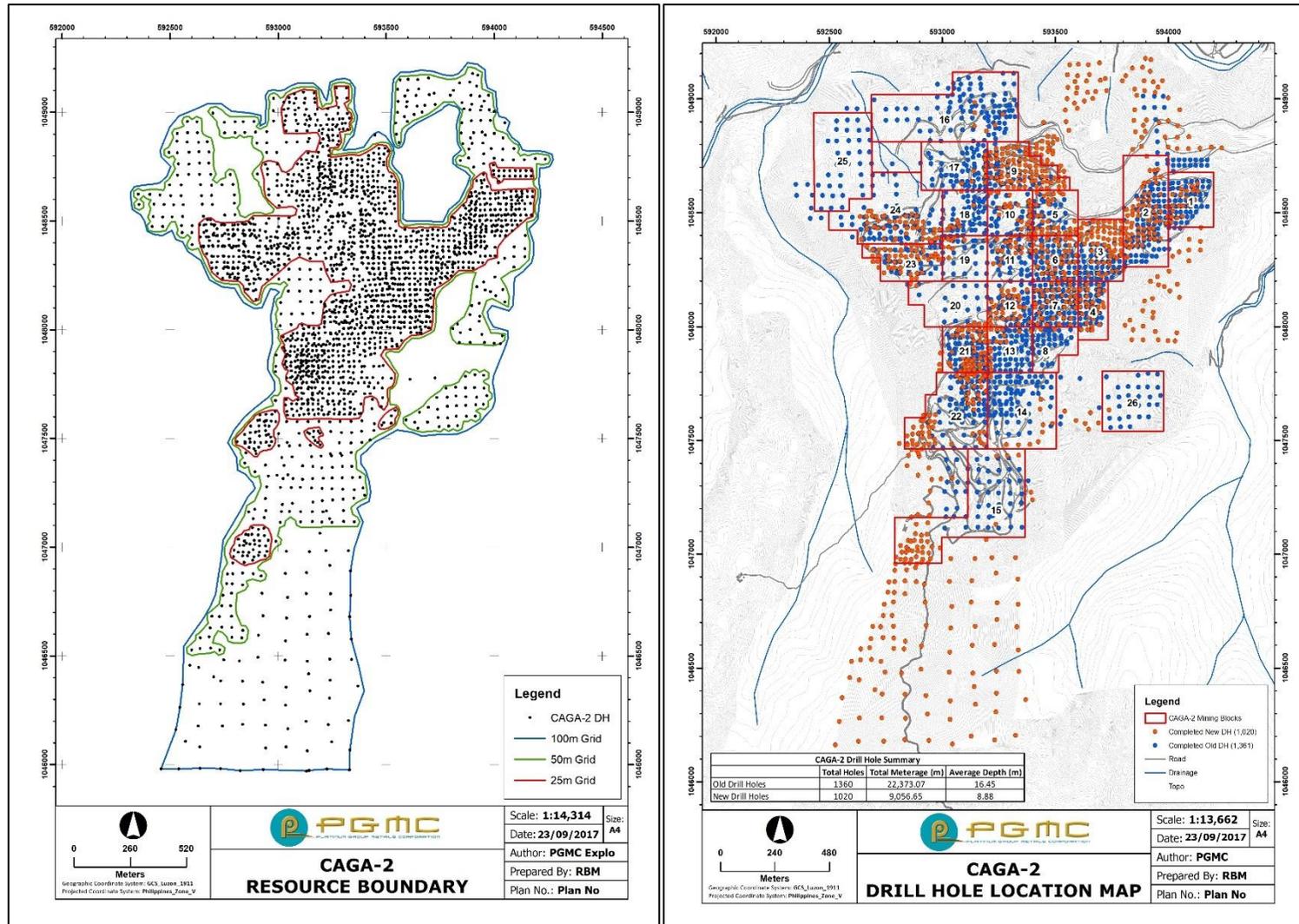


Figure-33. Drill Hole Location with Resource Boundary of CAGA 2

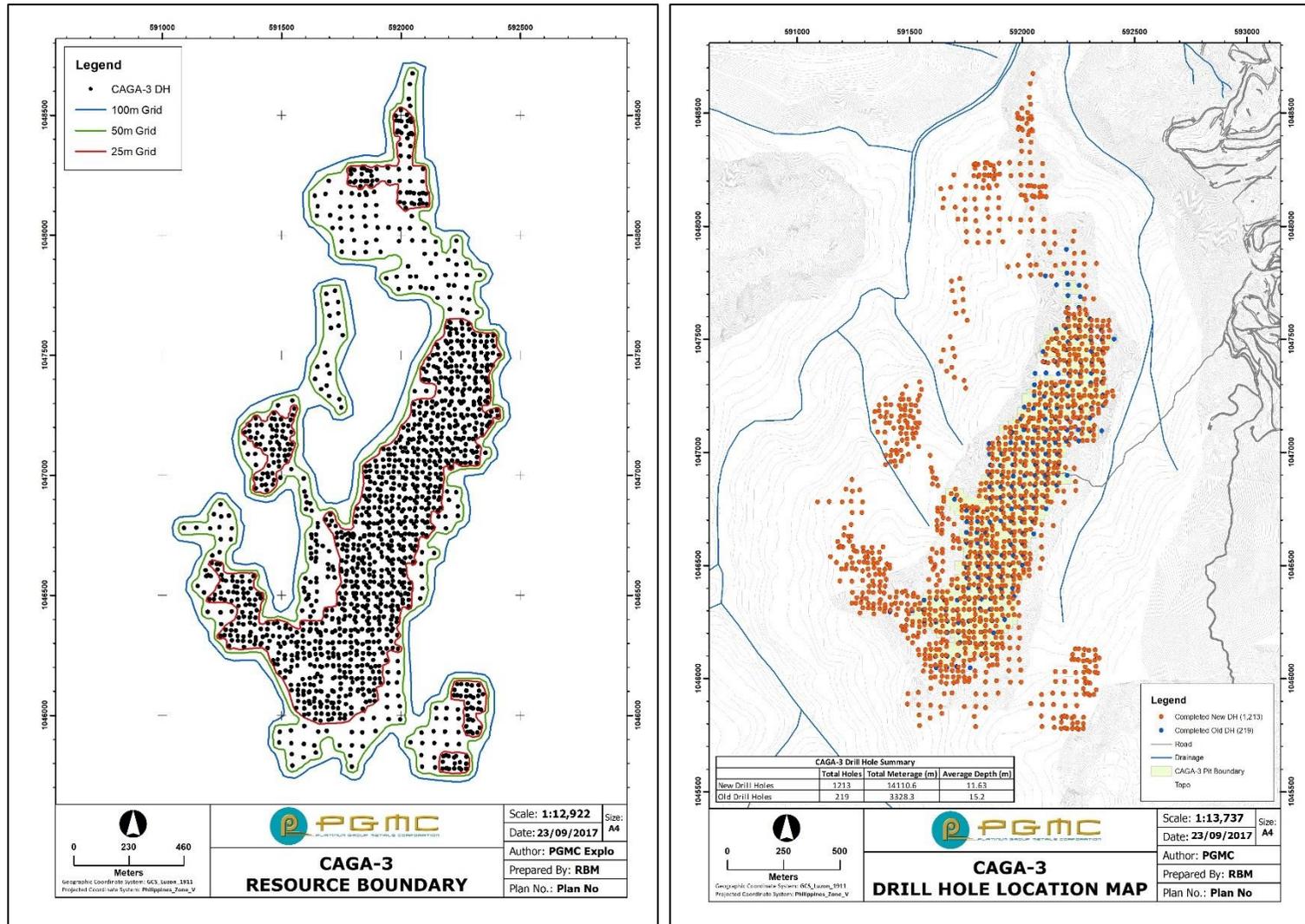


Figure-34. Drill Hole Location with Resource Boundary of CAGA 3

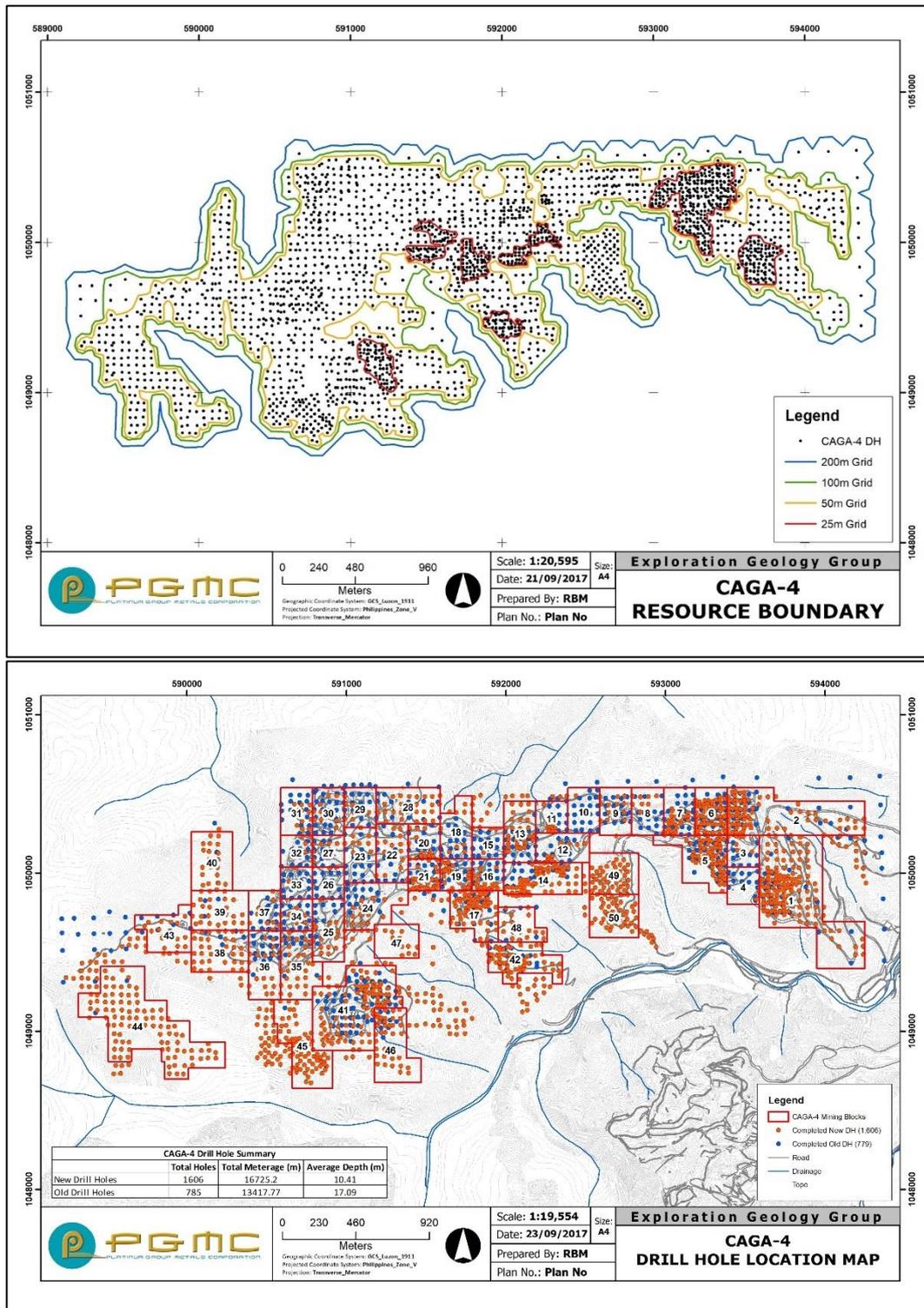


Figure-35. Drill Hole Location with Resource Boundary of CAGA-4

8.4.1 Core Logging

Core logging was done by the geologists implementing the standard protocol (**Appendix A**) for laterite exploration. Thickness of each horizon of material was measured and recorded, with brief lithological descriptions as to limonite, soft saprolite, rocky saprolite or bedrock (**Figure-36**). The presence and frequency of cavities and float boulders were also noted. Core recovered was measured to calculate the % core recovery and validate the measurements submitted by core checkers. Logging codes used for the different lithologic units are given in **Table-22**.

Table-22. Codes for Lithology

Lithology		Rock Size				
LF	Red-brown limonite (overburden)	Code	Description			
LA	Yellow limonite (without Mg staining or veins)	1	<20cm (will be acceptable for shipping)			
LB	Yellow limonite (with Mg staining or veins)	2	20 - 50cm (will be screened at the grizzly)			
TM	Transition Material (Earthy)	3	>50cm (will be left in the pit)			
SAP	Saprolite (gritty clay with <10% boulders of weathered bedrock)					
R_SAP	Rocky saprolite (with 10 to 50% boulders of weathered bedrock)					
S_ROCK	Saprolitic rock (with 50-90% bedrock)					
SD	Serpentinized Dunite					
SS	Serpentinite					
HZ	Harzburgite					
Weathering				Characteristics		
Horizon	Classification			Degree	% Percent Rock	
Fresh Rock	HZ, SD, SS			0	>95	Black / green / light-dark grey, "unweathered", dense & hard.
	SROCK			1,2	50-95	Black / orange-brown, "slightly weathered", discoloured, still hard.
Saprolite	RSAP	2,3	10-50	Pink / brown / light gray, green, friable, "moderately weathered".		
	SAP	4,5	5-10	Brown, yellow / red, pink / green-gray, "moderate-intensely weathered", partly friable and gritty.		
	TM	5	<5	Brown, yellow / red, pink / green-gray, mud to clay-like texture, "intensely weathered".		
Limonite	LF, LA, LB	SF	0	Yellow - red, very soft, very low density to compact, "completely weathered", mud-like texture.		
Ferricrete		6		Red-black, hard, includes pisolites		
Additional Comments						
Texture	Hardness					
Grain Size	Minerals (Ex. Chrysotile, Antigorite, Goethite, Silicates)					
Colour	Weathering Degree					
Friability	Degree of Fracturing					
Disking	Mineralization					
Compactness						
		High Sphericity				
		Medium Sphericity				
		Low Sphericity				
		Very Angular	Angular	Sub-Angular	Sub-Rounded	
					Well Rounded	
		Grade Limits		Grade Name		
		mm	Inches	U.S. Standard Sieve Series	Texture Description	
76.2	3.0	75mm	Gravel			
2.0	0.08	No. 10	Very Coarse Sand			
1.0	0.04	No. 18	Coarse Sand			
0.5		No. 35	Medium Sand			
0.25		No. 60	Fine Sand			
0.100		No. 140	Very Fine Sand			
0.050		No. 270	Silt			
0.002		N/A	Clay			

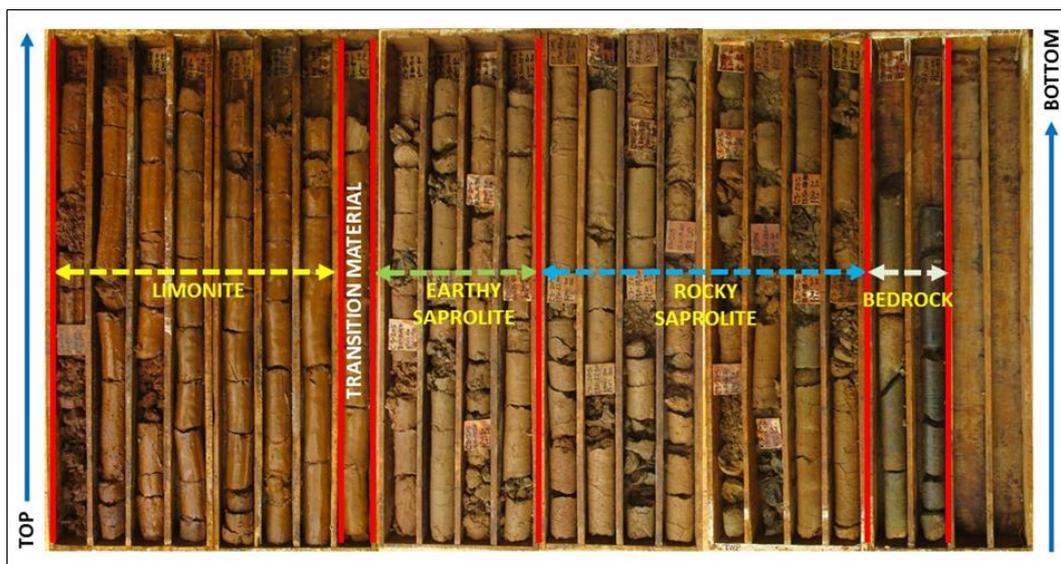


Figure-36. Typical Cores for Logging

8.4.2 Core Recovery

Core recovery was measured and recorded for each drill run by a designated core checker at the drill site. The information was then used by the geologist during actual core logging with attention given to proper placement of any lost core to its correct location in the run to avoid any bias.

The core recoveries for the recent CAGA-2, CAGA-3, and CAGA-4 drilling were exceptionally very good for all the drill holes with average total DH core recovery of 94.56%. Average DH core recoveries for all CAGA-2, CAGA-3, and CAGA-4 holes are given in **Table-23** below.

Table-23. Average DH Core Recoveries (Old and new data)

DDH Summary	CAGA-2	CAGA-3	CAGA-4	Total/Average
Total Holes	2,380	1,432	2,391	6,203
Total Depth	31,429.72	17,438.90	30,142.97	79,011.59
Average Depth	12.67	13.42	13.75	13.28
Total Core Recovered	30,795.63	35,280.61	37,974.98	104,051.22
Ave. Core Recovery	96.42%	94.91%	91.02%	94.11%

Review of core recoveries concluded that:

- There is no significant bias on grades against recoveries;
- Limonite exhibited consistent high recoveries of up to 100% on each drill run;
- Saprolite has lower recoveries than limonite as expected due to variability in composition (alternating hard/soft material) and particle sizes (coarse/fine).

8.4.3 Core Photography

Core photography was done for digital archiving of the drill cores. The photos can serve as reference to validate/correlate with results of laboratory analyses when needed in the future.

8.4.4 Core Sampling

Sampling of the drill core was carried out according to the PGMC Exploration and Sample Preparation Protocols.

Whole drill core (NQ-BQ size) was used for analysis to avoid sample bias caused by core splitting and sampling was done at one (1) meter intervals down the hole, except at lithological boundaries. Sample lengths across the boundaries were taken in a range of 1.0 ± 0.30 m to avoid excessively short or long samples. In addition, the entire drill hole was sampled, leaving no core to view as a record. For some of the earlier holes for CAGA-1 and CAGA-2, the core was originally split and the half core was retained in the core box and stored.

Each sample was then placed in a plastic bag labeled with the sample number. All sample details such as hole ID and sample number ranges were recorded during the sampling process. When completed, the sample batch was sent to the on-site PGMC laboratory for sample preparation.

Core extraction after a drill run is shown in **Figure-37**.



Figure-37. Core Extraction Prior to Core Logging/Sampling (Source: GPRI)

8.5 Bulk Density and Moisture Content Data

A total of 5,190 new measurements (in addition to previous tests on cores from CAGA-2, and CAGA-3) for bulk density and moisture content determinations were taken on core samples before sampling. One sample was selected for every five meters of drill core for limonite and saprolite samples and one sample for every five drill holes for bedrock samples.

The samples were first selected then placed in plastic bags labeled with the hole ID and depth of the sample. For the wet bulk density measurement, the selected sample was weighed using a digital balance to obtain the weight of the sample in air. It was then immersed in water for three minutes before being weighed in the water. The sample was then dried in the oven and the procedure was repeated to obtain the dry weight and the dry bulk density measurement. The bulk density and moisture content were calculated according to the following formulas:

$$\text{Bulk Density} = \frac{\text{Weight in air}}{\text{Weight in air} - \text{Weight in water}}$$

$$\text{Moisture Content (\%)} = \frac{\text{Weight of wet sample} - \text{Weight of dry sample}}{\text{Weight of wet sample}}$$

After the bulk density and moisture content measurements, the sample was then returned to the plastic sample bag to be submitted for analysis. All bulk density and moisture content measurements were conducted according to the PGMC Exploration Protocol.

Details of bulk density and moisture content samples taken for each deposit (2015- 2017) are in **Table-24**.

Table-24. Bulk Density and Moisture Content Samples (old and new)

	CAGA-2	CAGA-3	CAGA-4	TOTAL
No. of samples	2,281	2,909	4,235	9,425

Summary of derived dry density values used for block modelling in this report are shown in **Table-25**. The mean dry density values of each laterite material were used in the estimates.

Table-25. Block Model Dry Density Statistics

Statistics	CAGA-2			CAGA-3			CAGA-4		
	Limonite	Saprolite	Bedrock	Limonite	Saprolite	Bedrock	Limonite	Saprolite	Bedrock
Mean	1.35	1.34	1.87	1.20	1.15	2.40	1.01	1.16	2.04
Median	1.35	1.32	1.74	1.20	1.05	2.38	0.99	1.08	2.18
Standard Deviation	0.17	0.22	0.39	0.17	0.39	0.14	0.33	0.47	0.50
Variance	0.03	0.05	0.15	0.03	0.15	0.02	0.11	0.22	0.25
Kurtosis	2.35	12.39	0.57	5.07	6.56	4.79	0.24	0.44	0.76
Skewness	0.22	2.13	1.14	0.61	1.89	1.22	0.49	0.81	-0.53
Minimum	0.78	0.73	1.05	0.51	0.67	2.16	0.34	0.30	0.53
Maximum	2.17	2.90	2.95	2.02	2.58	2.81	2.72	3.15	4.44
BM Density	1.35	1.34	1.87	1.20	1.15	2.40	1.01	1.16	2.04

8.6 Metallurgical Test Work

Future metallurgical test work for ore samples from each of the CAGA deposits are recommended to confirm that products produced from these deposits can meet required market specifications.

8.7 Sample Preparation, Analyses and Security

All regular sample preparation and assaying were carried out by PGMC (in-house) for their core samples from exploration drilling and ore samples during mining/shipment. The wet samples were weighed then dried in the oven at 80 degrees Celsius for approximately four hours. The dried sample was then weighed and the sample was manually crushed to a 5mm size fraction. It was then blended thoroughly and split to obtain a 500g sample using a Jones riffle splitter. The coarse reject material was stored, while the split sample was pulverized to minus 80 mesh size fraction using a 'Pulverette 9' ring mill with a speed of 1,300 rpm. The pulverized sample was then extracted and the mill was cleaned using a compressed air blower and suction unit.

Check/External Repeat samples were sent to the Intertek in Manila which is an ISO-accredited laboratory. Remainder of each coarse sample (reject) was stored on-site (PGMC) in marked plastic bags for future reference. The remaining sample pulps were stored in labelled, paper kraft envelopes and sent back to the core processing facility where they were sealed in labelled plastic bags and stored. Older sample pulps were still stored on-site next to the laboratory in a dry storage facility.

Sample preparation was carried out according to accepted protocols of each of the laboratories involved and as per type of sample and analyses required.

Flowcharts/protocols for sample preparation of PGMC and Intertek are shown in **Figure-38** and **Table-26**, respectively.

The PGMC Exploration Protocols guaranteed the integrity and security of all samples right from sampling, handling, dispatch and analyses.

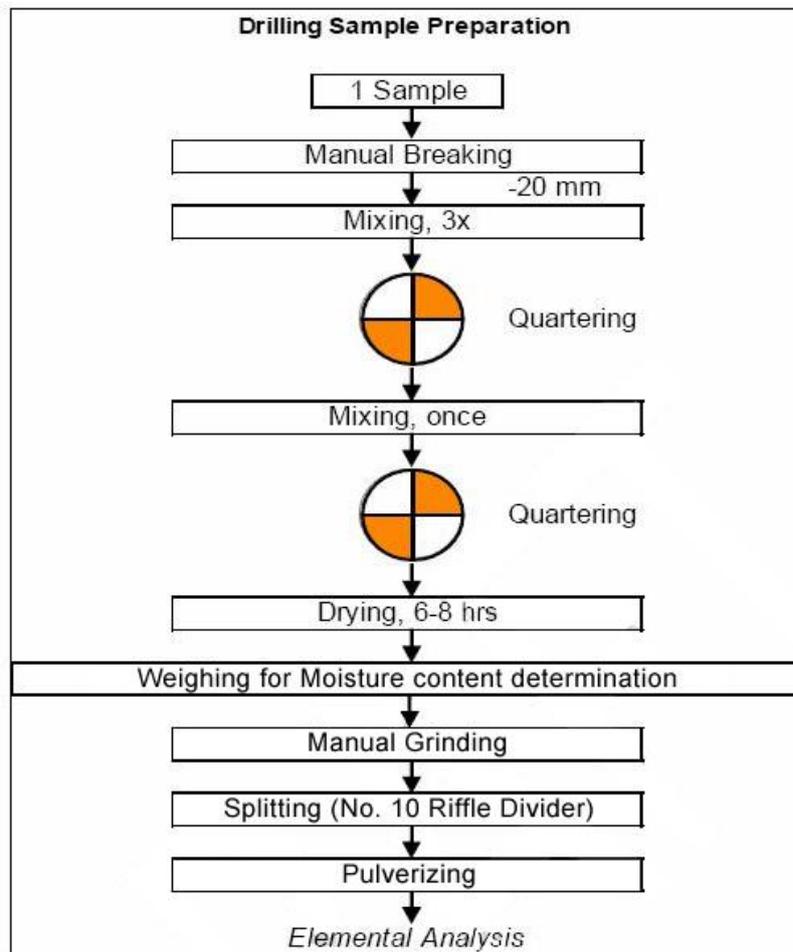


Figure-38. Flowchart of PGMC- Drilling Sample Preparation

Table-26. Intertek Laboratory Sample Preparation Protocol

<p>A. Sample Preparation Procedure</p> <ol style="list-style-type: none"> 1. Approximately 1 kg of sample received is transferred into a clean pan with its label. 2. The sample is dried in the oven @ 105-110 °C for 16-18 hours depending on its moisture content. 3. The dried sample is pulverized to 95% passing 200mesh using a Bico pulverizer. 4. The pulverized sample is thoroughly mixed by rolling 60 times on a rolling cloth. 5. The pulverized sample is leveled to a height of 3mm & a representative sample is taken by increment method. A 100g sample is taken for the laboratory analysis and another 100g sample is reserved for the client. 6. The analytical sample is submitted to the lab for analysis and the rest of the pulp sample is retained and stored in the sample preparation room. 7. Retained samples are kept for three months, thereafter disposed of properly unless otherwise requested by the client for continued storage.

8.7.1 Analytical Methods used

PGMC's laboratory used the XRF method or X-ray Fluorescence which is the measurement of secondary (or fluorescent) X-rays emitted from a material which have been bombarded with high X-rays or gamma rays. It is non-destructive and reliable, requires no, or very little, sample preparation and is suitable for solid, liquid and powdered samples. It can be used for a wide range of elements, from sodium (11) to uranium (92), and provides detection limits at the sub-ppm level.

The samples were analyzed at the PGMC laboratory using the pressed-pellet X-ray Fluorescence (XRF) method. This procedure involved weighing a 4 gram fraction from the sample pulp and mixing it with 0.9 grams of binder rocks. The sample was then prepared into a pressed (**Figure-39**) pellet under 10 tonnes of pressure in a Specac hydraulic press (**Figure-40**). The pressed pellet was labelled with the sample number marked on a sticker. The pressed pellet was then analyzed using an Ametek Spectro Xepos XRF instrument. The machine has a capacity of 12 samples that can be analyzed at any one time, but one sample was always an internal standard. The samples were analyzed for Ni, Fe, Co, LOI, P, Mn, MgO, Al₂O₃, SiO₂, CaO and Cr₂O₃. The samples were analyzed for 25 minutes per batch and the results were collated and exported to a CSV file. Other laboratory instruments are shown in **Figures-41 and 42**.



Figure-39. Pressed Pellets at PGMC Laboratory



Figure-40. Hydraulic Press



Figure-41. START D Microwave



Figure-42. MEMMERT Drying Ovens

The check samples sent to the Intertek laboratory were analyzed by the Atomic Absorption Spectroscopy (AAS) method. The sample pulp was pulverized to minus 200 mesh to ensure homogeneity then a 25 gram split was taken. The split sample was digested by a combination of HNO₃, HClO₄, HF and HCl acids then submitted for AAS. The results for Ni, Co, Fe, Mg and Al were obtained while a gravimetric process was used to obtain the results for SiO₂. Details of test procedure for Ni, Co, and Fe determination using this method are given below, **Table-27**.

Table-27. Intertek Laboratory Analysis Protocol

<p>B. Test Procedure for Nickel, Cobalt & Iron determination by AAS method.</p> <ol style="list-style-type: none"> 1. Weigh out 0.25g of sample into a 100 ml nalgene beaker. 2. Weigh out 0.25 g of Ref. Material into a 100 ml nalgene beaker. 3. To each sample, add 15 ml of HCl, 10 ml HNO₃, 5 ml HClO₄, & 1 ml of Hf 4. Swirl to mix. Wash down the walls of the nalgene beaker and digest on the hotplate. 5. Digest to near dryness. 6. Remove from the hotplate and allow cooling. Rinse down the walls of the beaker with DI water. 7. Heat to dissolve the salts. 8. Remove from the hotplate & allow to cool 9. Carry out a blank test in parallel with the analysis. 10. Dilute the sample to 250 ml with DI water and aspirate in the AAS to determine Ni, Co & Fe.
--

The detection limits for XRF and AAS analytical methods are shown in **Table-28**.

Table-28. Detection Limits

Method	Ni, %	Fe, %
XRF (PGMC)	0.01	0.01
AAS (External Lab)	0.20	0.20

8.8 Data Exclusion

CAGA-2 drill hole sample intervals located within the waste dump and rehabilitated areas are removed from the geology and sample tables.

9.0 Quality Assurance /Quality Control (QA/QC)

The objective of Quality Assurance and Quality Control program is to ensure that data from sampling, assaying, and recording of geological observations are of high integrity for the purpose of obtaining reliable mineral resource and reserve estimates. The program should adhere to standards that are high enough to ensure that the accuracy and precision of the sampling and analytical process are at an acceptable level. The legal aspects of mining disclosure are governed by Standards of Disclosure for Mineral Projects such the Joint Ore Reserve Committee (JORC) for international projects and Philippine Mineral Reporting Code (PMRC) for local projects, which states that all scientific and technical reports must be prepared and certified by a Qualified Person in accordance with professional and industry standards following Mineral Exploration Best Practices Guidelines and Definitions, and Guidelines of the JORC/PMRC Standards on Mineral Resources and Reserves.

Quality control studies were initiated to:

- Determine the reliability and accuracy of the field sample preparation technique, i.e. homogenization of the sample during preparation (analysis of duplicate field samples).
- Determine the accuracy of the analytical data supplied by PGMC (check assaying by other independent laboratories).

To establish the QA/QC procedure, pulp samples of the drill cores were randomly selected from the PGMC laboratory. In order to have a representative analysis of the Cagdianao nickel laterite profile, samples were selected (if applicable) as follows:

- Samples from high nickel values

- Samples from median nickel values
- Samples from low nickel values

The QA/QC data supplied to the geologist-CP included internal repeats, external repeats, standard reference material and blank sample results. The number of QA/QC samples for each deposit is summarized in **Table-29**.

Table-29. Summary of QA/QC Samples

TYPE	CAGA-2	CAGA-3	CAGA-4	TOTAL
No. of Internal repeats/Duplicates	784	940	903	2,627
No. of External repeats/Checks	167	134	137	438
No. of Standards	111	78	174	363
No. of Blanks	37	62	58	157
GRAND TOTAL				3,585

9.1 Internal Repeats

A total of 2,627 internal duplicates were analyzed as shown in **Table-29**. Internal repeats were selected by the Project Geologist to cover the full range of lithologies. Around 3.19% of the sample pulps were selected as internal repeat samples and blindly submitted to the primary laboratory to check the homogenization process and the assay precision. Internal repeat samples were analyzed by the pressed-pellet XRF method as outlined previously for the on-site PGMC laboratory.

9.2 External Repeats

A total of 438 (**Table-29**) external repeat samples were taken by the Client and submitted to the Intertek laboratory in Manila for new drill holes, while repeat samples from old drill holes were submitted to Ostrea laboratory. External repeats were planned to be taken at a frequency of one every 50 samples (2% of total samples) but was not achieved for both CAGA-2 and CAGA-4 drill holes. The external repeats were taken from the sample pulps and analyzed by the AAS method by Intertek Laboratory.

9.3 Standards

A total of 363 (**Table-29**) standard reference material samples ("standard samples") were assayed for QA/QC purposes. Three standard samples covering a range of nickel values were provided by Intertek. One standard sample was included with each batch of 125 samples (on-site PGMC laboratory).

9.4 Blanks

A total of 157 blank samples were assayed by PGMC as part of QA/QC.

9.5 QA/QC Analysis Methodology

There were 2,627 duplicate samples, 438 check samples, 363 standards and 157 blank samples collected and used in the QA/QC analysis. The PMRC protocol requires at least

5% for duplicate and 2% for check/standard samples and hence the sample population is quite represented in this analysis.

The relative and half absolute difference between assay results were analyzed and results are presented in the succeeding sections.

Relative Error Analysis (RE)

The objective of this analysis is to establish and quantify any bias which may exist between the different assays of identical raw samples (duplicates) or pulps (independent laboratory checks)

Relative Percentage Error (RPE):

The relative percentage error (RPE) indicates the variability between samples, and the average error measures any bias that may occur. An unbiased comparison has an average RPE of zero, with a minimal spread of values about this average.

The formula used was:

$$RE\% = (A - B) / 0.5(A + B) \times 100 \text{ where,}$$

A = original assay

B = duplicate assay

Half Absolute Relative Difference (HARD):

The Half Absolute Relative Difference (HARD) also measures the average error of any bias that may occur within a paired data. An unbiased comparison has also an average HARD of zero.

$$HARD\% = 1/2x ((ABS(A-B))/(0.50 \times (A+B))) \times 100 \text{ where,}$$

A = original assay

B = duplicate assay

9.6 QA/QC Results

The results of QA/QC are summarized in **Table-30** below.

Table-30. QA/QC Results for CAGA-2, CAGA-3, and CAGA-4 Exploration Samples

Sample	Test	CAGA-2			CAGA-3			CAGA-4		
		Average	Ni	Fe	Co	Ni	Fe	Co	Ni	Fe
Duplicates (PGMC Internal Duplicates)	No. Pairs	495	495	495	761	761	761	903	903	903
	RPE	0.43%	0.44%	0.56%	-0.29%	0.36%	0.19%	0.16%	0.83%	2.07%
	HARD	0.80%	0.85%	6.20%	0.94%	1.04%	6.48%	1.07%	1.44%	6.80%
	Correlation (R2)	0.999	1.000	0.907	1.000	1.000	1.000	0.934	0.973	0.636
Checks (PGMC Internal Duplicates) PGMC vs. Intertek	No. Pairs	52	52	52	63	63	63	137	137	137
	RPE	-0.43%	-0.61%	48.06%	-3.02%	-5.43%	16.90%	-0.56%	2.16%	50.86%
	HARD	2.26%	4.22%	28.00%	2.12%	3.73%	20.39%	2.32%	3.48%	29.71%
	Correlation (R2)	0.995	0.994	0.740	0.994	0.997	0.827	0.965	0.953	0.746
Blanks (PGMC Blanks)	No. Pairs	36	36	36	54	54	54	58	58	58
	RPE	-3.81%	1.13%	0.18%	2.25%	-0.29%	-3.71%	-4.63%	0.28%	20.61%
	HARD	3.13%	4.62%	10.96%	1.87%	0.86%	5.94%	3.31%	7.04%	13.63%
	Correlation (R2)	0.865	0.370	0.271	0.839	0.972	0.603	0.969	0.382	0.197
Standards (OREAS vs. PGMC) OREAS 186	No. Pairs	46	46	46	63	63	63	88	88	88
	RPE	-0.84%	-4.07%	-0.99%	-0.60%	-3.41%	1.85%	-0.11%	-4.07%	20.98%
	HARD	0.59%	2.04%	8.97%	0.52%	1.71%	4.02%	0.42%	2.04%	10.68%
	Correlation (R2)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Findings of the QA/QC for CAGA2 and CAGA 4 deposits include:

- OREAS (Standard) analysis as compared with PGMC is within -4.07% to 1.85% and RPE showing good repeatability for nickel, iron;
- External duplicates (check samples) analysis by Intertek shows good correlation with PGMC samples to within 0.002% difference with an RPE of \pm -1% for nickel, \pm 2% for iron;
- Nickel and Iron internal duplicates (PGMC analysis) are within acceptable +10% RPE;
- Cobalt, however, shows a very poor repeatability with a significant bias in external duplicates and blanks possibly due to sample preparation concerns and XRF detection limits;
- RPE outliers were noted for extremely low nickel values and were mostly found in the bedrock domain. These maybe possibly due to XRF detection limits;
- RPE outliers were also observed for the lowest values of iron mostly found in the bedrock domain. These may be due possibly due to XRF detection limits;
- The PGMC laboratory analysis of samples generally shows acceptable precision and accuracy to be acceptable for use in resource estimation. However, regular review of sampling and sample preparation protocols and calibration of XRF instruments are proposed to improve laboratory performance in performing regular mine sample and future exploration sample analyses.

QA/QC results (RPE/HARD and linear correlation plots) for the recent updates (CAGA-2 and CAGA-3) are shown in **Figure-43 to Figure-78**.

9.7 Statement of CP on QA/QC

The QA/QC process indicated the following: that there is no significant assay bias; that with the significant number of samples used in the estimation and the normal distribution and small range of sample grades within each estimation domain, the observed scatter of repeat data have no material and adverse impact on the resource estimate. Using the results of QA/QC, considerations were made when assigning PMRC classifications to the resource estimates.

The CP deems that the QA/QC protocols implemented is sufficient and acceptable for the purpose of the block modelling resource estimation.

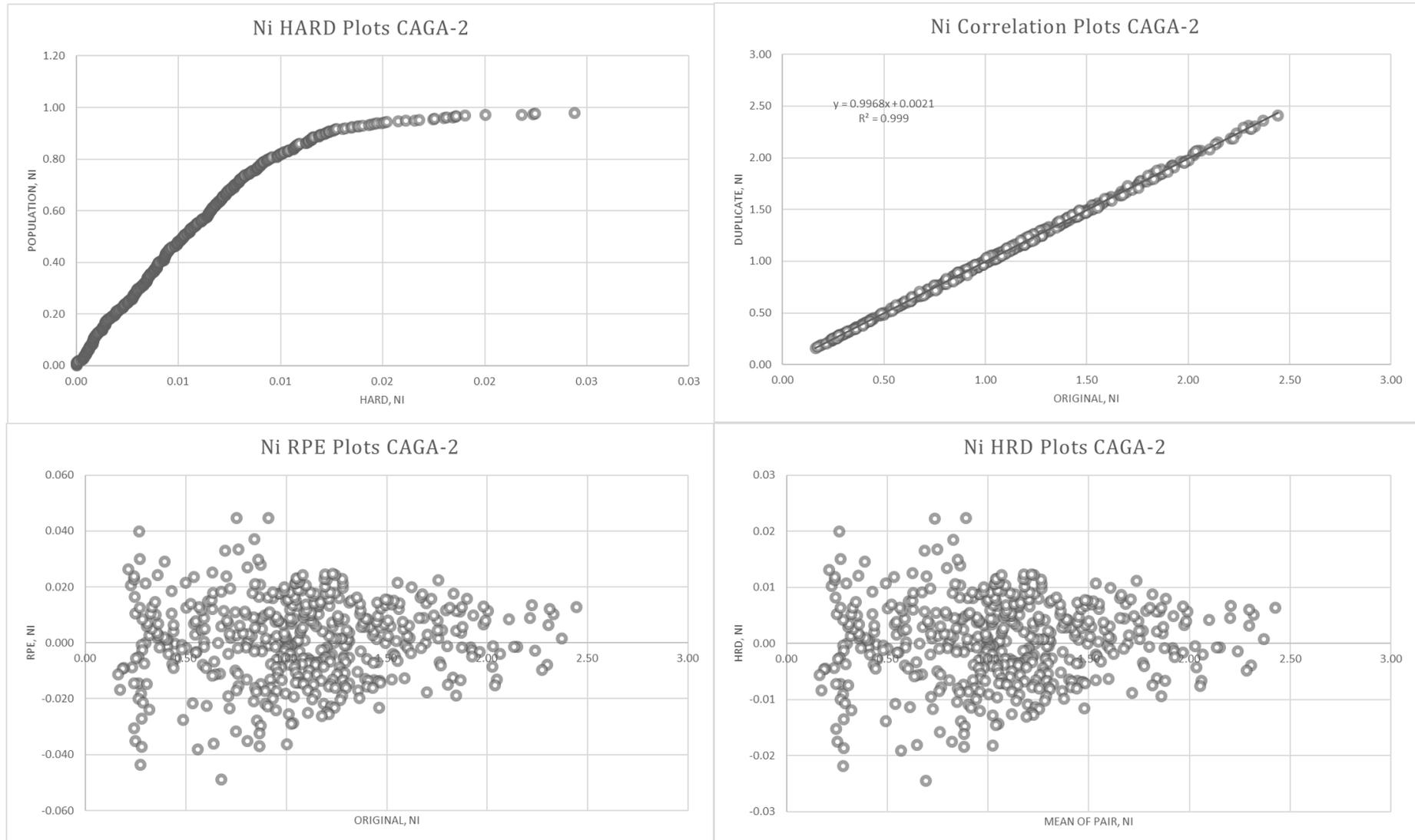


FIGURE-43. QAQC – CAGA-2 DUPLICATE SAMPLES (Ni)

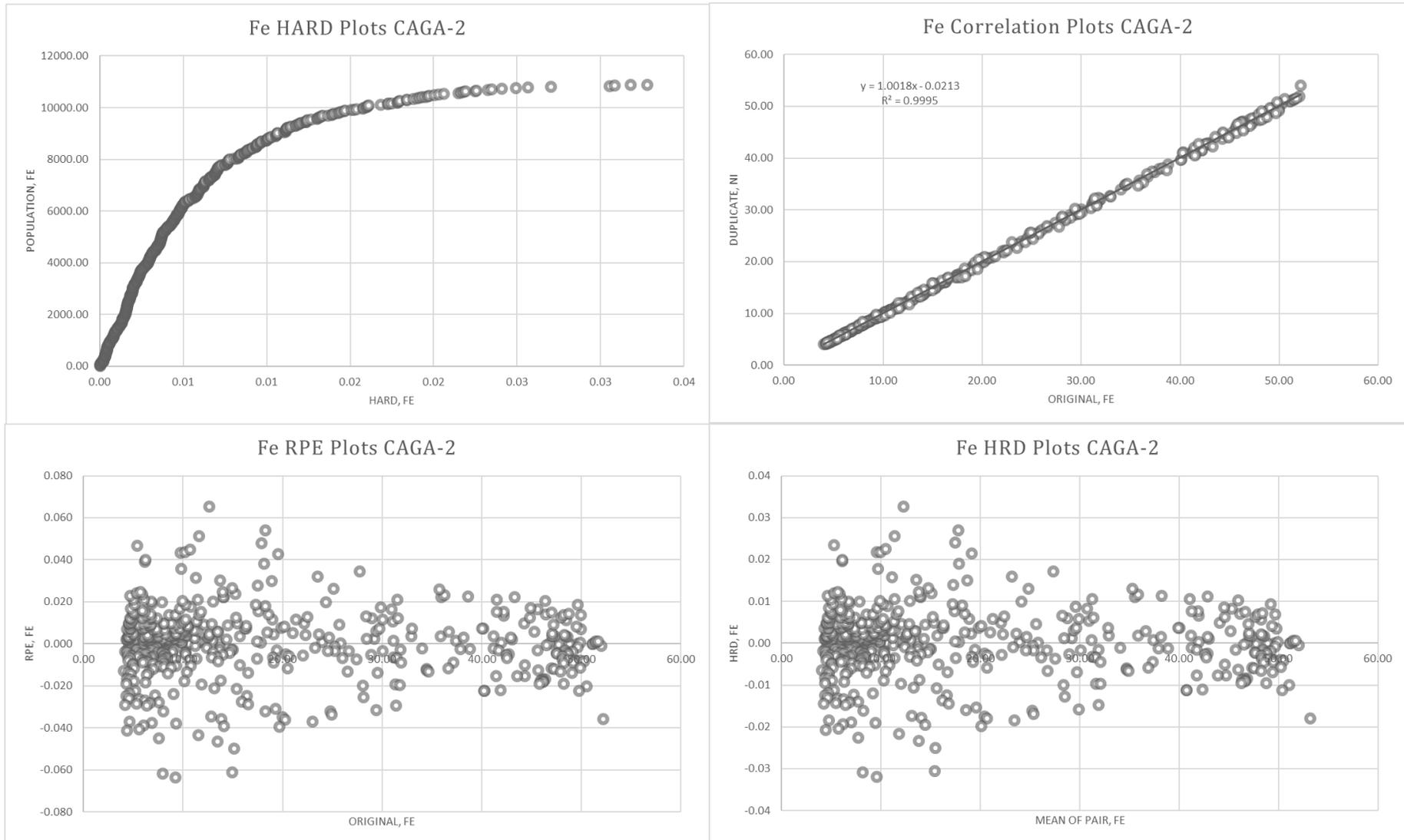


FIGURE-44. QAQC – CAGA-2 DUPLICATE SAMPLES (Fe)

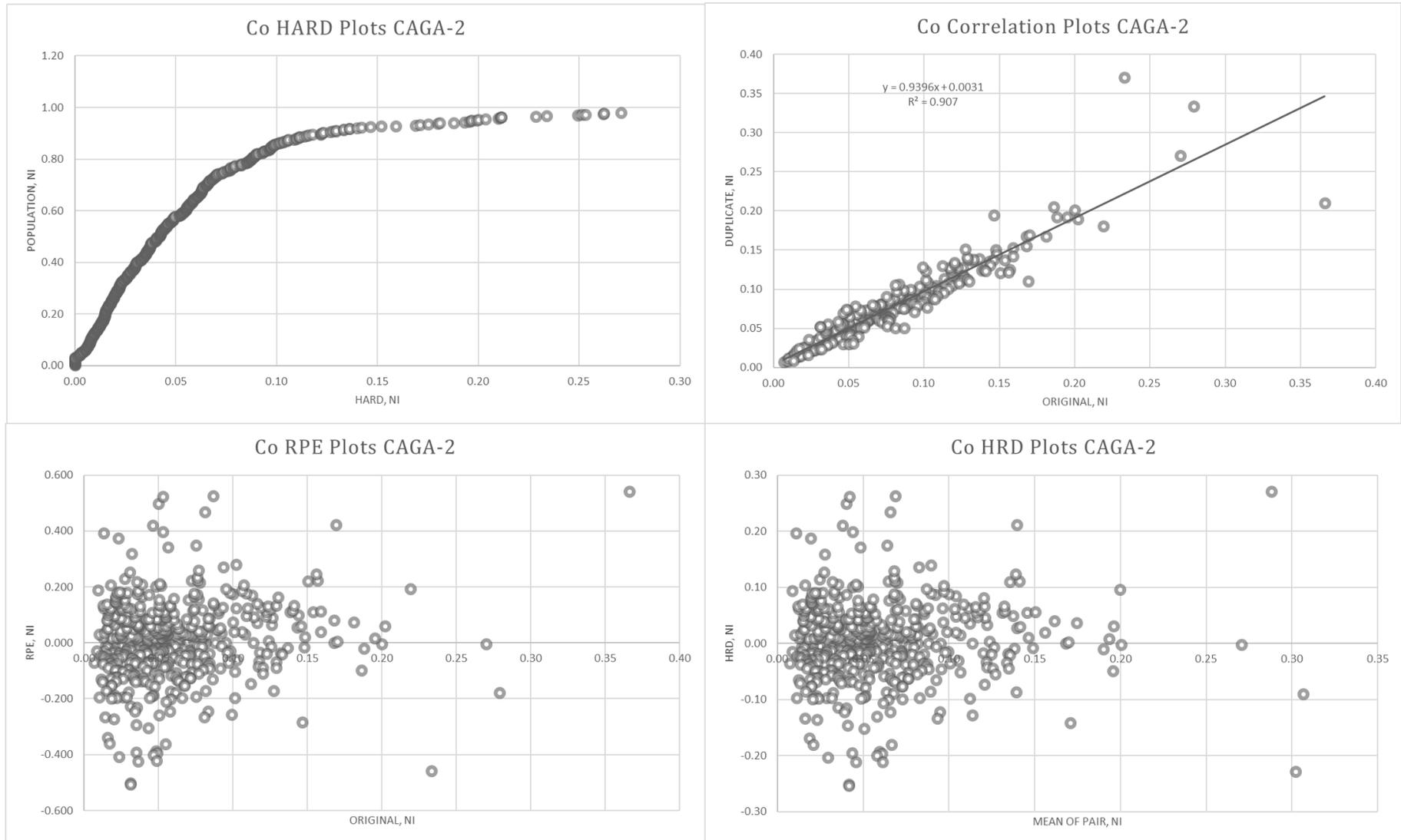


FIGURE-45. QAQC – CAGA-2 DUPLICATE SAMPLES (Co)

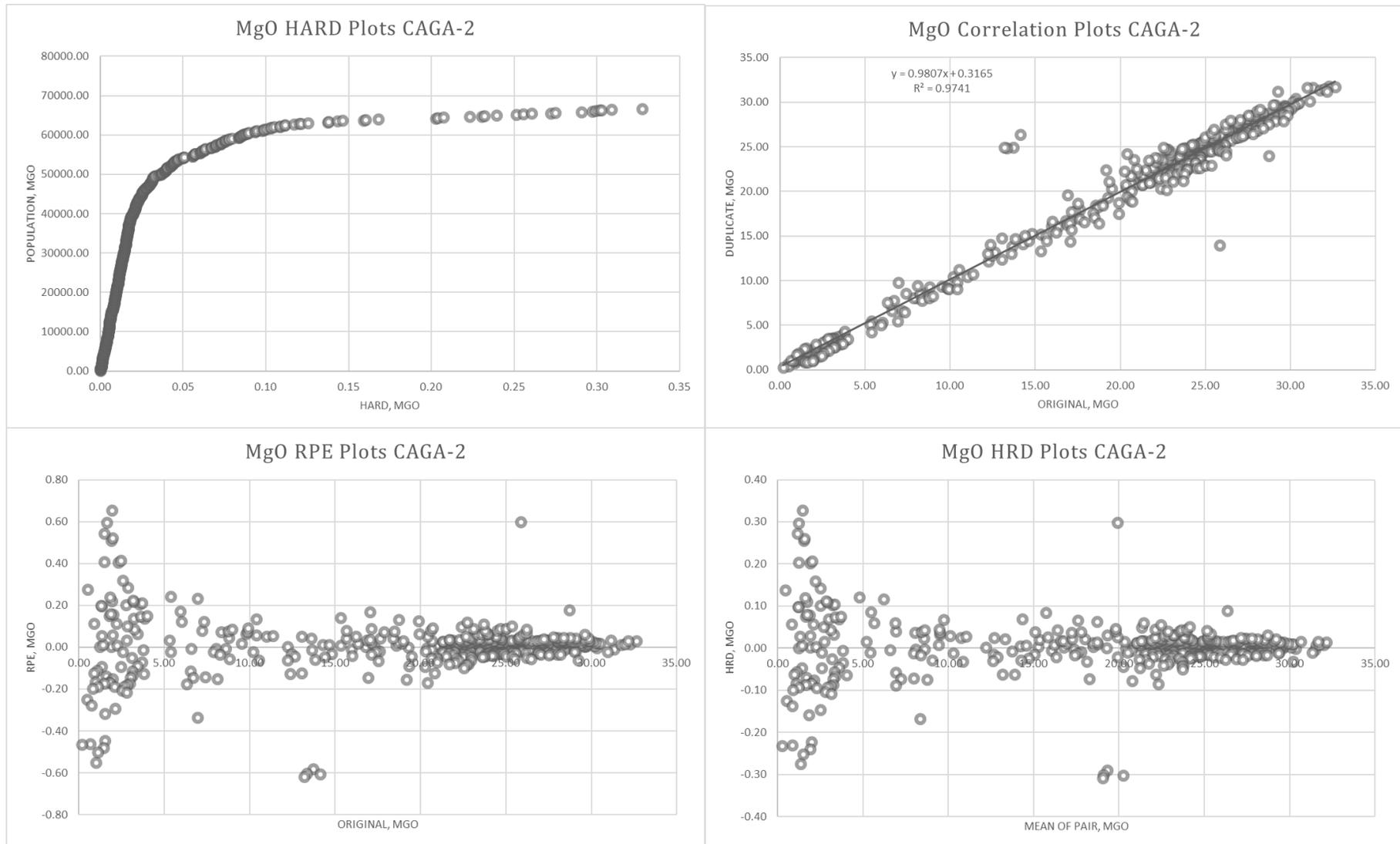


FIGURE-46. QAQC – CAGA-2 DUPLICATE SAMPLES (MgO)

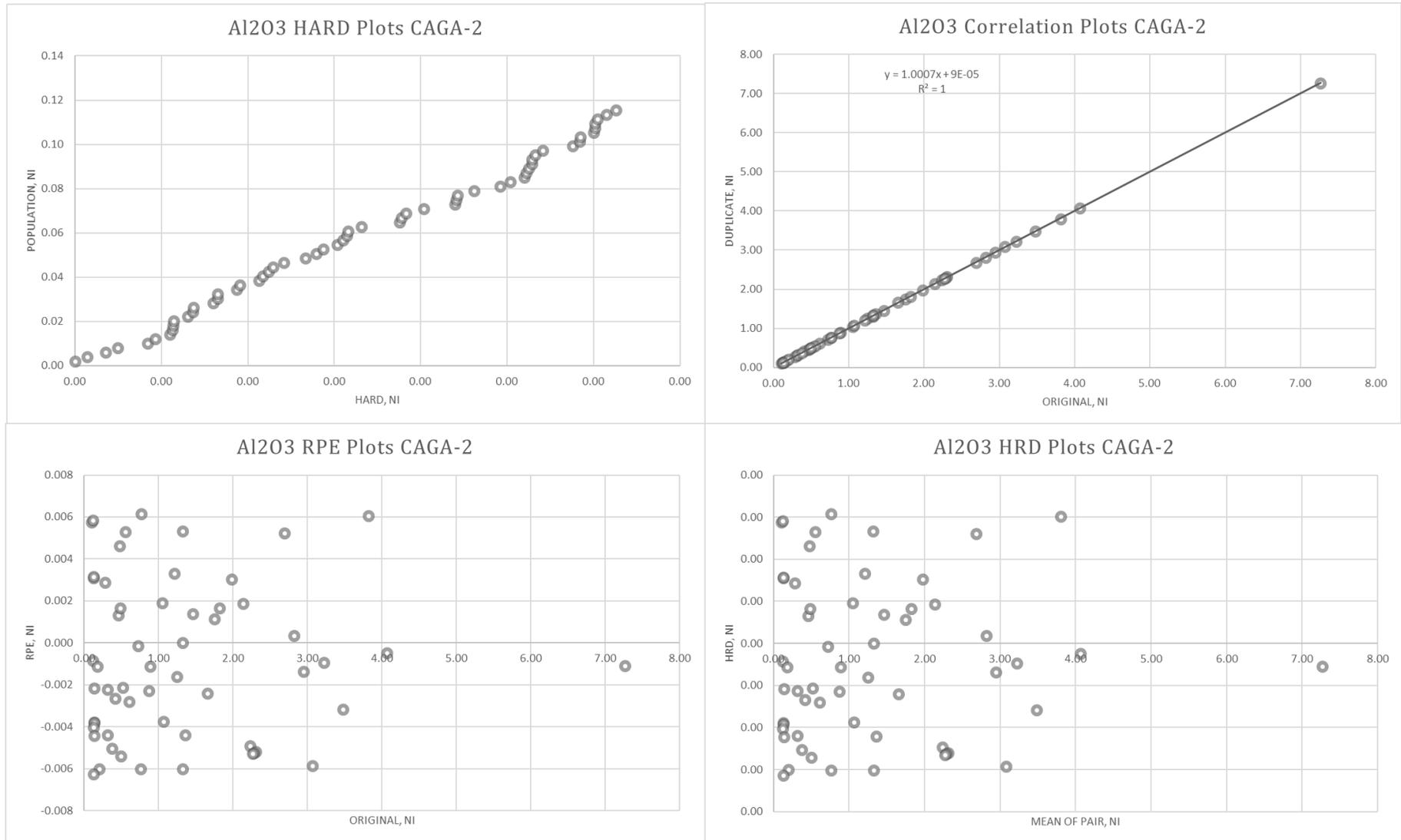


FIGURE-47. QAQC – CAGA-2 DUPLICATE SAMPLES (Al₂O₃)

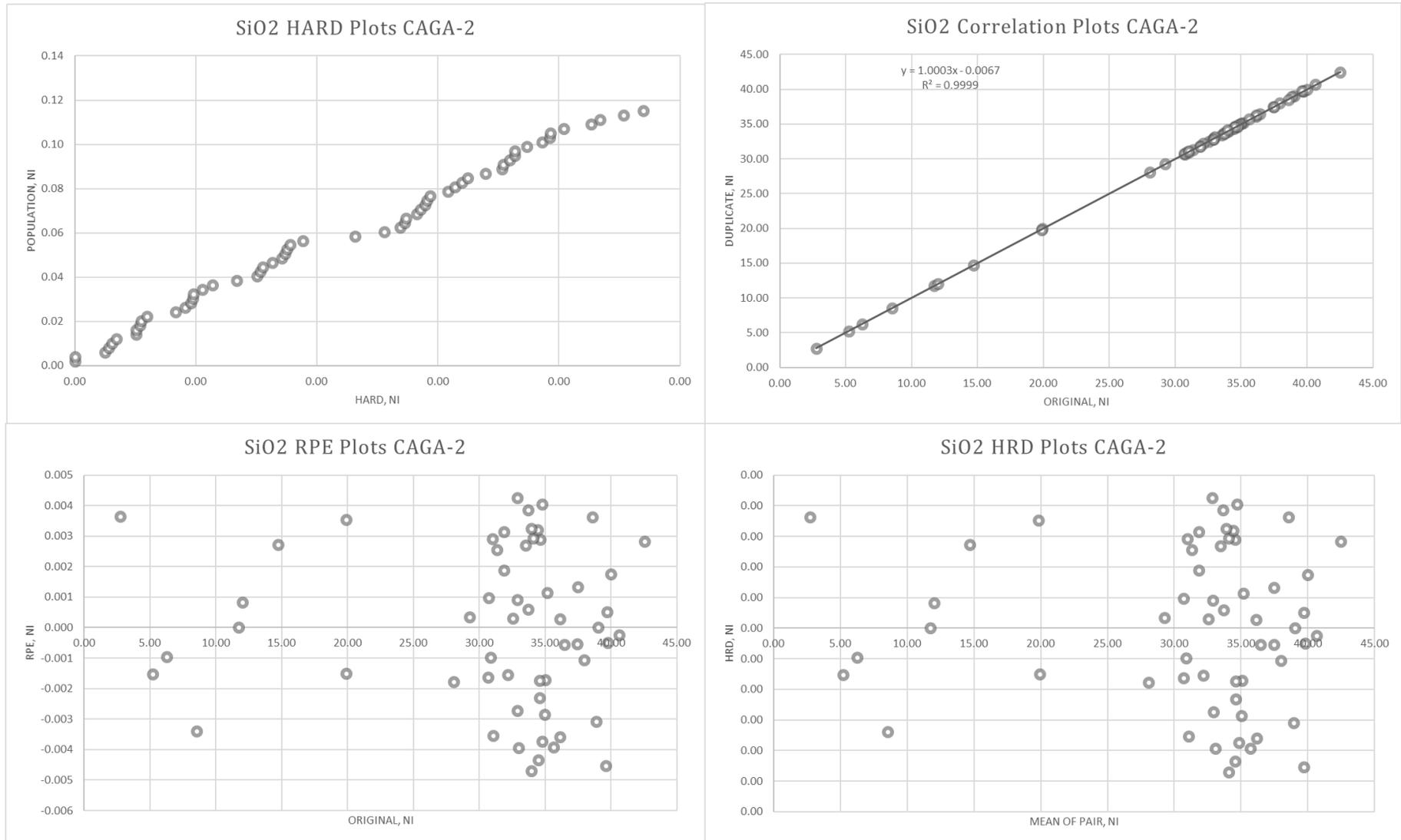


FIGURE-48. QAQC – CAGA-2 DUPLICATE SAMPLES (SiO₂)

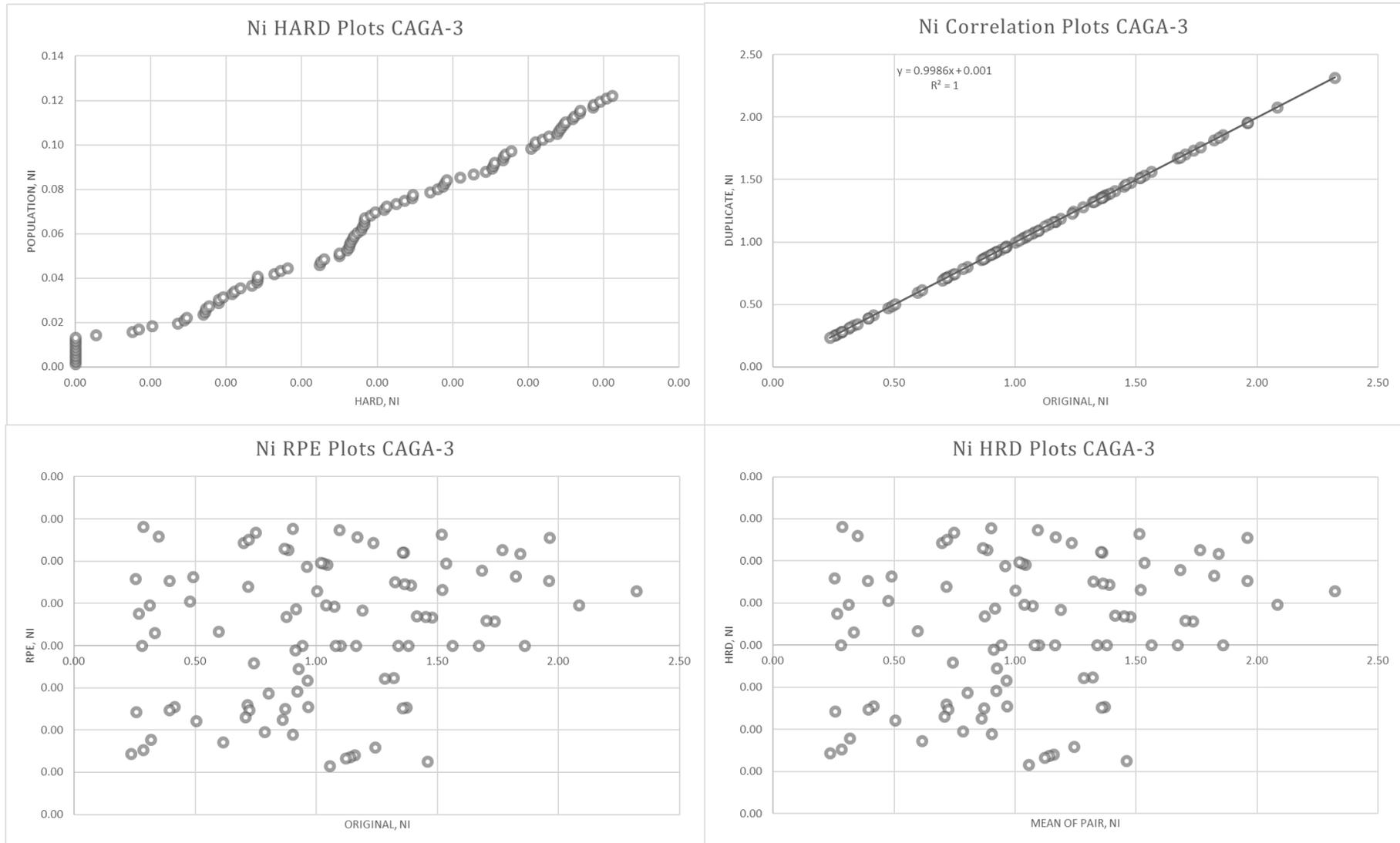


FIGURE-49. QAQC – CAGA-3 DUPLICATE SAMPLES (Ni)

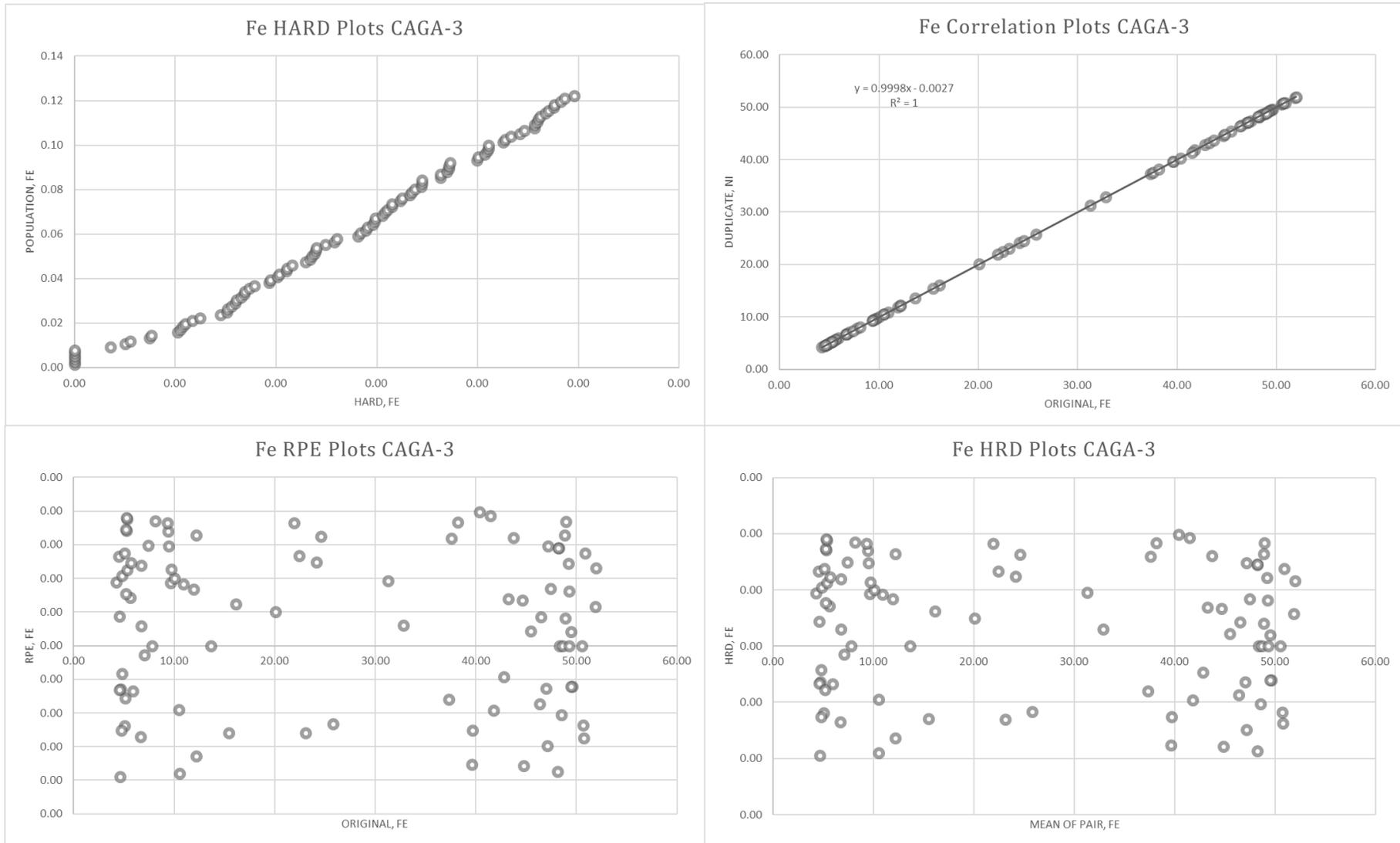


FIGURE-50. QAQC – CAGA-3 DUPLICATE SAMPLES (Fe)

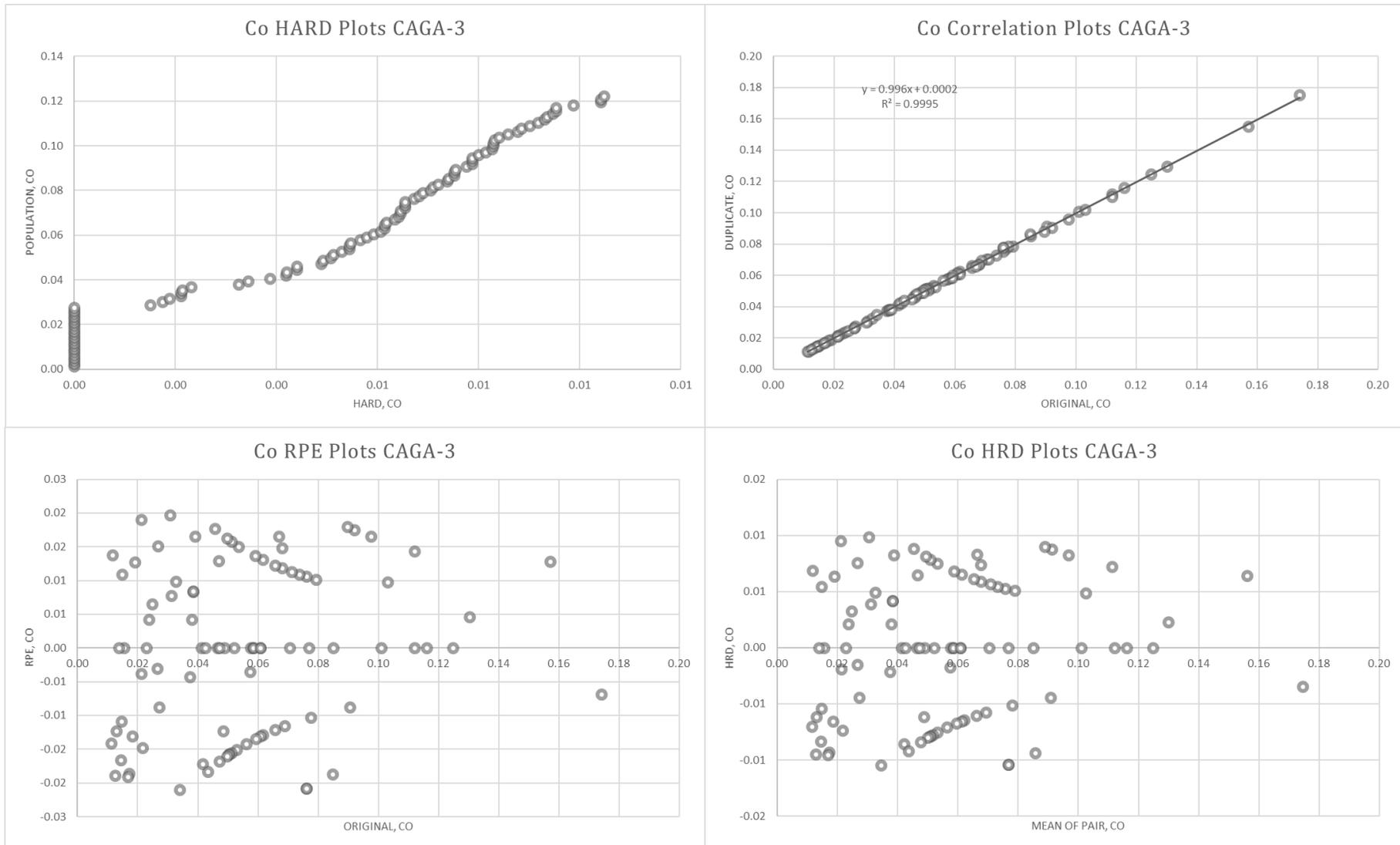


FIGURE-51. QAQC – CAGA-3 DUPLICATE SAMPLES (Fe)

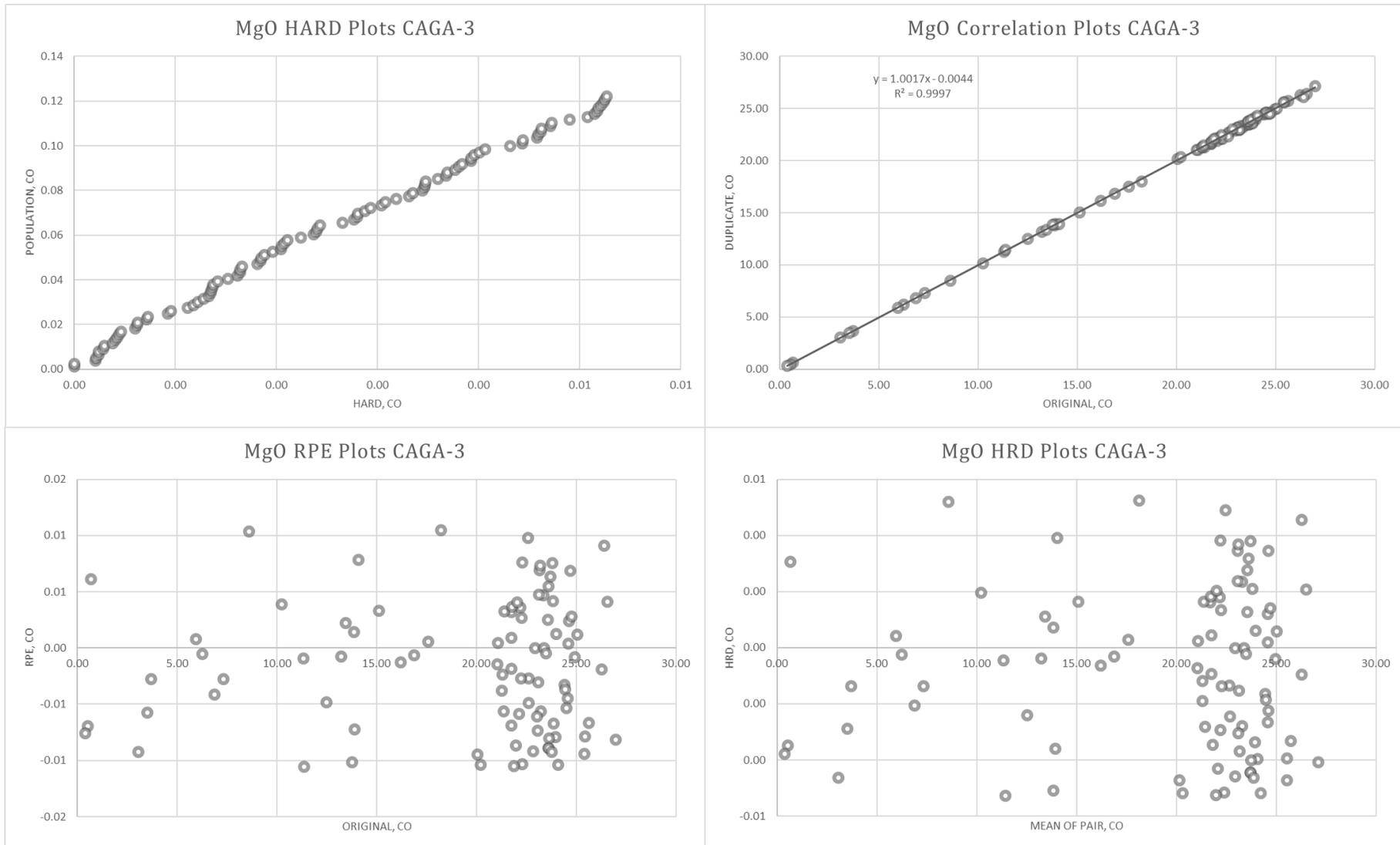


FIGURE-52. QAQC – CAGA-3 DUPLICATE SAMPLES (MgO)

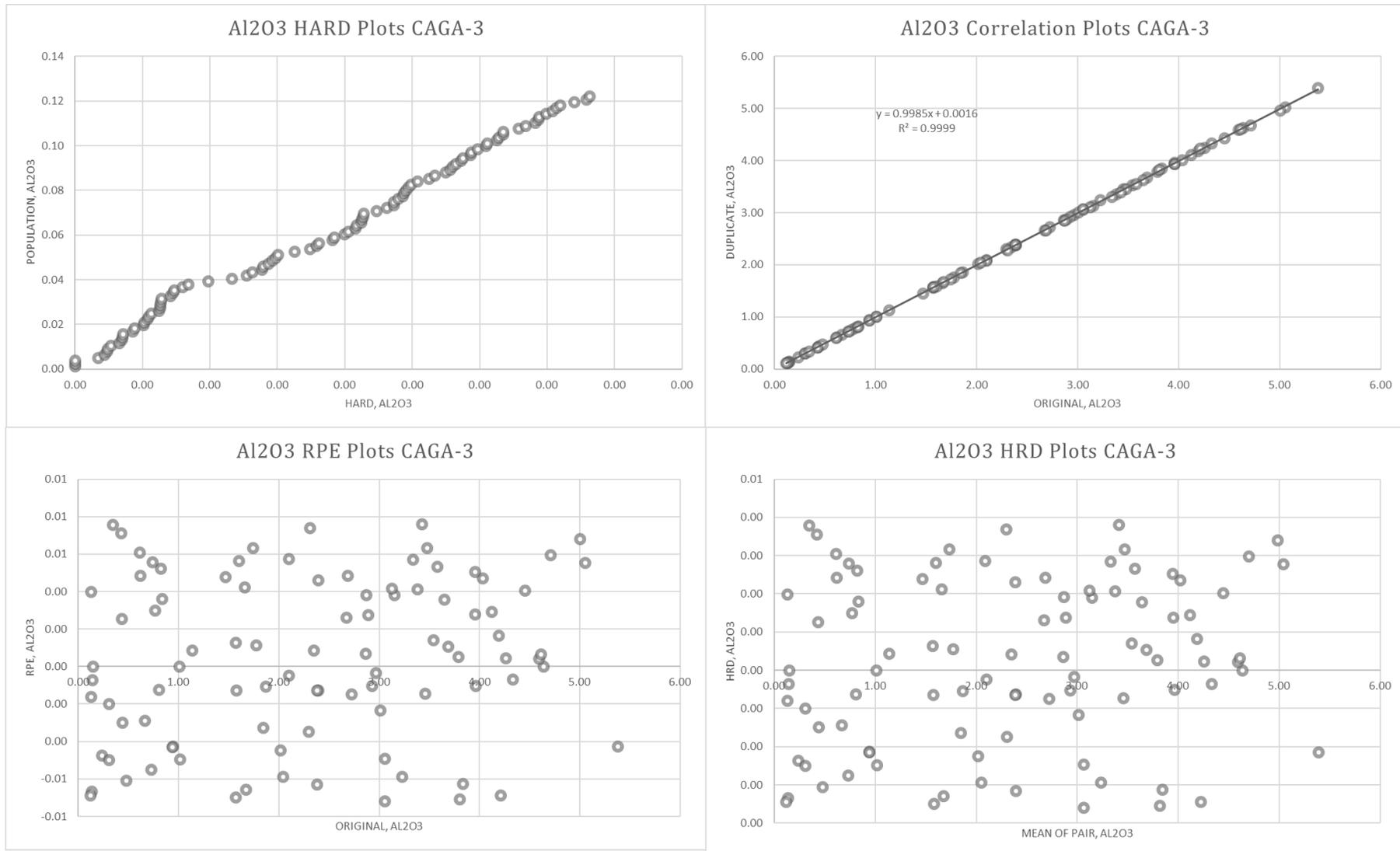


FIGURE-53. QAQC – CAGA-3 DUPLICATE SAMPLES (Al_2O_3)

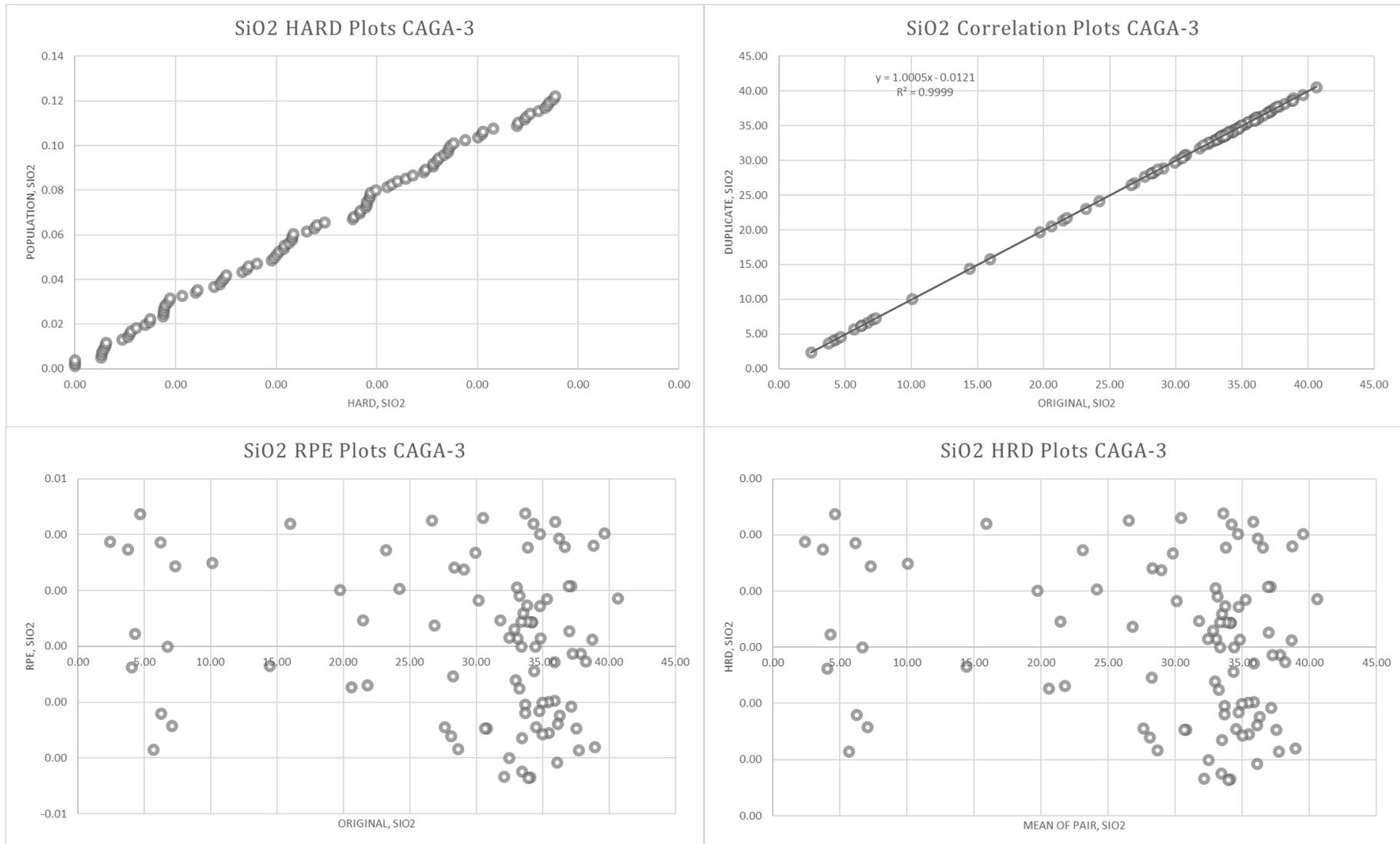


FIGURE-54. QAQC – CAGA-3 DUPLICATE SAMPLES (SiO₂)

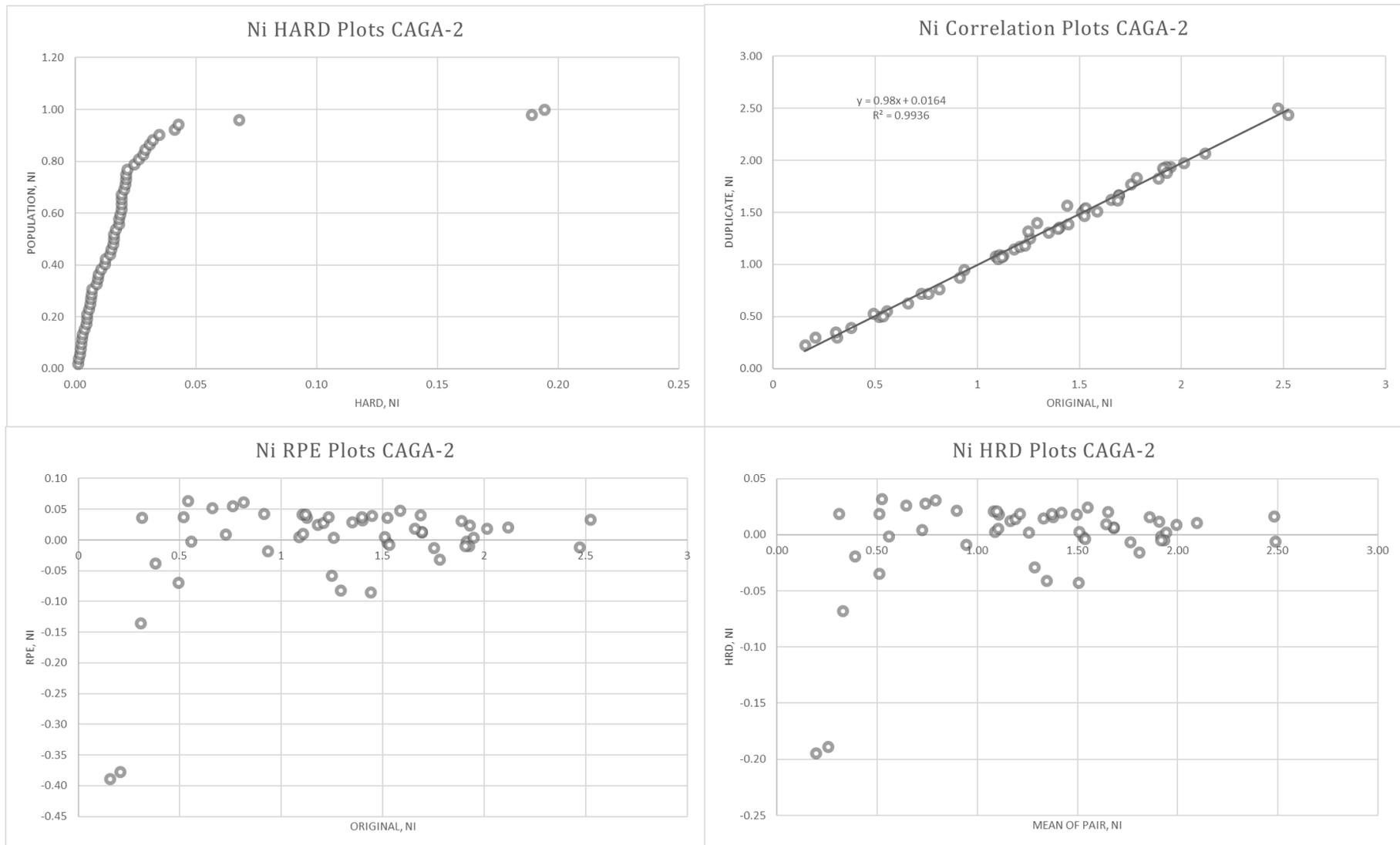


FIGURE-55. QAQC – CAGA-2 CHECK/EXTERNAL REPEATS SAMPLES (Ni)

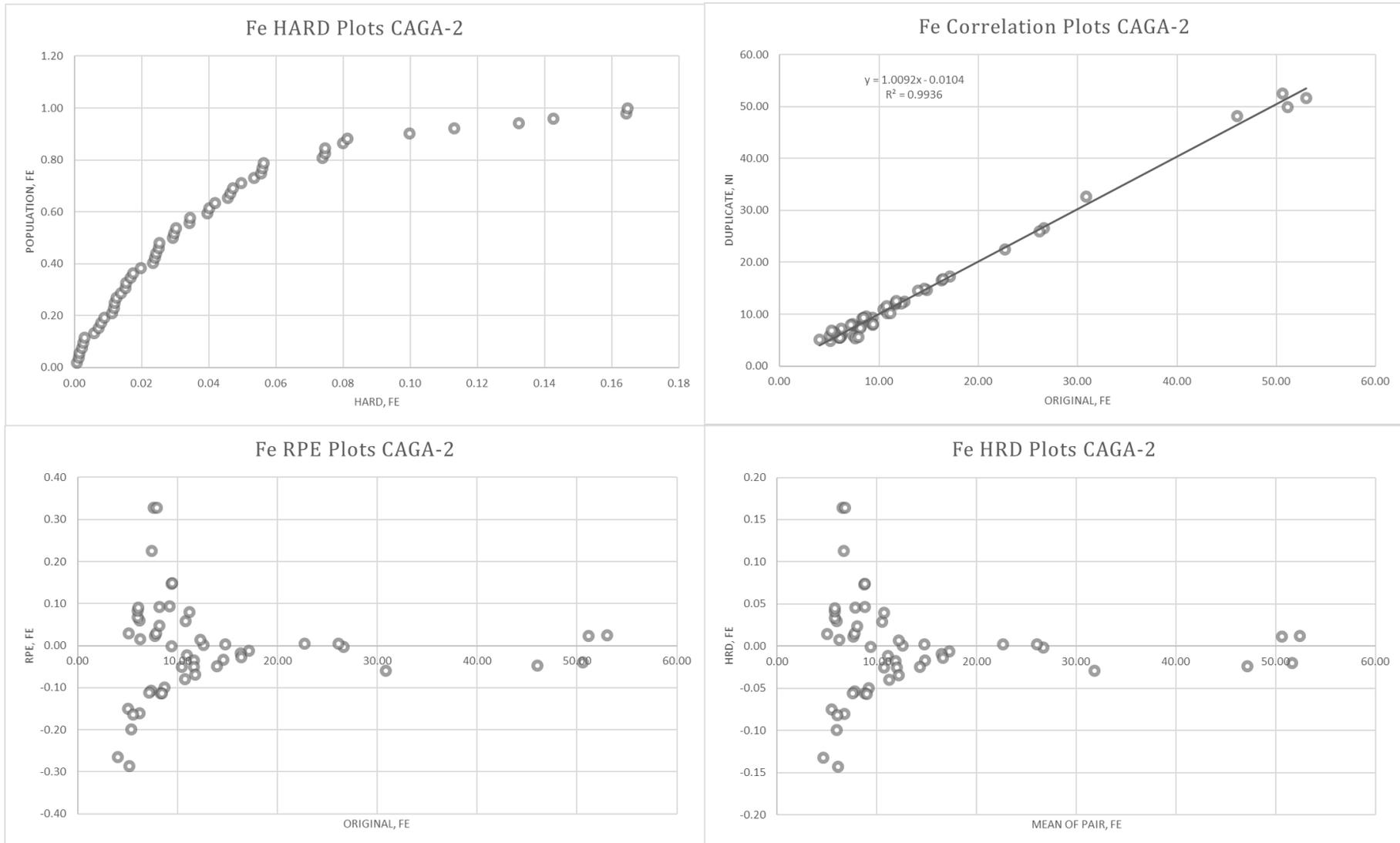


FIGURE-56. QAQC – CAGA-2 CHECK/EXTERNAL REPEATS SAMPLES (Fe)

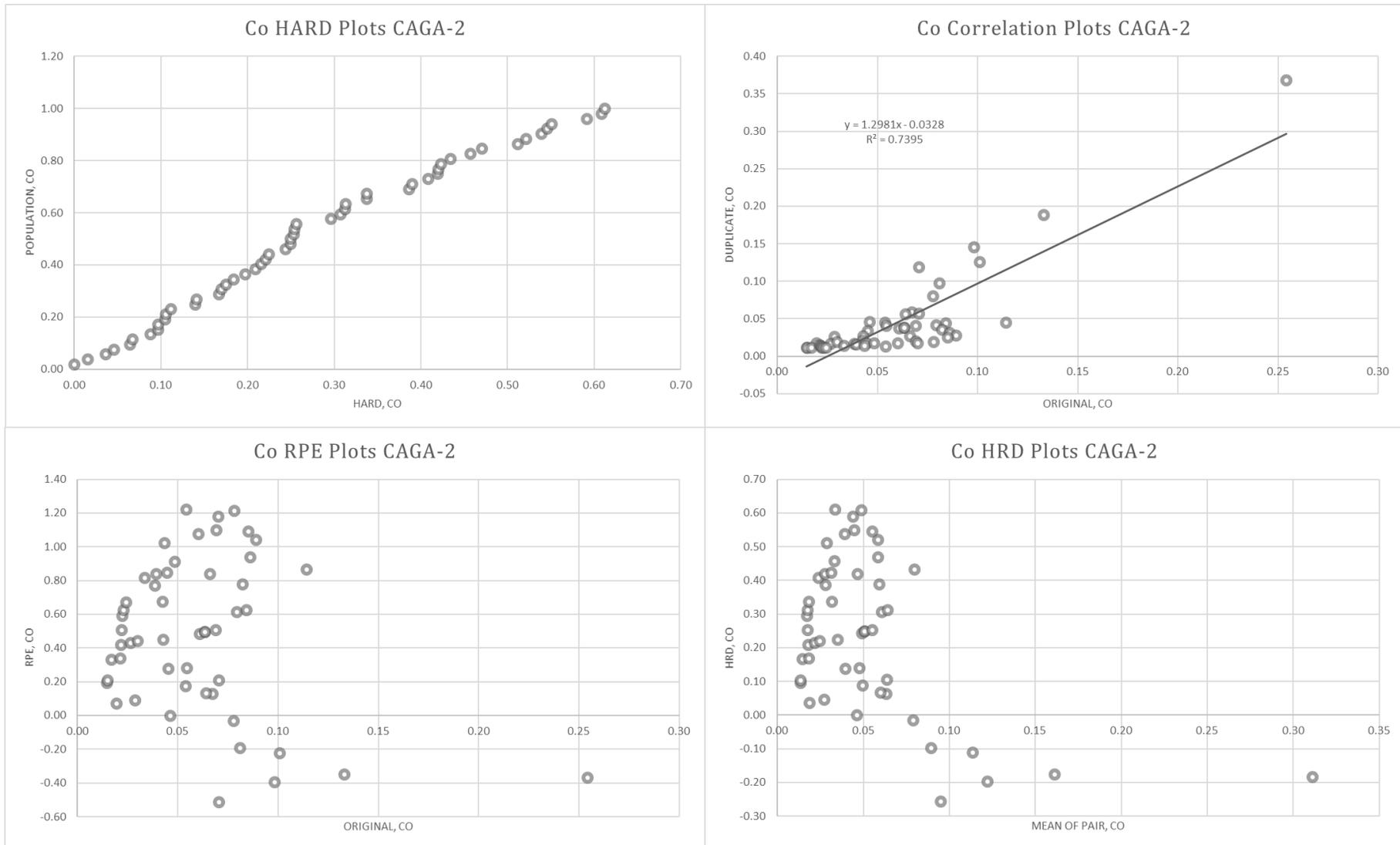


FIGURE-57. QAQC – CAGA-2 CHECK/EXTERNAL REPEATS SAMPLES (Co)

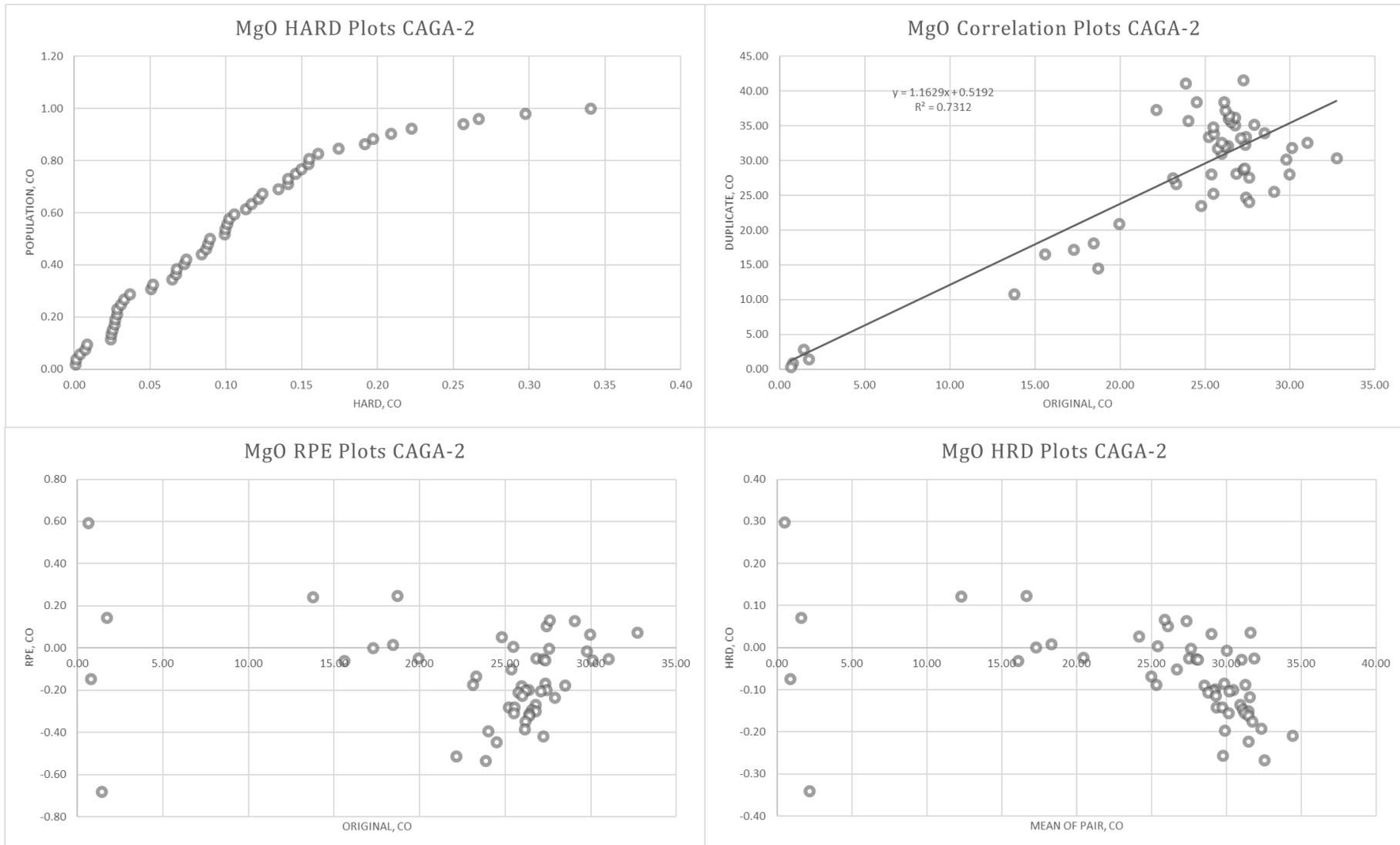


FIGURE-58. QAQC – CAGA-2 CHECK/EXTERNAL REPEATS SAMPLES (MgO)

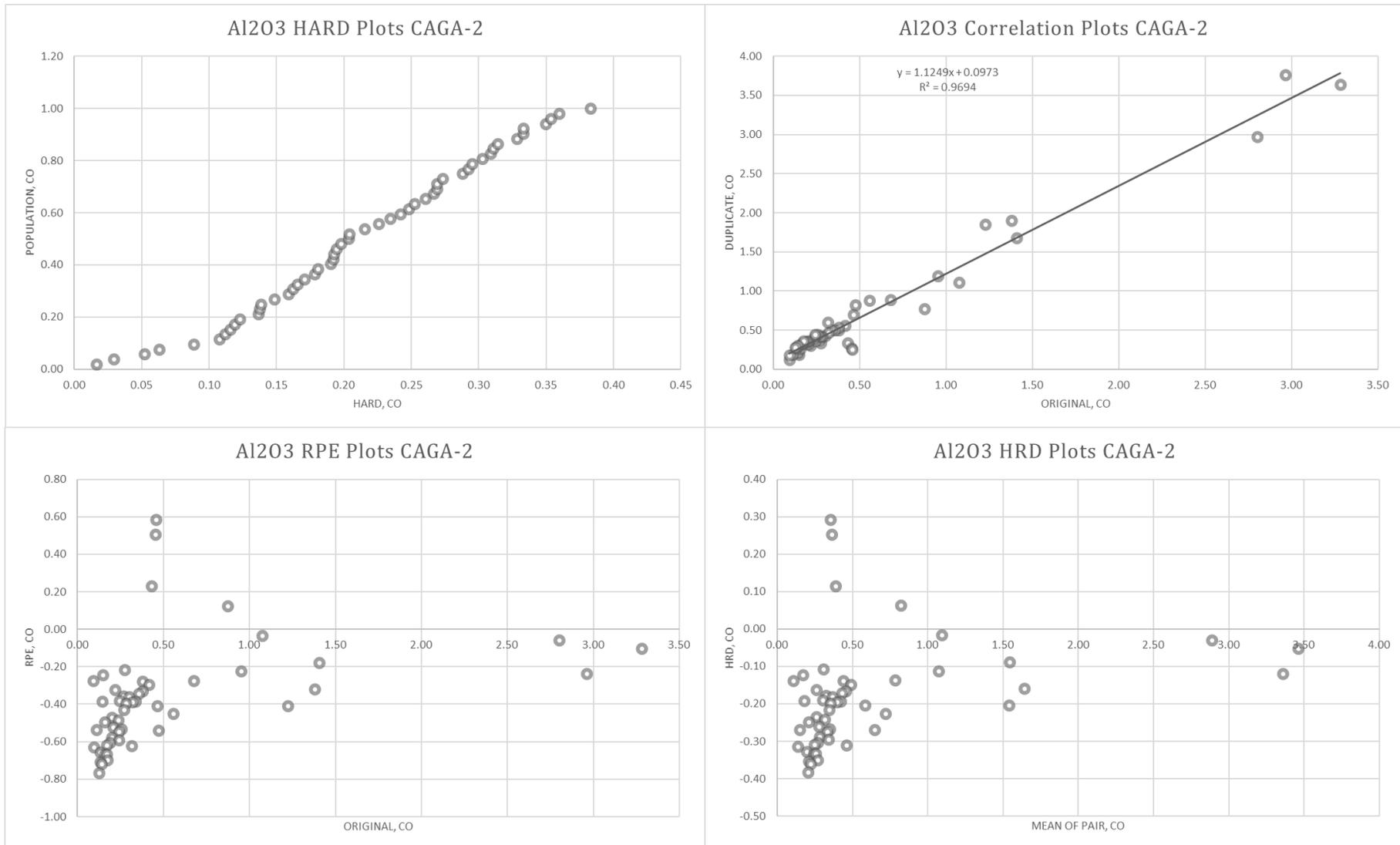


FIGURE-59. QAQC – CAGA-2 CHECK/EXTERNAL REPEATS SAMPLES (Al₂O₃)

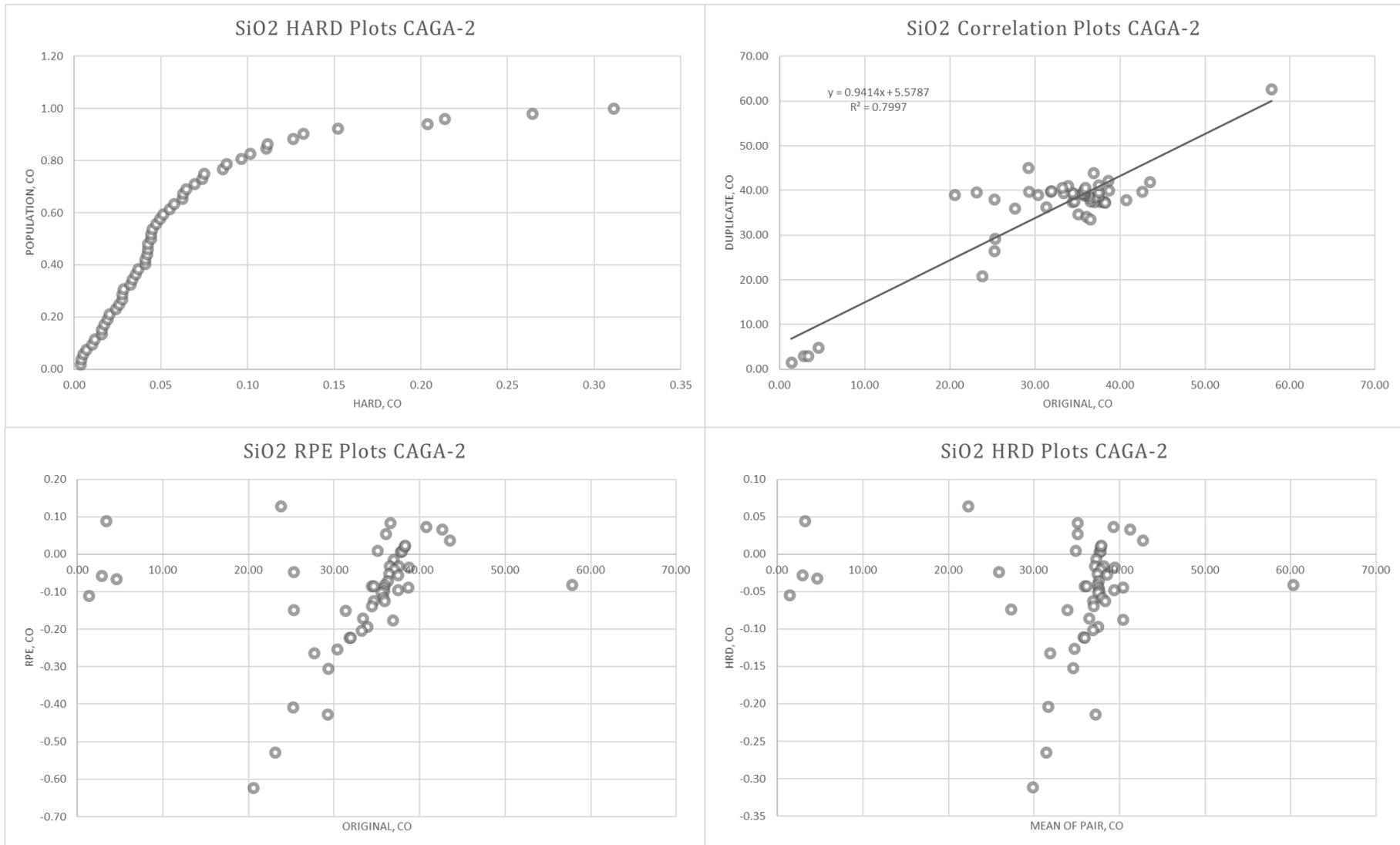


FIGURE-60. QAQC – CAGA-2 CHECK/EXTERNAL REPEATS SAMPLES (SiO₂)

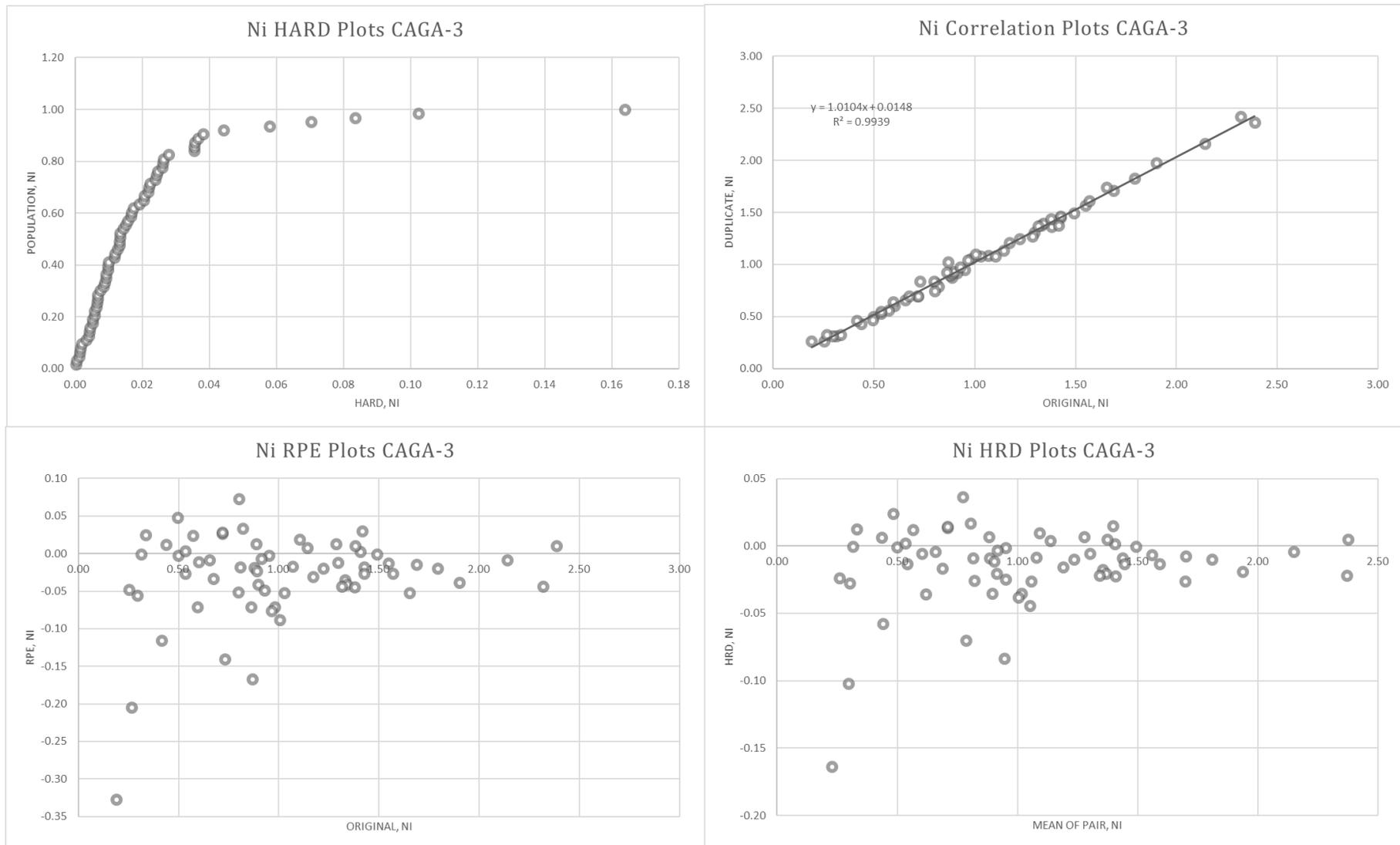


FIGURE-61. QAQC – CAGA-3 CHECK/EXTERNAL REPEATS SAMPLES (Ni)

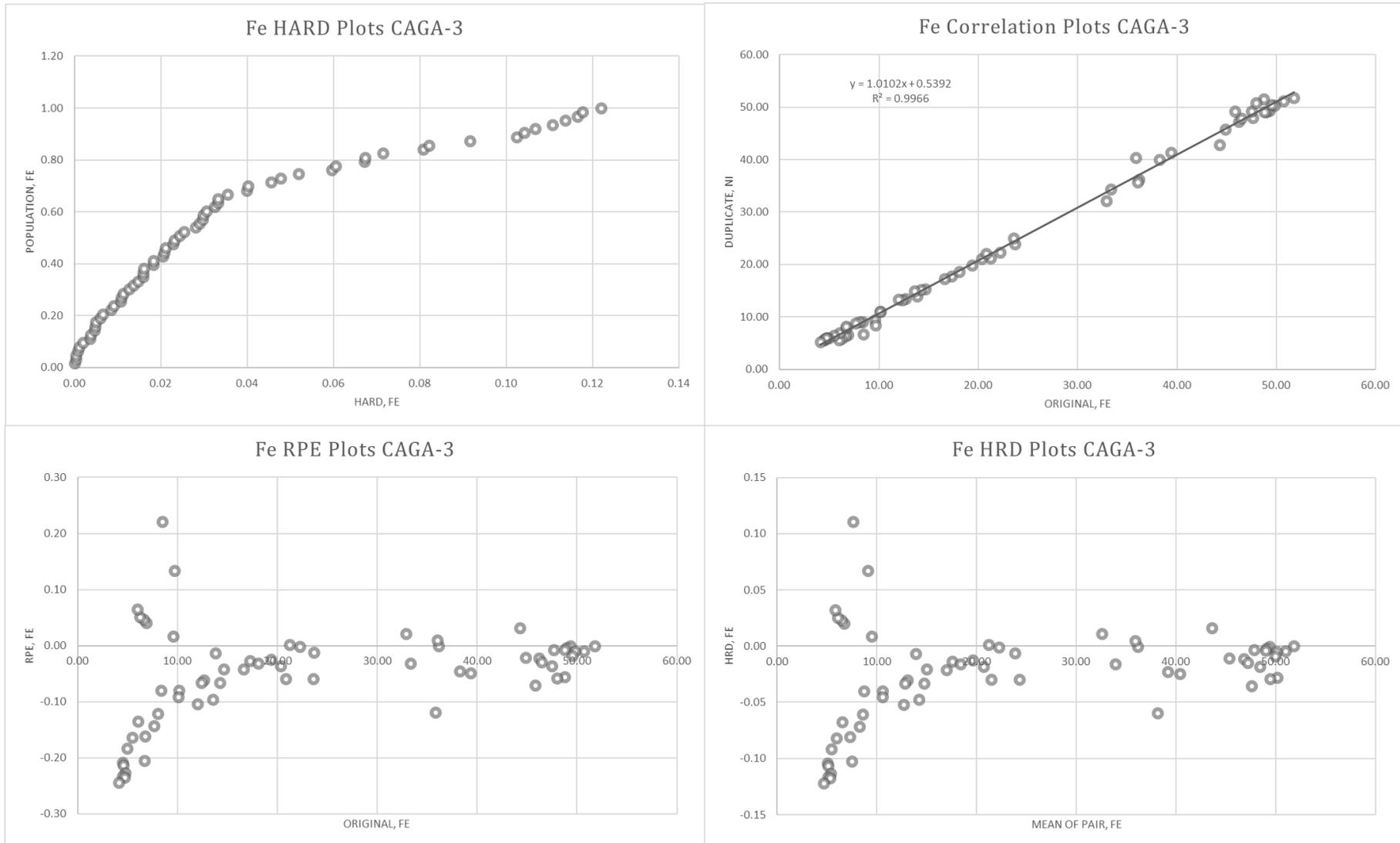


FIGURE-62. QAQC – CAGA-3 CHECK/EXTERNAL REPEATS SAMPLES (Fe)

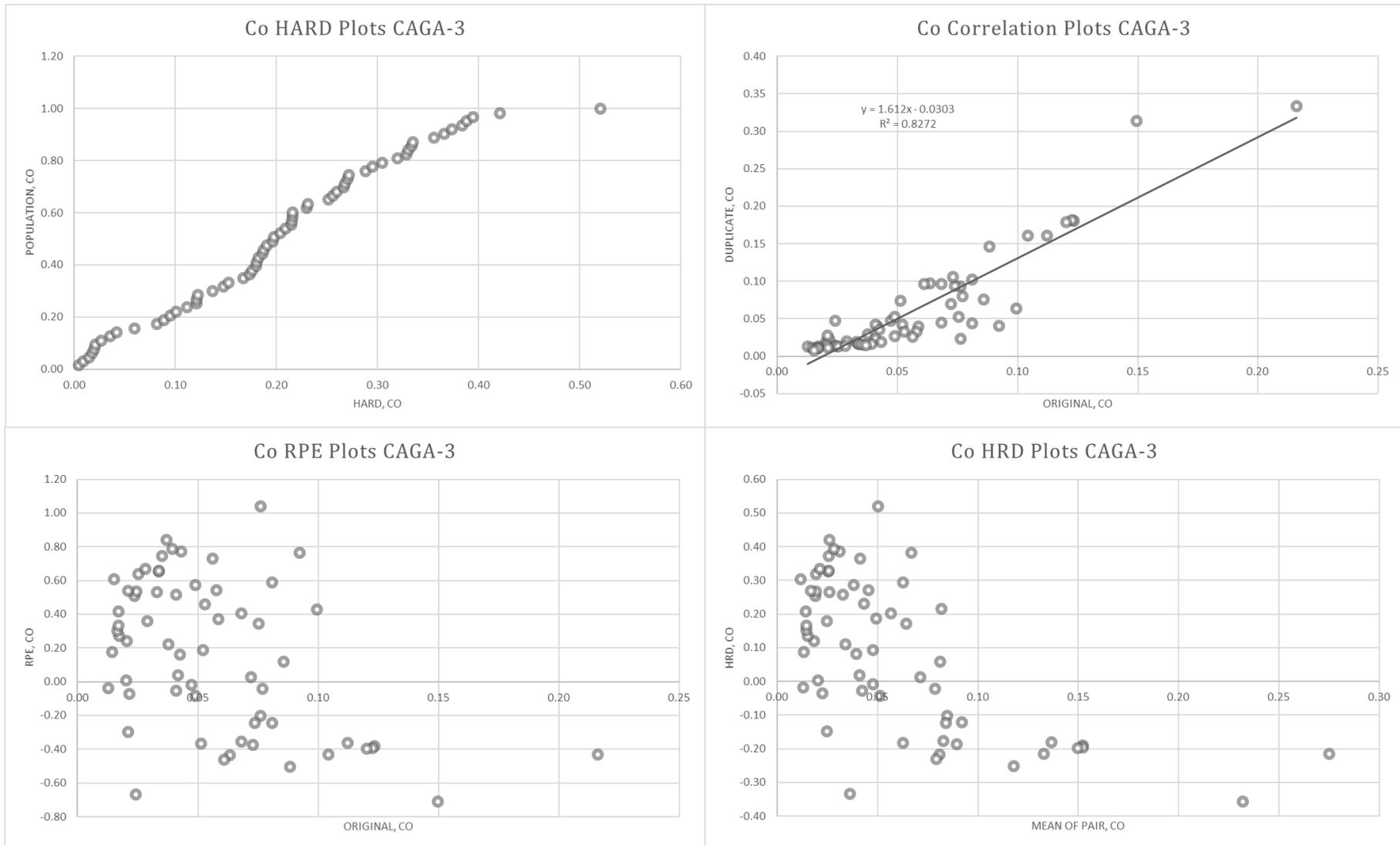


FIGURE-63. QAQC – CAGA-3 CHECK/EXTERNAL REPEATS SAMPLES (Co)

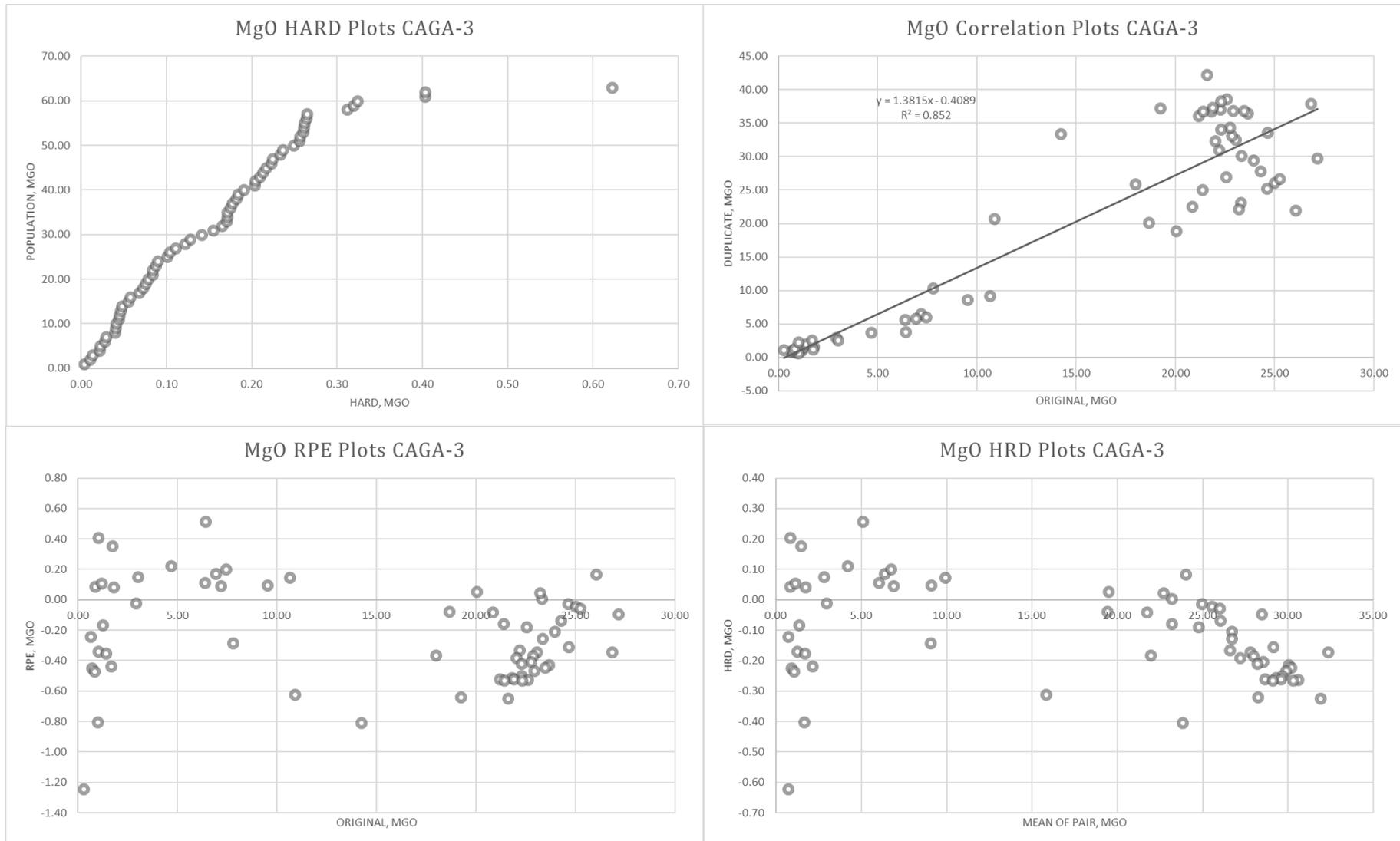


FIGURE-64. QAQC – CAGA-3 CHECK/EXTERNAL REPEATS SAMPLES (MgO)

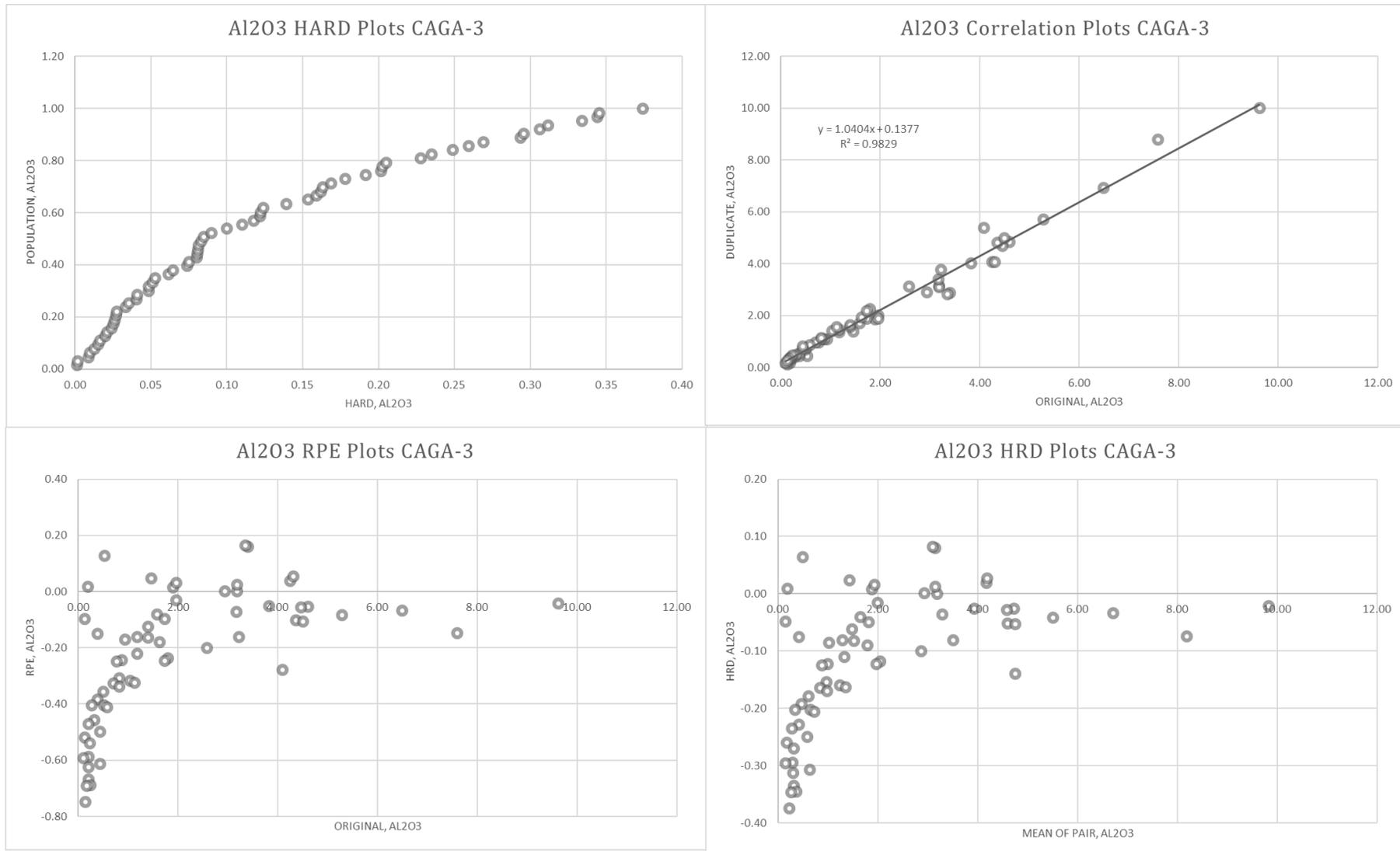


FIGURE-65. QAQC – CAGA-3 CHECK/EXTERNAL REPEATS SAMPLES (Al₂O₃)

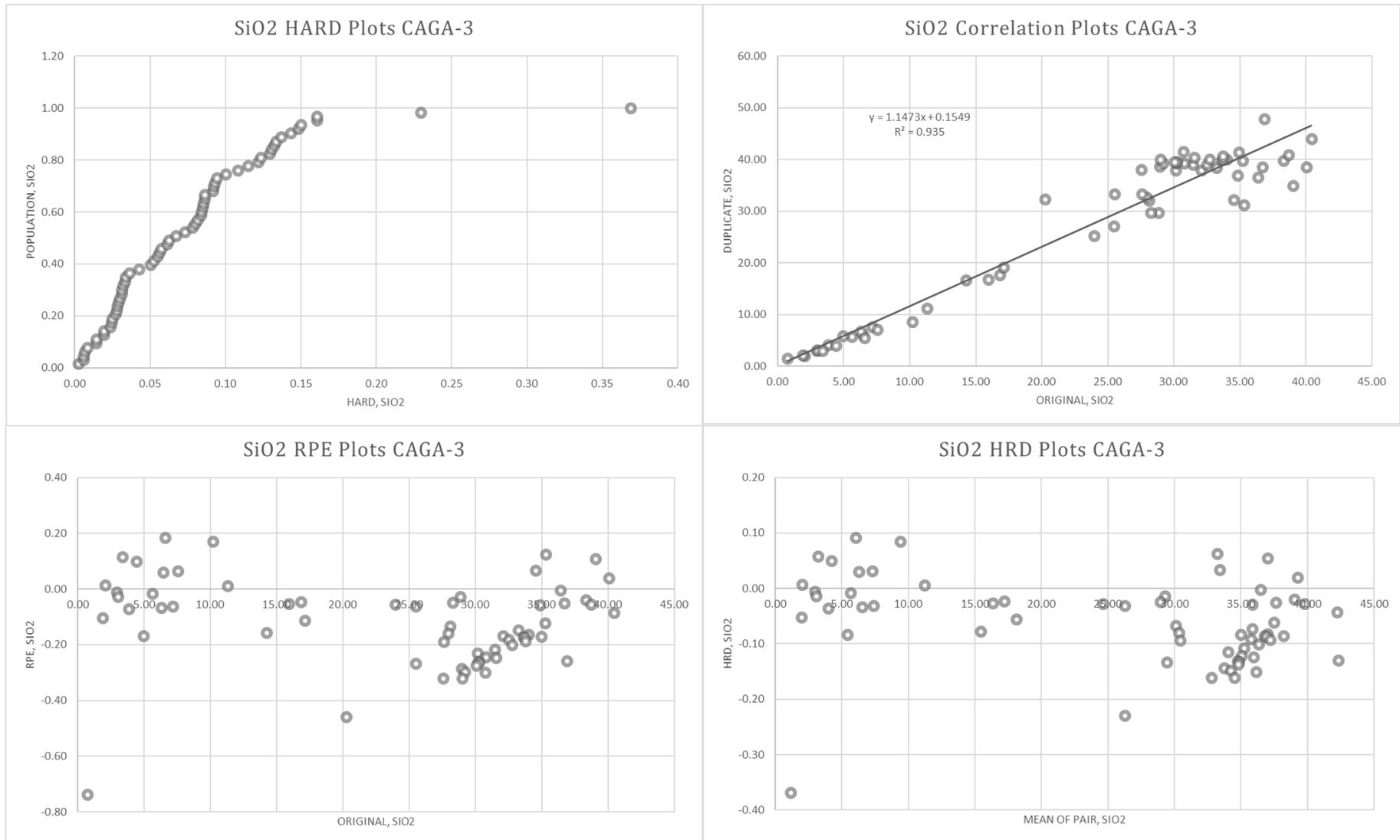


FIGURE-66. QAQC – CAGA-3 CHECK/EXTERNAL REPEATS SAMPLES (SiO₂)

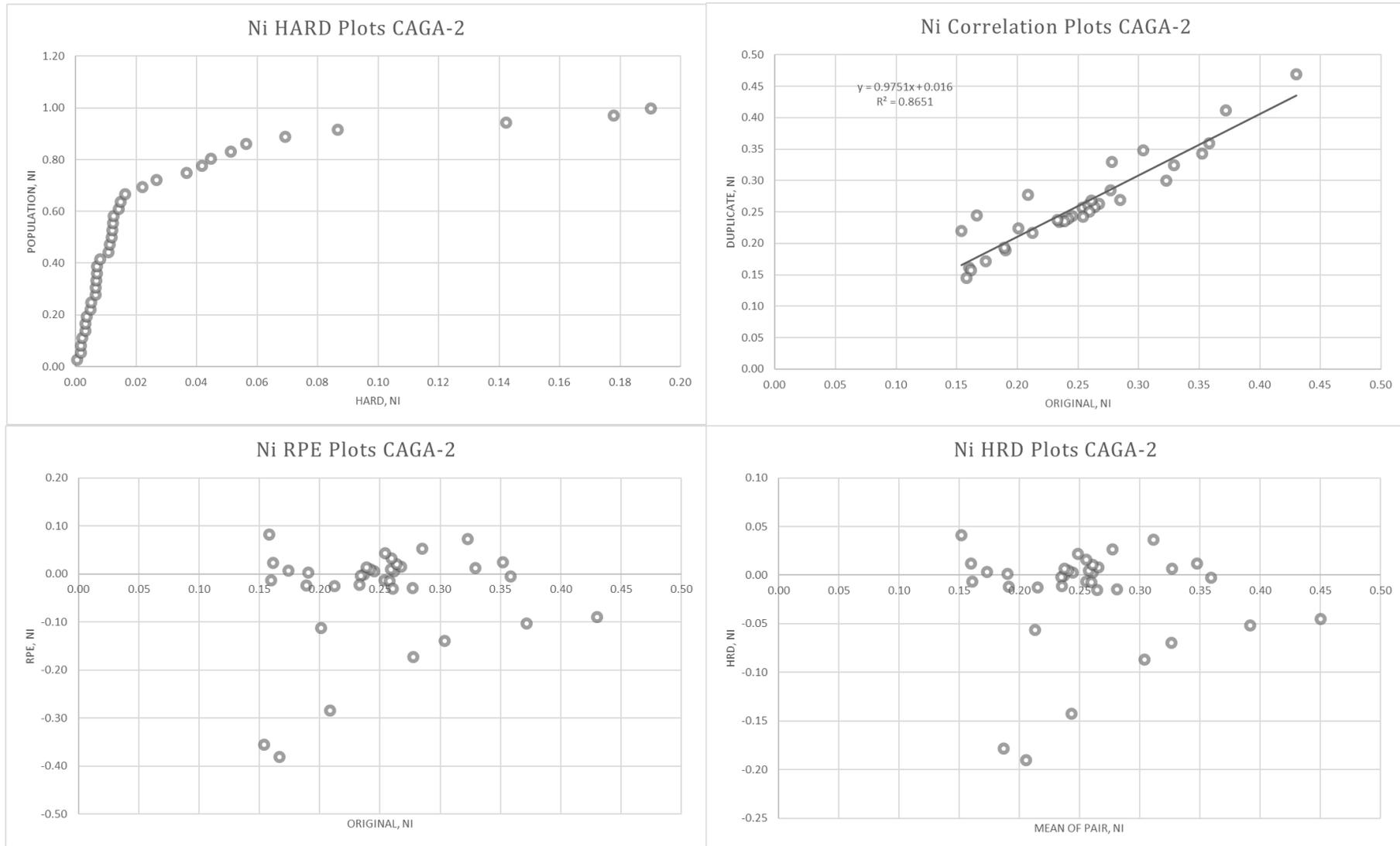


FIGURE-67. QAQC – CAGA-2 BLANK SAMPLES (Ni)

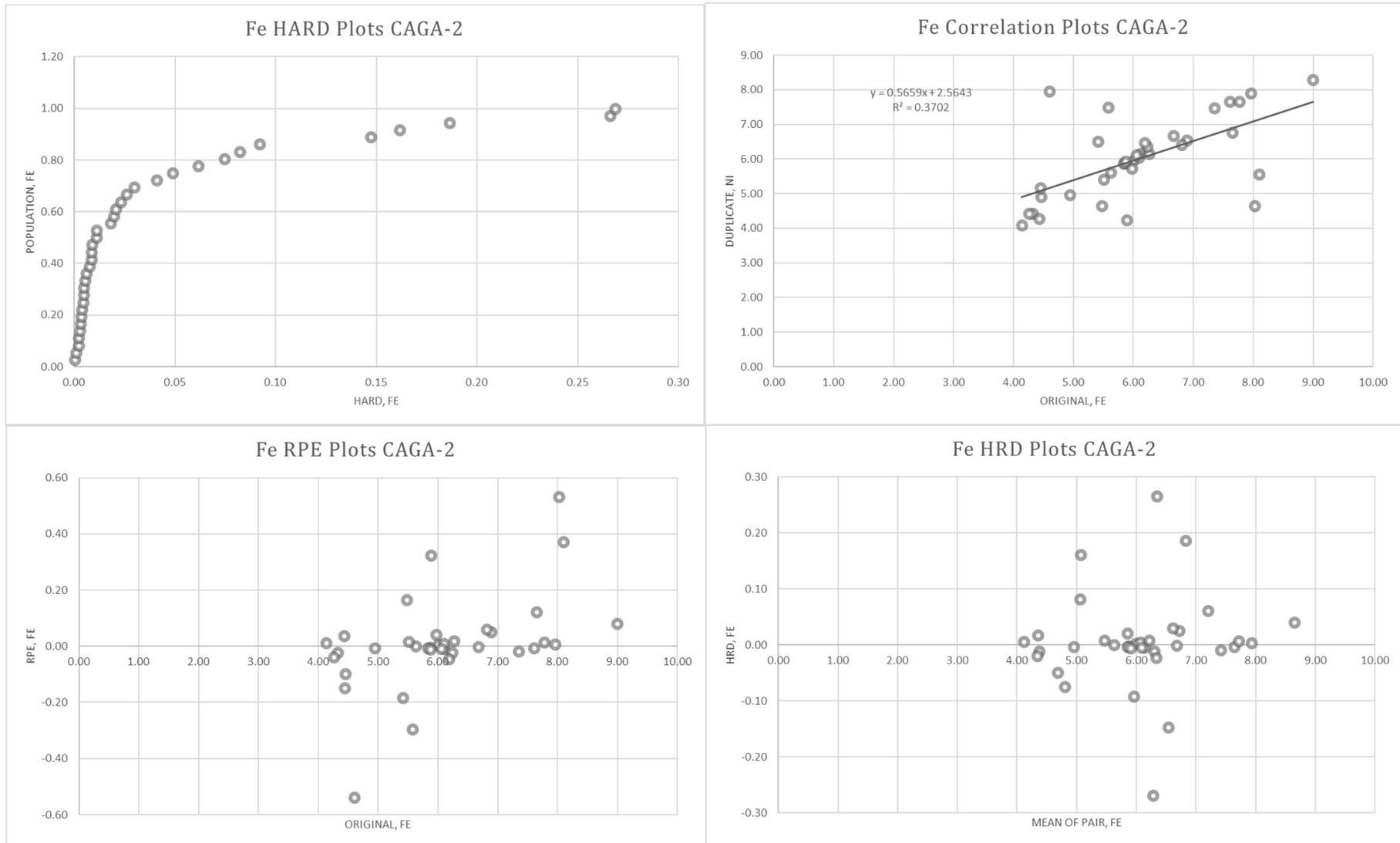


FIGURE-68. QAQC – CAGA-2 BLANK SAMPLES (Fe)

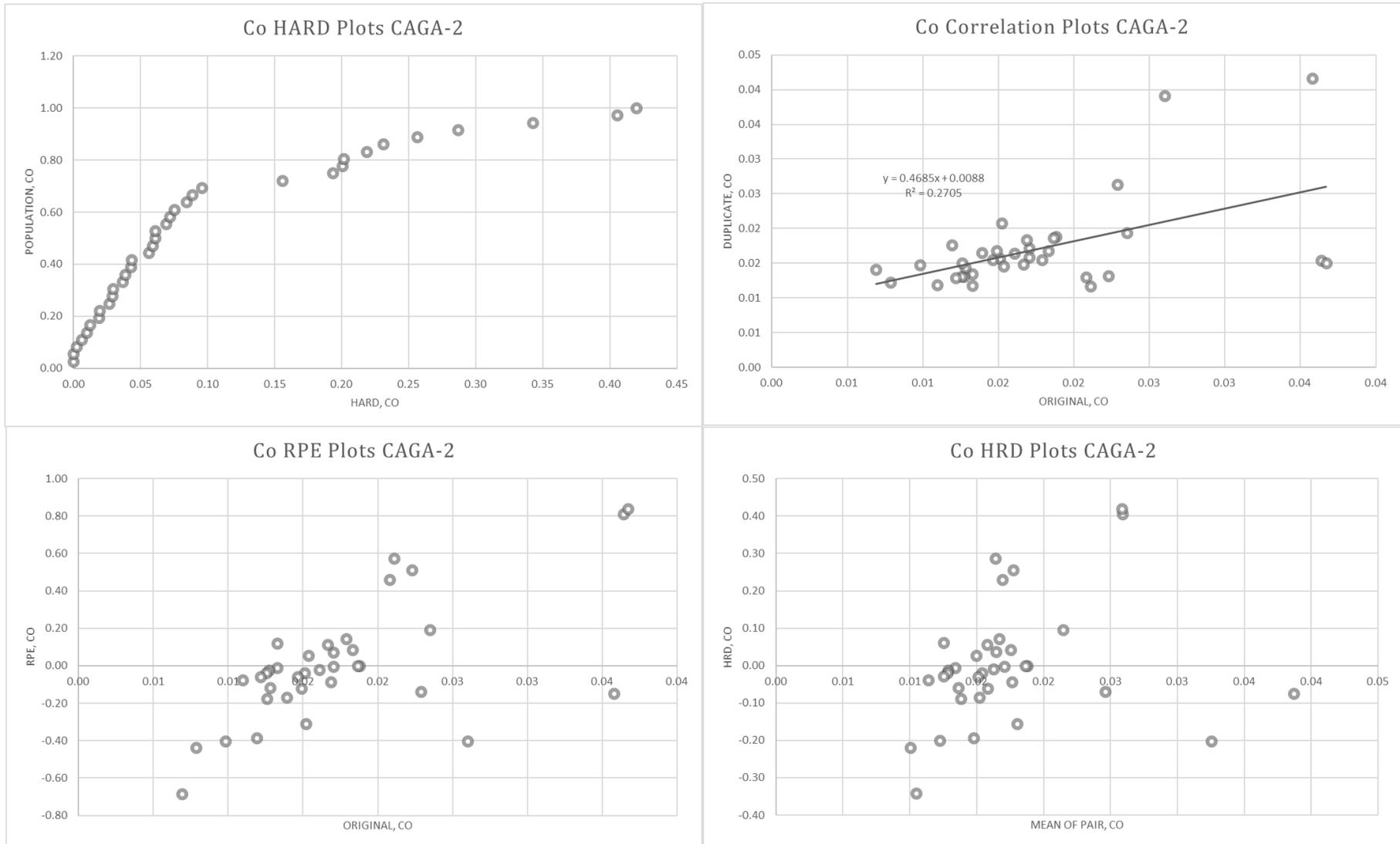


FIGURE-69. QAQC – CAGA-2 BLANK SAMPLES (Co)

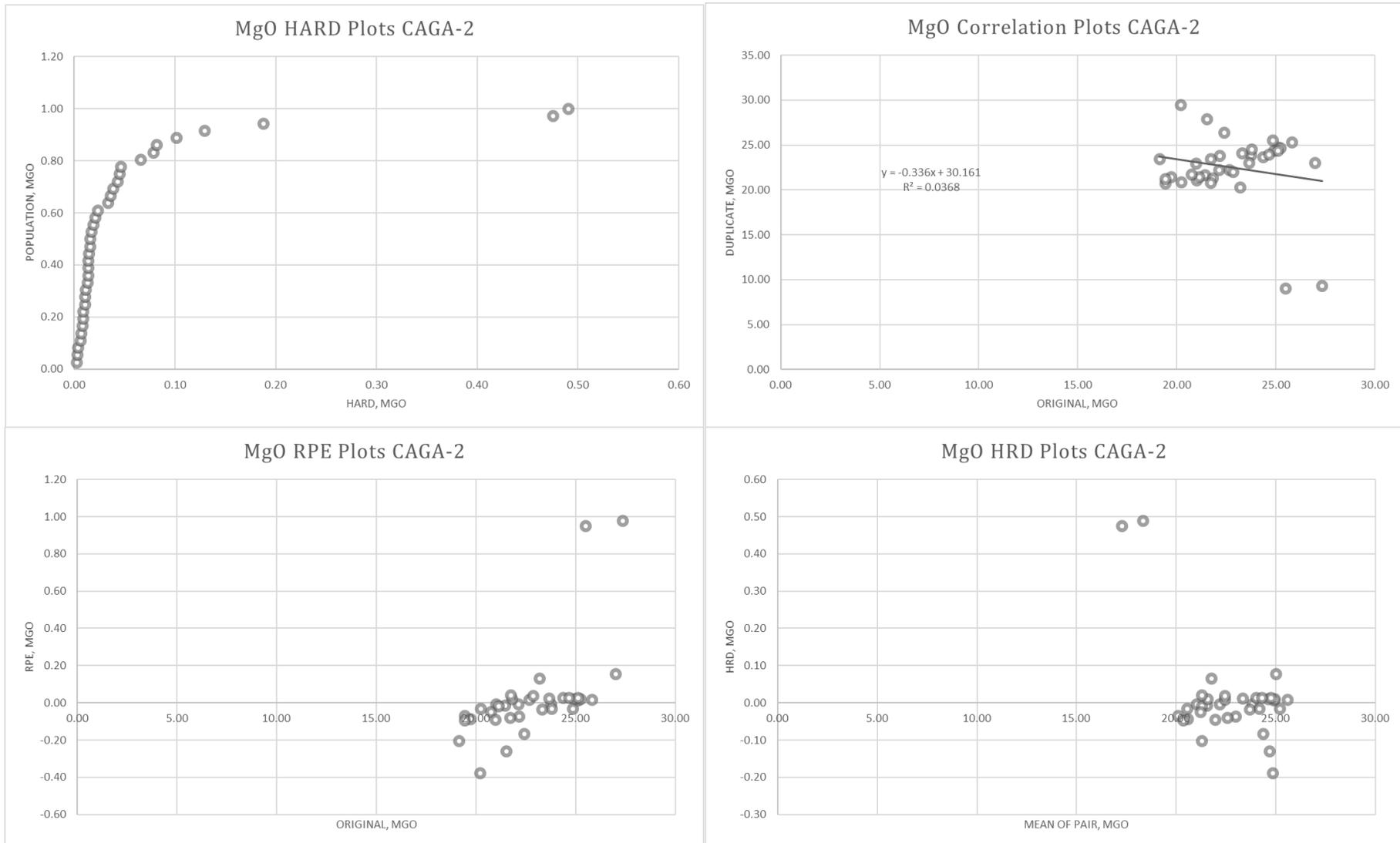


FIGURE-70. QAQC – CAGA-2 BLANK SAMPLES (MgO)

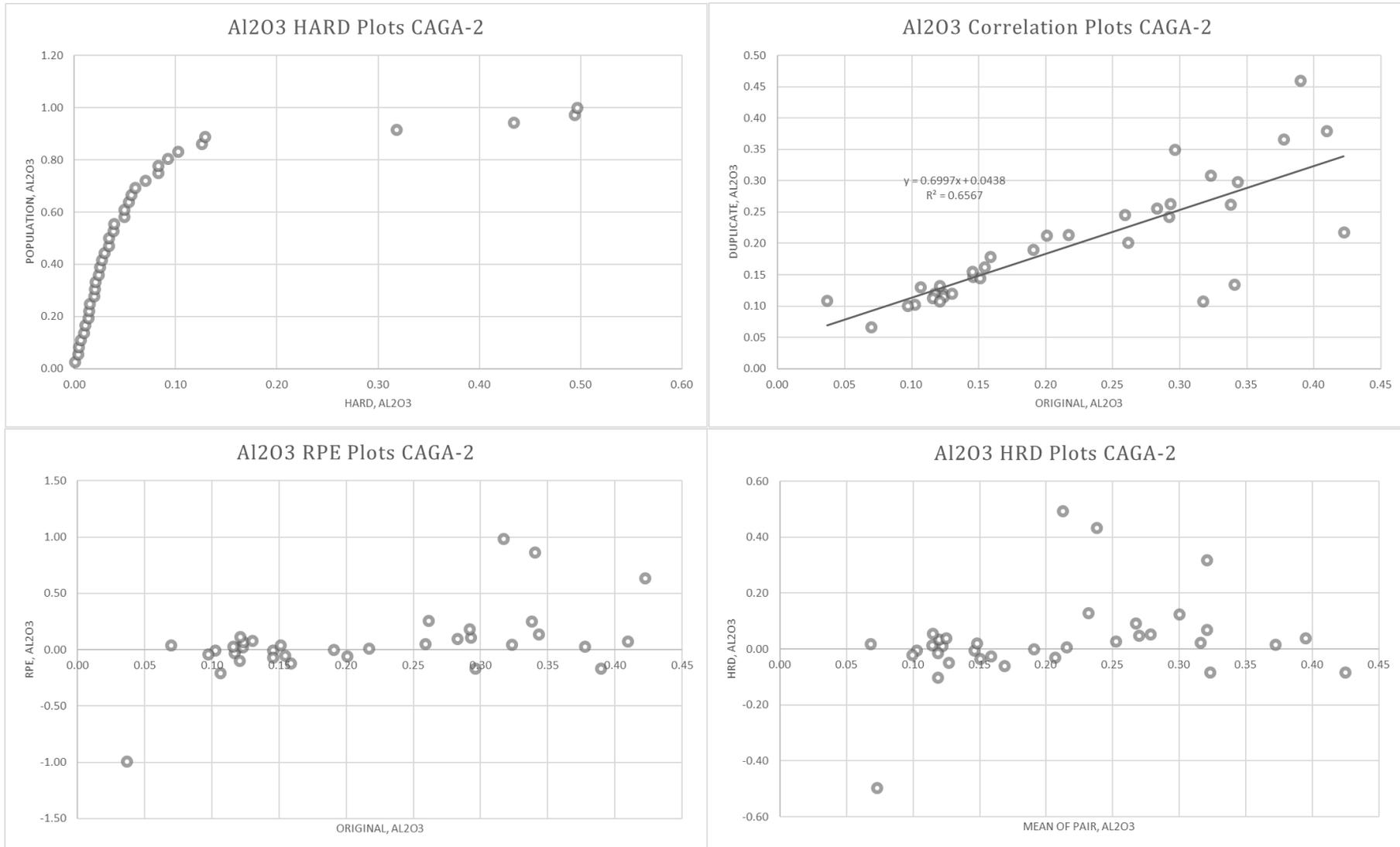


FIGURE-71. QAQC – CAGA-2 BLANK SAMPLES (Al₂O₃)

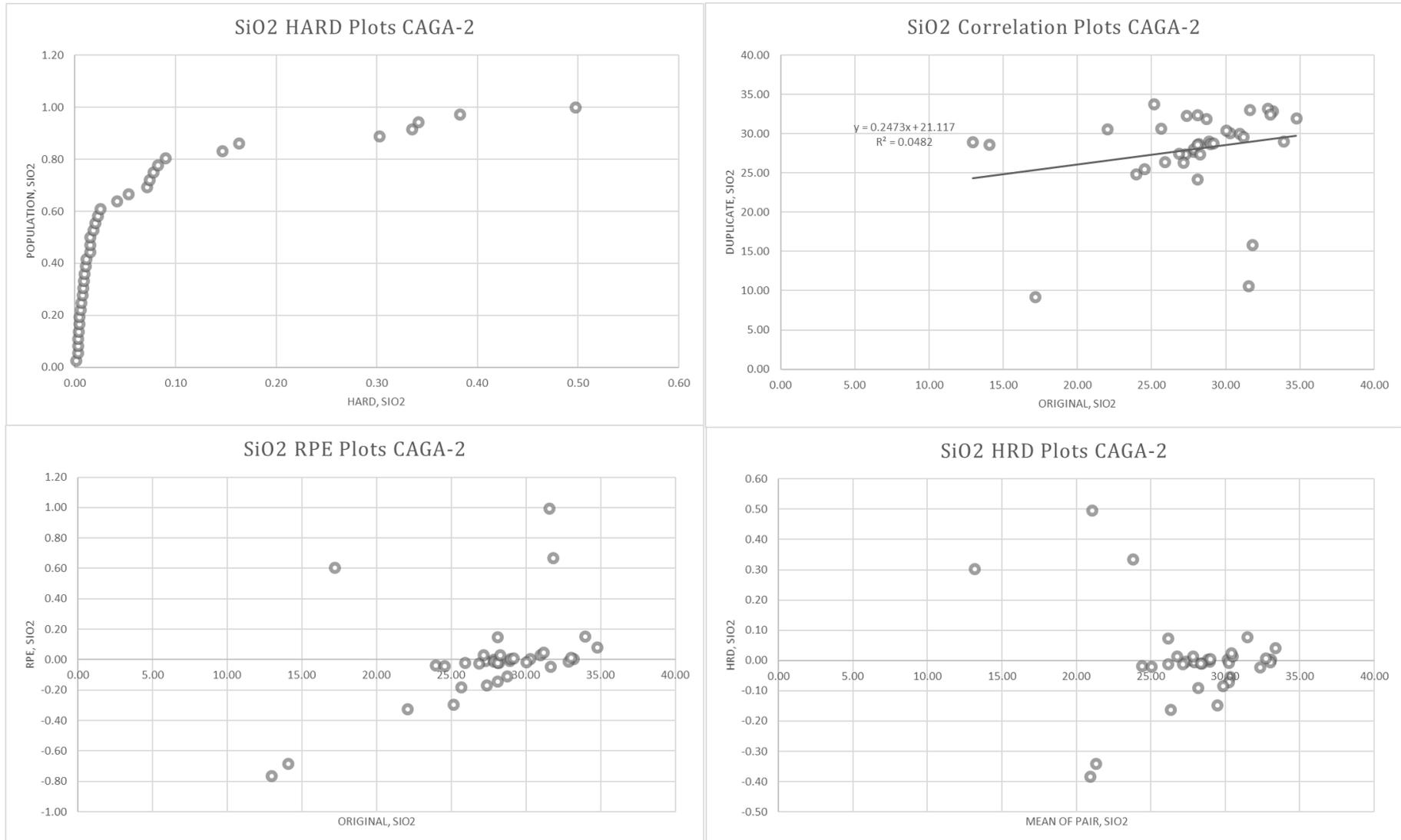


FIGURE-72. QAQC – CAGA-2 BLANK SAMPLES (SiO₂)

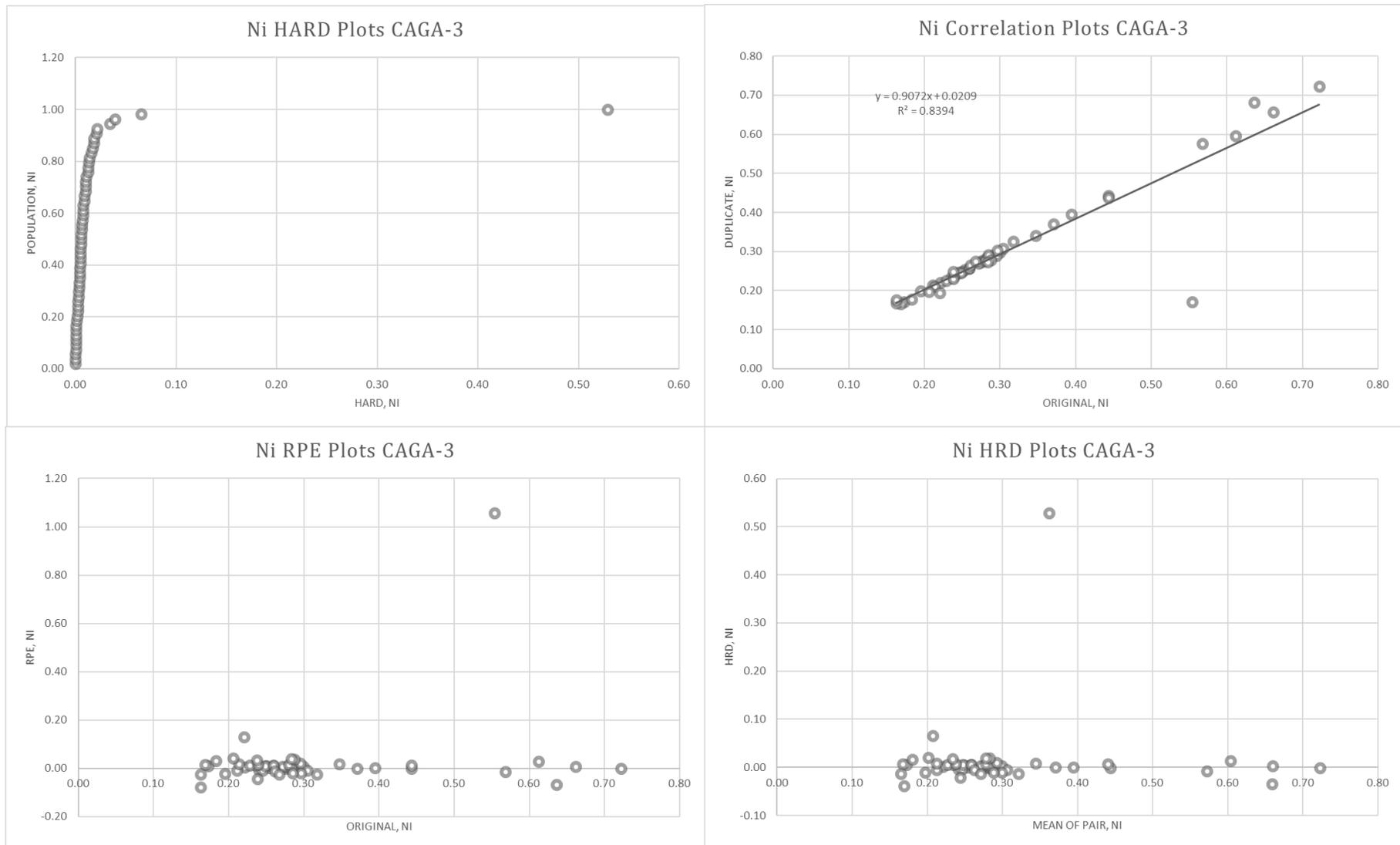


FIGURE-73. QAQC – CAGA-3 BLANK SAMPLES (Ni)

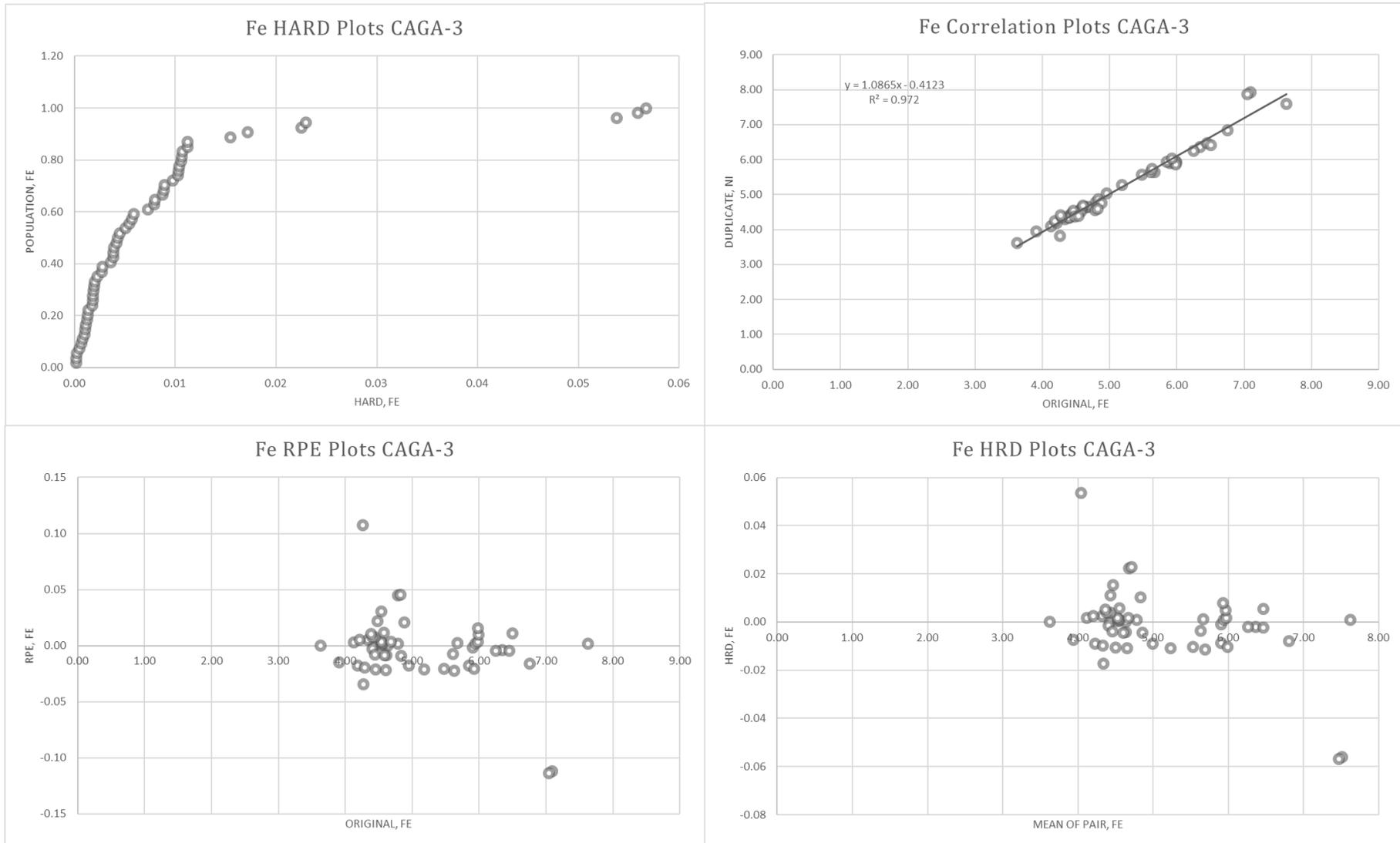


FIGURE-74. QAQC – CAGA-3 BLANK SAMPLES (Fe)

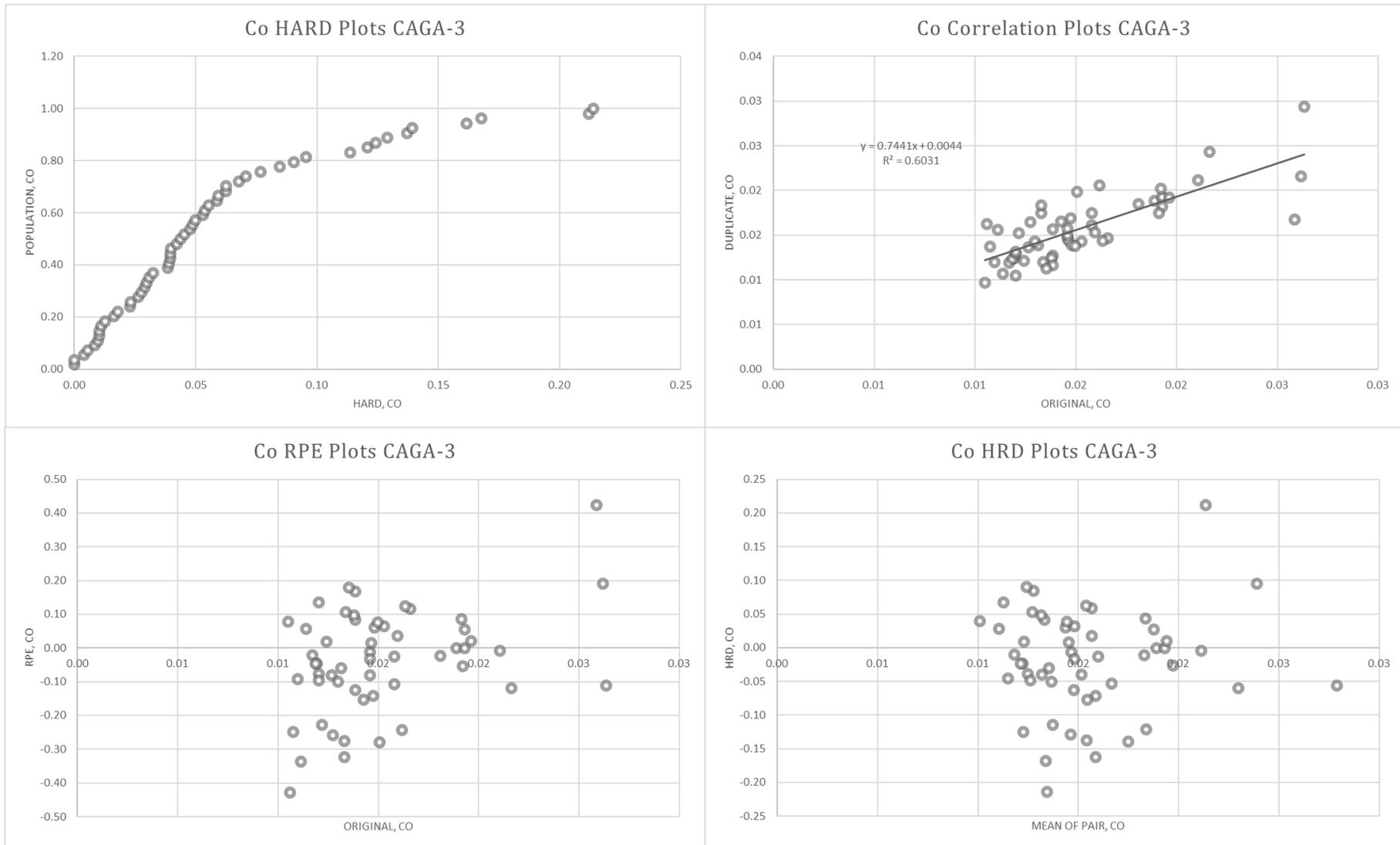


FIGURE-75. QAQC – CAGA-3 BLANK SAMPLES (Co)

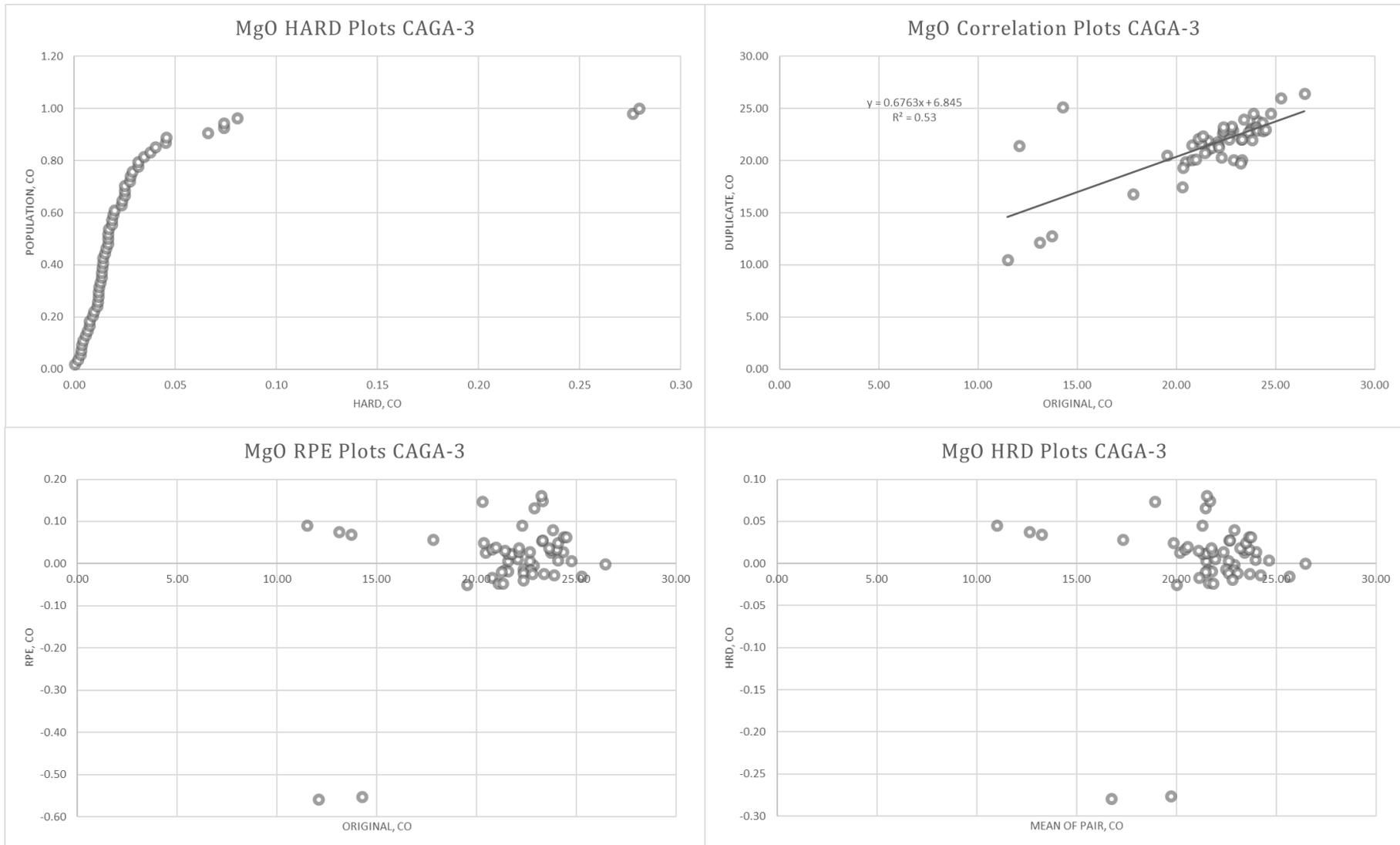


FIGURE-76. QAQC – CAGA-3 BLANK SAMPLES (MgO)

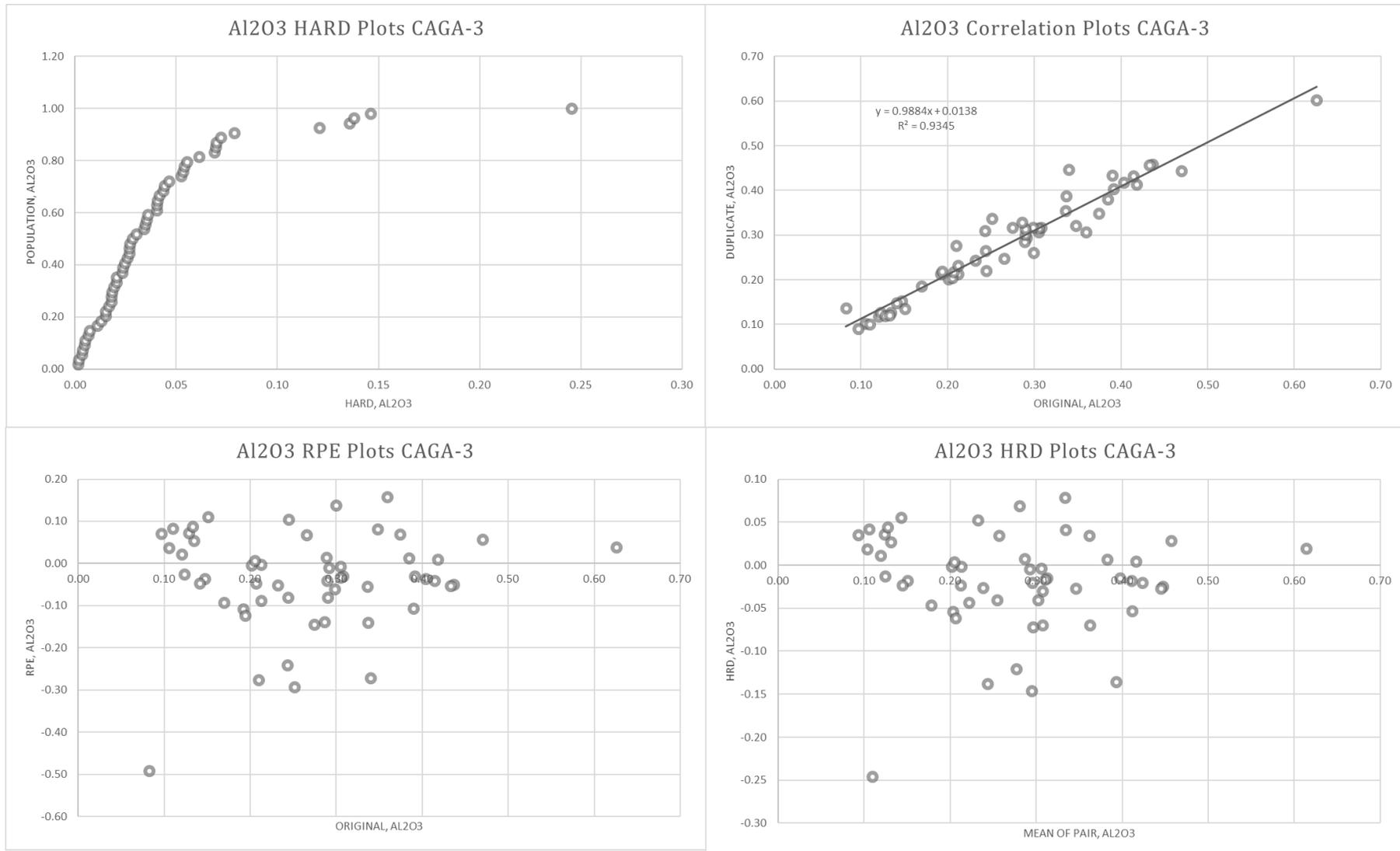


FIGURE-77. QAQC – CAGA-3 BLANK SAMPLES (Al₂O₃)

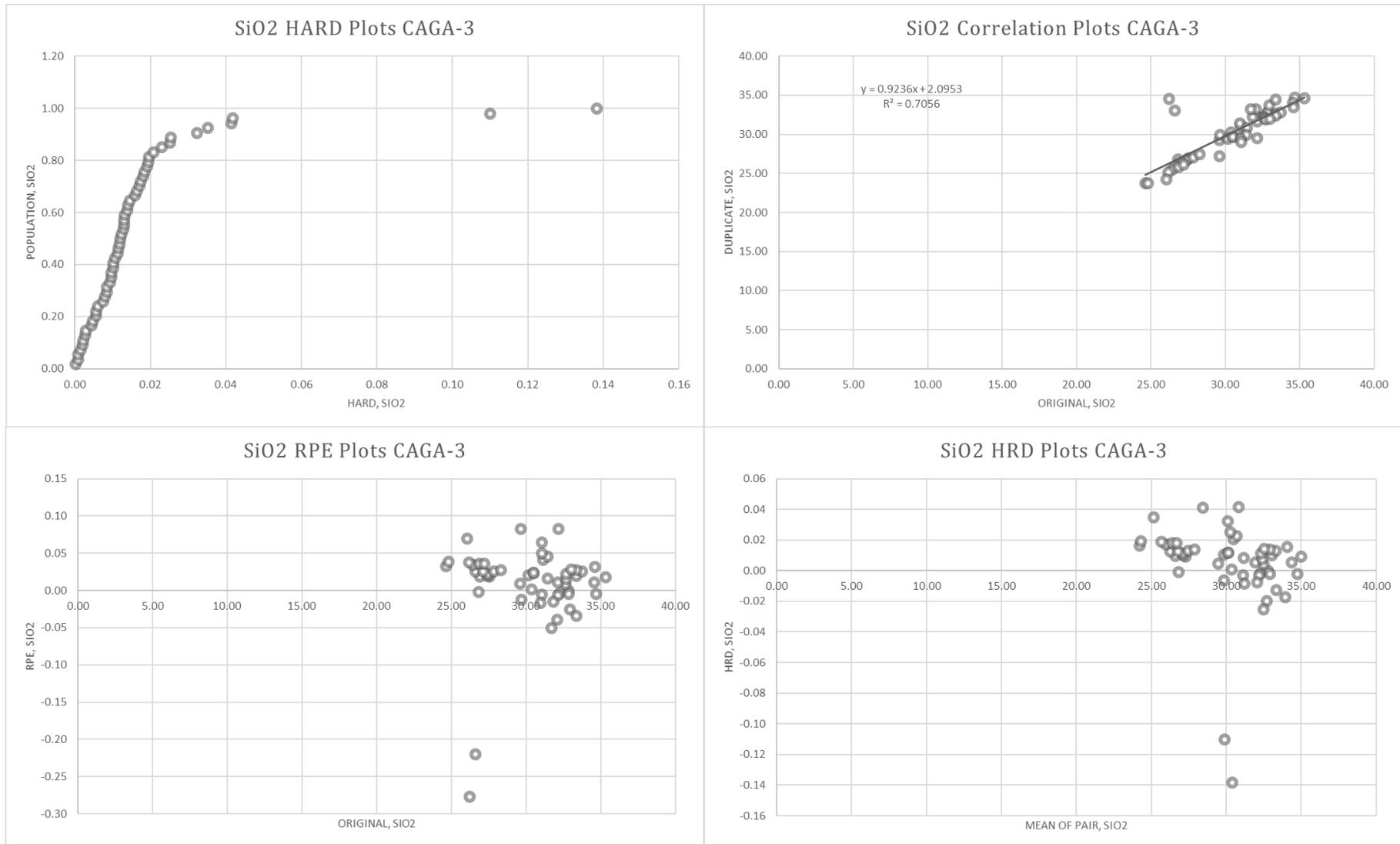


FIGURE-78. QAQC – CAGA-3 BLANK SAMPLES (SiO₂)

10.0 MINERAL RESOURCE ESTIMATE

10.1 PGMC Database Preparation

Database preparation/update focused on the recent exploration completed by BOHRER Mining Consulting Services (BMCS) on CAGA-2 and CAGA-3 deposits. The old and new holes of CAGA-2 and CAGA-3 were integrated into a new database and used for the estimation update of the mineral resources.

A database was created in MS Excel format incorporating all information such as hole ID, coordinates, collar elevation, intervals, depth, lithology, sample analyses, etc. The database was grouped into four main tables: collar, sample, survey, and geology.

The collar table contains HoleID, Coordinates, Elevation, Projection and Total Depth. The sample table contains HoleID, SampleID, Depth From, Depth To, and Assays of Ni, Co, Fe, Al₂O₃, MnO, MgO, CaO, Cr₂O₃, SiO₂ (excluding results of duplicates, check and standard samples). The geology table contains HoleID, Depth From, Depth To, and Lithology. The survey table contains HoleID, Azimuth, Dip and Total Depth. These table structures are necessary to generate and calculate mineral resource. The fields were then re-formatted to MS Access database and imported into the GEOVIA Surpac v6.6 database. Samples intervals located within the waste dump and rehabilitated areas are removed from the geology and sample tables.

All 3,812 drill holes and 52,011 samples/assays from CAGA-2 and CAGA-3 complete with required data were used in the mineral resource computation. Some 302 samples/assays collected from waste dumps and overburden areas at CAGA-2 were excluded for database used for modelling. The database used for modelling comprised of the old and new drill hole data as generated by QNPH, PGMC, GPRI and BMCS from past to recent exploration programs.

Maps consisting of drill hole locations, geological field mapping and cross sections were generated using PTM Zone 5 Projection. The distribution of drill holes are shown in **Figures-33-35**.

10.2 Integrity of Database

To address possible concerns, a database protocol was formulated wherein results from the PGMC assay laboratory are coursed through to the BMCS and PGMC geologist by email. The geologist then compiles the data in the field into an MS Excel format. Copies of the results are also sent to INC Technical Services Engineers for data consolidation. In **Figure-79** the MS Excel database is then imported into the MS Access Database and to Geovia Surpac v6.6 software by the resource estimation team in preparation for the database validation.

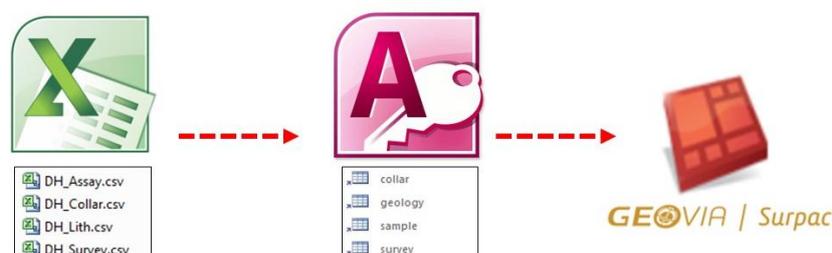


FIGURE-79. Drilling Database Flow Chain

10.3 Data Verification and Validation

The CP-Geologist has visited the Project site at various occasions and conducted its own review of the data provided by the client.

During the review of the data for the Project, the CP-Geologist completed the following validation procedures:

- Compared digital drill hole data with the geological plans to check the locations of the holes;
- Compared digital drill hole data against original drill hole geological logs;
- Compared the digital drill hole data with copies of the original assay certificates;
- Reviewed drill core from drill holes and observed mineralization to ensure it is consistent with assays received;
- Reviewed all QA/QC data.

10.3.1 Verification/Validation of DH Locations

Checking of the collar locations of some drill holes from the CAGA-2 and CAGA-3 deposits using a hand-held Garmin Map 76C GPS unit indicated variances in Easting coordinates of an average of 10.79m, in Northing of an average of 15.11m and elevations of an average of 15.02m. The results are within accuracy expectations for a handheld GPS. Details of checking of collar locations are in **Table-31**.

Table-31. Drill Hole Location Validation

Hole ID	East-Survey	North-Survey	RL-Survey	Location	East-GPS	North-GPS	RL-GPS	East-Variance	North-Variance	RL-Variance
C3-1015	591960.59	1046727.74	599.64	CAGA-3	591973.95	1046750.69	670.00	-13.36	-22.95	-70.36
C3-1046	592363.35	1047458.72	524.75	CAGA-3	592399.08	1047474.57	541.80	-35.73	-15.85	-17.05
C3-1083	591429.87	1047107.98	381.47	CAGA-3	591425.93	1047124.68	405.00	3.94	-16.70	-23.53
C3-1133	591621.63	1046698.51	544.81	CAGA-3	591625.44	1046723.97	559.26	-3.81	-25.46	-14.45
C3-1182	591611.53	1046489.46	616.21	CAGA-3	591626.20	1046501.09	633.77	-14.67	-11.63	-17.56
C3-1203	591367.69	1046385.57	589.94	CAGA-3	591375.17	1046400.39	596.75	-7.48	-14.82	-6.81
C3-1226	591260.64	1046334.33	591.90	CAGA-3	591275.02	1046349.93	604.75	-14.38	-15.60	-12.85
C3-1277	591804.50	1046751.25	562.90	CAGA-3	591823.81	1046773.60	584.00	-19.31	-22.35	-21.10
C3-1318	592174.87	1045778.60	845.40	CAGA-3	592174.90	1045776.62	858.00	-0.03	1.98	-12.60
C3-1348	591786.45	1048222.08	210.07	CAGA-3	591775.85	1048224.71	229.00	10.60	-2.63	-18.93
C3-1370	591228.57	1046629.92	527.21	CAGA-3	591225.31	1046625.00	552.91	3.26	4.92	-25.70
C3-892	592256.66	1047632.81	480.63	CAGA-3	592274.45	1047649.25	503.85	-17.79	-16.44	-23.22
C3-917	592105.34	1047432.00	507.49	CAGA-3	592125.14	1047451.23	547.48	-19.80	-19.23	-39.99
C3-945	592334.32	1047357.42	522.51	CAGA-3	592350.23	1047375.45	561.08	-15.91	-18.03	-38.57
C3-976	592172.85	1047106.69	571.37	CAGA-3	592175.67	1047124.27	584.72	-2.82	-17.58	-13.35
C3-983	592163.37	1047059.89	574.35	CAGA-3	592176.01	1047074.83	591.93	-12.64	-14.94	-17.58
C3-988	592209.60	1047034.89	568.39	CAGA-3	592226.37	1047048.74	582.12	-16.77	-13.85	-13.73
C3-993	592066.15	1046829.39	591.78	CAGA-3	592074.53	1046848.72	625.61	-8.38	-19.32	-33.83
C3-999	592042.76	1046809.65	591.80	CAGA-3	592050.10	1046826.20	610.17	-7.34	-16.55	-18.37
C2P-170	592686.55	1048505.83	299.80	CAGA-2	592699.30	1048524.78	310.34	-12.75	-18.96	-10.54
C2P-248	592692.43	1048309.50	330.65	CAGA-2	592699.68	1048324.58	343.02	-7.25	-15.07	-12.37
C2P-266	592763.42	1048289.50	348.29	CAGA-2	592774.85	1048300.54	345.26	-11.43	-11.04	3.03
C2P-295	593559.03	1048157.73	372.85	CAGA-2	593574.30	1048175.39	376.21	-15.27	-17.66	-3.36
C2P-320	593237.55	1048091.59	417.81	CAGA-2	593249.64	1048100.27	428.70	-12.09	-8.67	-10.89
C2P-363	593643.05	1047985.87	380.93	CAGA-2	593649.73	1048000.81	390.46	-6.68	-14.94	-9.53
C2P-419	593186.27	1047533.93	493.69	CAGA-2	593200.69	1047549.63	498.19	-14.42	-15.71	-4.50
C2P-441	593416.59	1048762.29	258.72	CAGA-2	593424.68	1048775.43	273.19	-8.09	-13.14	-14.46
C2P-509	593663.77	1048084.55	372.55	CAGA-2	593675.41	1048100.09	384.28	-11.63	-15.55	-11.74
C2P-549	593471.35	1048787.24	245.73	CAGA-2	593475.14	1048800.00	261.26	-3.79	-12.76	-15.53
C2P-577	593302.38	1048524.13	315.69	CAGA-2	593311.94	1048537.34	329.75	-9.56	-13.21	-14.06
C2P-604	593837.97	1048356.06	341.66	CAGA-2	593850.22	1048375.06	321.28	-12.25	-19.01	20.38
C2P-634	593773.49	1048299.42	354.51	CAGA-2	593787.56	1048313.08	329.17	-14.06	-13.66	25.34
C2P-663	593191.03	1047860.06	469.70	CAGA-2	593200.33	1047874.94	481.76	-9.30	-14.88	-12.06
C2P-687	592935.48	1047054.84	624.27	CAGA-2	592950.69	1047074.61	637.58	-15.21	-19.77	-13.31
C2P-711	593953.88	1048689.30	253.27	CAGA-2	593974.72	1048700.24	269.51	-20.84	-10.95	-16.24
C2P-735	593845.05	1048525.81	302.86	CAGA-2	593848.69	1048549.94	311.32	-3.64	-24.13	-8.46
C2P-769	593739.14	1048434.13	338.06	CAGA-2	593750.10	1048450.26	351.27	-10.96	-16.12	-13.21
C2P-798	593736.08	1048380.89	353.44	CAGA-2	593750.01	1048399.71	364.97	-13.92	-18.82	-11.54
C2P-816	593884.41	1048356.64	334.78	CAGA-2	593899.64	1048374.97	347.97	-15.23	-18.33	-13.19

A summary of the data supplied by the client to date is shown in **Table-20**.

10.3.2 Verification and Validation Results

The verification or validation procedures involve detecting the following:

- Validation basically involves the detection and removal of erroneous data as well as duplicate entries;
- Validating the possible existence of orphan holes or samples. This problem involves samples with no collar information. The drill holes were plotted to check for tower spots which indicate wrong collar elevations. The validation process limited the dbase to 3,812 drill holes which have complete data. Typographical errors in the drill hole collar and sample tables. Minor errors of this type were detected and corrected accordingly;

- Different collar depth and sample maximum run of a hole. In a sample database, one criterion that should be met to ensure that the samples will be processed is that the collar depth should be the same as the maximum hole run. This validation procedure is automatically executed by the sample verify data function. No errors were detected in the sample database;
- The drill holes were all vertically oriented. Collar locations were checked against the actual surface topographic survey with only minimal variances in surface versus collar elevations. To address the issue of generating air of underground collars, all the collar elevations were snapped to the actual surveyed topographic surfaces;
- Lithological log validation. The lithological log validation ensures that the lithological codes are consistent. Errors of this form arise due to typographical mistakes. The lithological codes of the database are L (Limonite), S (Saprolite) and B (Bedrock). The validation results showed no error in this form.

All drill hole locations were based on actual collar surveys using surveying instruments total stations TOPCON GT230N and Differential GPS GNSS South T82 (rover) and T86 (base) with regular calibrations of at least twice a year from the National Mapping Resource Information Administration (NAMRIA).

After the minor corrections on the validation process, the corrected and validated data was saved into the MS Access database format for statistical analysis.

10.4 Data Quality Review

The review of the drilling and sampling procedures indicates that good practices were used by PGMC during the various drilling programs. These practices were guided by the PGMC Exploration Protocol.

Both the internal and external duplicates for CAGA-2 and CAGA-3 deposits have good correlations with significant improvement during the sample preparation and analysis. The results of the standards, however, were acceptable with only minor scatter and no observed bias.

The observed minor scatter is insignificant and has no impact on the resource estimate given the great number of samples used in the estimation and the generally normal distribution and small range of sample grades within each estimation domain.

10.5 Data Verification Statement

The digital database used as the basis for resource estimation has been verified to be supported by certified assay certificates and/or original drill logs together with an acceptable QA/QC program. The supporting documentation is sufficient to enable the use of the database in a Mineral Resource estimate following the guidelines set forth by the PMRC Code.

10.6 Basic Statistics

Basic statistical analysis was done to determine any biases/variances in the analytical results which may be due to inherent geological characteristics of the deposit or in sampling, preparation and laboratory analyses. The analysis considered all available assay results from the drill hole dbase. Summary of data used in the statistical analysis is shown in **Table-32**.

Table-32. Drill Hole Summary- Statistical Analysis

Particulars	New Holes		Old Holes		Total
	CAGA-2	CAGA-3	CAGA-2	CAGA-3	
Total Holes	1,020	1,213	1,360	219	3,812
Total Depth	9056.65	14110.60	22373.07	3328.30	48,869
Average Depth	8.88	11.63	16.45	15.20	13.04
Total Samples	9,828	15,102	23,799	3,584	52,313
Total Duplicates	495	761	289	179	1,724
Total Checks	53	63	115	71	302
Total Standards	88	64	23	14	189
Total Blanks	37	54		8	99
Total Specific Gravity	1,093	2,204	1,188	705	5,190
Total Litho Interval	9,828	15,102	23,799	3,584	52,313
Collar Survey (DHs)	1,020	1,213	1,360	219	3,812
Topo Survey (hectares)	184.63	143.42	146.29	65.04	539.38
Total Core Recovered	8,691.63	13,176.61	22,104.00	22,104.00	66,076.24
Ave. Core Recovery	95.73%	93.22%	97.10%	96.60%	95.66%

Statistical analysis of the sample data was done to determine the standard deviation, mean and coefficient of variation. All the data fields except for Co and Al₂O₃ have showed a relatively low coefficient of variation (<1.0) which indicates that the dispersion of grades is close to its mean. It also means that the lithological domains are not that geostatistically complex and that simple modelling techniques are applicable. The coefficient of variation of both nickel and iron grades also suggests that no top-cutting of high fliers is necessary.

The multimodal distribution of Fe grades in the Cagdianao Nickel Project indicates three distinct populations that coincide with the three major geological domains. This suggests that the laterite profile is complete with the limonite zone, saprolite zone and with a thin transition zone in between. This was evident with the abrupt change of lithology as encountered in core samples. The histogram also shows that majority of the drill holes penetrated the bedrock, which is represented by the 0.1 to 0.5% Ni range.

Various results of basic statistics of laboratory results are in **Tables-33 to 42**. Frequency, Cumulative Frequency, and Normal Distribution are given in **Figures-80 and 81**.

Table 33. CAGA-2 Basic Statistics (All Samples)

All Samples						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	33326	33326	33325	24724	24722	24727
Minimum value	0.04	1.89	0.00	0.00	0.00	0.00
Maximum value	4.64	68.42	12.43	57.47	60.16	102.30
Mean	1.11	21.30	0.07	20.86	1.16	27.71
Median	1.09	11.45	0.04	24.85	0.48	30.94
Variance	0.27	308.90	0.02	127.63	2.06	231.67
Standard Deviation	0.51	17.58	0.15	11.30	1.44	15.22
Coefficient of variation	0.46	0.82	2.07	0.54	1.24	0.55

Table 34. CAGA-2 Basic Statistics (All Samples by Domain)

Limonite Domain						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	9986	9986	9986	7010	7013	7013
Minimum value	0.04	5.48	0.00	0.10	0.10	0.47
Maximum value	3.06	68.42	3.77	41.02	12.24	85.82
Mean	1.14	46.09	0.15	5.38	2.93	8.59
Median	1.11	49.10	0.10	2.95	2.89	5.36
Variance	0.08	69.85	0.04	39.60	1.26	72.82
Standard Deviation	0.29	8.36	0.21	6.29	1.12	8.53
Coefficient of variation	0.25	0.18	1.45	1.17	0.38	0.99
Saprolite Domain						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	17157	17157	17156	12951	12948	12951
Minimum value	0.17	1.89	0.00	0.00	0.00	0.00
Maximum value	4.64	54.06	12.43	46.36	60.16	102.30
Mean	1.34	12.26	0.05	27.18	0.56	36.46
Median	1.30	10.16	0.04	27.73	0.42	35.20
Variance	0.25	43.98	0.01	33.96	0.86	99.40
Standard Deviation	0.50	6.63	0.11	5.83	0.93	9.97
Coefficient of variation	0.37	0.54	2.28	0.21	1.66	0.27
Bedrock Domain						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	6696	6696	6696	5192	5190	5192
Minimum value	0.06	2.23	0.00	0.00	0.00	0.00
Maximum value	2.48	63.11	2.01	57.47	16.47	92.24
Mean	0.50	7.22	0.02	26.26	0.26	31.86
Median	0.44	6.70	0.02	25.21	0.19	30.84
Variance	0.06	12.27	0.00	26.78	0.13	69.74
Standard Deviation	0.25	3.50	0.03	5.17	0.36	8.35
Coefficient of variation	0.51	0.49	1.60	0.20	1.35	0.26

Table 35. CAGA-2 Basic Statistics (All Blocks)

All Blocks						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	807485	807485	807485	807485	807485	807485
Minimum value	0.15	0.00	0.00	0.00	0.00	0.00
Maximum value	2.71	62.33	9.26	45.48	15.95	64.72
Mean	0.86	22.22	0.06	16.53	1.25	20.65
Median	0.89	12.45	0.04	21.44	0.49	25.34
Variance	0.15	304.31	0.01	122.93	1.91	178.73
Standard Deviation	0.38	17.44	0.10	11.09	1.38	13.37
Coefficient of variation	0.45	0.78	1.63	0.67	1.11	0.65

Table 36. CAGA-2 Basic Statistics (Blocks by Domain)

Limonite Blocks						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	274462	274462	274462	274462	274462	274462
Minimum value	0.43	0.00	0.00	0.00	0.00	0.00
Maximum value	2.02	62.33	1.27	27.32	6.57	38.06
Mean	1.01	45.99	0.12	4.45	2.87	6.98
Median	1.01	46.41	0.10	4.05	2.90	6.58
Variance	0.04	13.61	0.01	8.74	1.25	15.21
Standard Deviation	0.19	3.69	0.07	2.96	1.12	3.90
Coefficient of variation	0.19	0.08	0.61	0.66	0.39	0.56
Saprolite Blocks						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	263065	263065	263065	263065	263065	263065
Minimum value	0.27	0.00	0.00	0.00	0.00	0.00
Maximum value	2.71	35.38	9.26	38.69	15.95	64.72
Mean	1.13	12.69	0.05	21.67	0.56	27.70
Median	1.12	12.25	0.04	24.85	0.51	30.21
Variance	0.13	9.25	0.02	93.10	0.29	166.23
Standard Deviation	0.36	3.04	0.15	9.65	0.54	12.89
Coefficient of variation	0.32	0.24	2.94	0.45	0.96	0.47
Bedrock Blocks						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	269958	269958	269958	269958	269958	269958
Minimum value	0.15	3.86	0.00	0.00	0.00	0.00
Maximum value	1.68	42.05	0.50	45.48	9.15	62.56
Mean	0.45	7.35	0.02	23.80	0.26	27.69
Median	0.45	7.16	0.02	24.25	0.24	28.31
Variance	0.02	3.37	0.00	41.12	0.05	69.28
Standard Deviation	0.14	1.83	0.01	6.41	0.23	8.32
Coefficient of variation	0.32	0.25	0.54	0.27	0.88	0.30

Table 37. CAGA-2 Basic Statistics (Blocks vs. Samples)

Limonite												
	Block	Sample	Block	Sample	Block	Sample	Block	Sample	Block	Sample	Block	Sample
Variable	Ni		Fe		Co		MgO		Al ₂ O ₃		SiO ₂	
Number of samples	274462	9986	274462	9986	274462	9986	274462	7010	274462	7013	274462	7013
Minimum value	0.43	0.04	0.00	5.48	0.00	0.00	0.00	0.10	0.00	0.10	0.00	0.47
Maximum value	2.02	3.06	62.33	68.42	1.27	3.77	27.32	41.02	6.57	12.24	38.06	85.82
Mean	1.01	1.14	45.99	46.09	0.12	0.15	4.45	5.38	2.87	2.93	6.98	8.59
Median	1.01	1.11	46.41	49.10	0.10	0.10	4.05	2.95	2.90	2.89	6.58	5.36
Variance	0.04	0.08	13.61	69.85	0.01	0.04	8.74	39.60	1.25	1.26	15.21	72.82
Standard Deviation	0.19	0.29	3.69	8.36	0.07	0.21	2.96	6.29	1.12	1.12	3.90	8.53
Coefficient of variation	0.19	0.25	0.08	0.18	0.61	1.45	0.66	1.17	0.39	0.38	0.56	0.99
Saprolite												
	Block	Sample	Block	Sample	Block	Sample	Block	Sample	Block	Sample	Block	Sample
Variable	Ni		Fe		Co		MgO		Al ₂ O ₃		SiO ₂	
Number of samples	263065	17157	263065	17157	263065	17156	263065	12951	263065	12948	263065	12951
Minimum value	0.27	0.17	0.00	1.89	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Maximum value	2.71	4.64	35.38	54.06	9.26	12.43	38.69	46.36	15.95	60.16	64.72	102.30
Mean	1.13	1.34	12.69	12.26	0.05	0.05	21.67	27.18	0.56	0.56	27.70	36.46
Median	1.12	1.30	12.25	10.16	0.04	0.04	24.85	27.73	0.51	0.42	30.21	35.20
Variance	0.13	0.25	9.25	43.98	0.02	0.01	93.10	33.96	0.29	0.86	166.23	99.40
Standard Deviation	0.36	0.50	3.04	6.63	0.15	0.11	9.65	5.83	0.54	0.93	12.89	9.97
Coefficient of variation	0.32	0.37	0.24	0.54	2.94	2.28	0.45	0.21	0.96	1.66	0.47	0.27
Bedrock												
	Block	Sample	Block	Sample	Block	Sample	Block	Sample	Block	Sample	Block	Sample
Variable	Ni		Fe		Co		MgO		Al ₂ O ₃		SiO ₂	
Number of samples	269958	6696	269958	6696	269958	6696	269958	5192	269958	5190	269958	5192
Minimum value	0.15	0.06	3.86	2.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Maximum value	1.68	2.48	42.05	63.11	0.50	2.01	45.48	57.47	9.15	16.47	62.56	92.24
Mean	0.45	0.50	7.35	7.22	0.02	0.02	23.80	26.26	0.26	0.26	27.69	31.86
Median	0.45	0.44	7.16	6.70	0.02	0.02	24.25	25.21	0.24	0.19	28.31	30.84
Variance	0.02	0.06	3.37	12.27	0.00	0.00	41.12	26.78	0.05	0.13	69.28	69.74
Standard Deviation	0.14	0.25	1.83	3.50	0.01	0.03	6.41	5.17	0.23	0.36	8.32	8.35
Coefficient of variation	0.32	0.51	0.25	0.49	0.54	1.60	0.27	0.20	0.88	1.35	0.30	0.26

Table 38. CAGA-3 Basic Statistics (All Samples)

All Samples						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	18684	18684	18684	18684	18684	18684
Minimum value	0.12	2.66	0.00	0.00	0.05	0.04
Maximum value	3.20	59.14	1.63	40.33	27.85	73.30
Mean	1.06	24.64	0.06	14.70	1.86	23.12
Median	1.03	16.61	0.05	19.21	1.12	28.64
Variance	0.22	320.44	0.00	102.39	2.87	173.65
Standard Deviation	0.47	17.90	0.05	10.12	1.69	13.18
Coefficient of variation	0.44	0.73	0.75	0.69	0.91	0.57

Table 39. CAGA-3 Basic Statistics (All Samples by Domain)

Limonite Domain						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	7110	7110	7110	7110	7110	7110
Minimum value	0.12	4.79	0.00	0.00	0.23	0.04
Maximum value	2.23	59.14	0.83	36.45	15.23	56.80
Mean	1.00	45.72	0.09	3.17	3.63	8.10
Median	0.99	47.73	0.08	1.92	3.61	5.76
Variance	0.06	35.97	0.00	13.42	1.43	46.06
Standard Deviation	0.24	6.00	0.05	3.66	1.20	6.79
Coefficient of variation	0.24	0.13	0.59	1.16	0.33	0.84
Saprolite Domain						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	8304	8304	8304	8304	8304	8304
Minimum value	0.16	2.71	0.00	0.05	0.05	1.24
Maximum value	3.20	51.48	1.63	40.33	27.85	73.30
Mean	1.36	13.94	0.06	21.52	0.93	32.74
Median	1.36	11.78	0.05	22.76	0.72	33.82
Variance	0.20	57.08	0.00	29.71	0.64	33.12
Standard Deviation	0.44	7.56	0.03	5.45	0.80	5.75
Coefficient of variation	0.33	0.54	0.61	0.25	0.86	0.18
Bedrock Domain						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	3268	3268	3268	3268	3268	3268
Minimum value	0.13	2.66	0.00	0.09	0.06	0.30
Maximum value	1.04	28.37	0.16	39.23	22.64	58.77
Mean	0.46	5.98	0.02	22.48	0.35	31.35
Median	0.42	5.72	0.02	22.51	0.30	31.78
Variance	0.04	3.27	0.00	12.68	0.34	14.65
Standard Deviation	0.20	1.81	0.01	3.56	0.59	3.83
Coefficient of variation	0.43	0.30	0.38	0.16	1.70	0.12

Table 40. CAGA-3 Basic Statistics (All Blocks)

All Blocks						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	460895	460895	460895	460895	460895	460895
Minimum value	0.15	0.00	0.00	0.00	0.00	1.11
Maximum value	2.42	51.49	0.61	37.04	7.65	48.22
Mean	0.90	19.60	0.05	16.87	1.45	25.27
Median	0.95	12.61	0.05	20.95	0.80	30.36
Variance	0.15	257.65	0.00	72.11	2.04	114.29
Standard Deviation	0.39	16.05	0.03	8.49	1.43	10.69
Coefficient of variation	0.43	0.82	0.59	0.50	0.98	0.42

Table 41. CAGA-3 Basic Statistics (Blocks by Domain)

Limonite Blocks						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	125915	125915	125915	125915	125915	125915
Minimum value	0.29	0.00	0.00	0.00	0.00	1.11
Maximum value	1.62	51.49	0.55	22.89	7.23	32.98
Mean	0.99	44.80	0.08	3.59	3.62	8.67
Median	0.99	45.32	0.08	3.14	3.58	7.95
Variance	0.02	12.62	0.00	4.63	0.52	18.46
Standard Deviation	0.14	3.55	0.03	2.15	0.72	4.30
Coefficient of variation	0.14	0.08	0.31	0.60	0.20	0.50
Saprolite Blocks						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	181435	181435	181435	181435	181435	181435
Minimum value	0.17	0.00	0.00	0.00	0.13	15.21
Maximum value	2.42	31.91	0.61	36.51	3.39	41.36
Mean	1.22	13.68	0.05	21.53	0.90	31.77
Median	1.22	13.22	0.05	21.70	0.85	32.17
Variance	0.07	11.17	0.00	8.11	0.13	9.86
Standard Deviation	0.27	3.34	0.01	2.85	0.36	3.14
Coefficient of variation	0.22	0.24	0.25	0.13	0.40	0.10
Bedrock Blocks						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	153545	153545	153545	153545	153545	153545
Minimum value	0.15	3.12	0.01	13.45	0.08	18.24
Maximum value	0.90	15.63	0.06	37.04	7.65	48.22
Mean	0.44	5.94	0.02	22.25	0.32	31.20
Median	0.43	5.78	0.02	22.18	0.31	31.20
Variance	0.01	1.10	0.00	3.80	0.04	5.15
Standard Deviation	0.11	1.05	0.00	1.95	0.20	2.27
Coefficient of variation	0.26	0.18	0.23	0.09	0.61	0.07

Table 42. CAGA-3 Basic Statistics (Blocks vs. Samples)

Limonite												
	Block	Sample										
Variable	Ni		Fe		Co		MgO		Al2O3		SiO2	
Number of samples	125915	7110	125915	7110	125915	7110	125915	7110	125915	7110	125915	7110
Minimum value	0.29	0.12	0.00	4.79	0.00	0.00	0.00	0.00	0.00	0.23	1.11	0.04
Maximum value	1.62	2.23	51.49	59.14	0.55	0.83	22.89	36.45	7.23	15.23	32.98	56.80
Mean	0.99	1.00	44.80	45.72	0.08	0.09	3.59	3.17	3.62	3.63	8.67	8.10
Median	0.99	0.99	45.32	47.73	0.08	0.08	3.14	1.92	3.58	3.61	7.95	5.76
Variance	0.02	0.06	12.62	35.97	0.00	0.00	4.63	13.42	0.52	1.43	18.46	46.06
Standard Deviation	0.14	0.24	3.55	6.00	0.03	0.05	2.15	3.66	0.72	1.20	4.30	6.79
Coefficient of variation	0.14	0.24	0.08	0.13	0.31	0.59	0.60	1.16	0.20	0.33	0.50	0.84
Saprolite												
	Block	Sample										
Variable	Ni		Fe		Co		MgO		Al2O3		SiO2	
Number of samples	181435	8304	181435	8304	181435	8304	181435	8304	181435	8304	181435	8304
Minimum value	0.17	0.16	0.00	2.71	0.00	0.00	0.00	0.05	0.13	0.05	15.21	1.24
Maximum value	2.42	3.20	31.91	51.48	0.61	1.63	36.51	40.33	3.39	27.85	41.36	73.30
Mean	1.22	1.36	13.68	13.94	0.05	0.06	21.53	21.52	0.90	0.93	31.77	32.74
Median	1.22	1.36	13.22	11.78	0.05	0.05	21.70	22.76	0.85	0.72	32.17	33.82
Variance	0.07	0.20	11.17	57.08	0.00	0.00	8.11	29.71	0.13	0.64	9.86	33.12
Standard Deviation	0.27	0.44	3.34	7.56	0.01	0.03	2.85	5.45	0.36	0.80	3.14	5.75
Coefficient of variation	0.22	0.33	0.24	0.54	0.25	0.61	0.13	0.25	0.40	0.86	0.10	0.18
Bedrock												
	Block	Sample										
Variable	Ni		Fe		Co		MgO		Al2O3		SiO2	
Number of samples	153545	3268	153545	3268	153545	3268	153545	3268	153545	3268	153545	3268
Minimum value	0.15	0.13	3.12	2.66	0.01	0.00	13.45	0.09	0.08	0.06	18.24	0.30
Maximum value	0.90	1.04	15.63	28.37	0.06	0.16	37.04	39.23	7.65	22.64	48.22	58.77
Mean	0.44	0.46	5.94	5.98	0.02	0.02	22.25	22.48	0.32	0.35	31.20	31.35
Median	0.43	0.42	5.78	5.72	0.02	0.02	22.18	22.51	0.31	0.30	31.20	31.78
Variance	0.01	0.04	1.10	3.27	0.00	0.00	3.80	12.68	0.04	0.34	5.15	14.65
Standard Deviation	0.11	0.20	1.05	1.81	0.00	0.01	1.95	3.56	0.20	0.59	2.27	3.83
Coefficient of variation	0.26	0.43	0.18	0.30	0.23	0.38	0.09	0.16	0.61	1.70	0.07	0.12

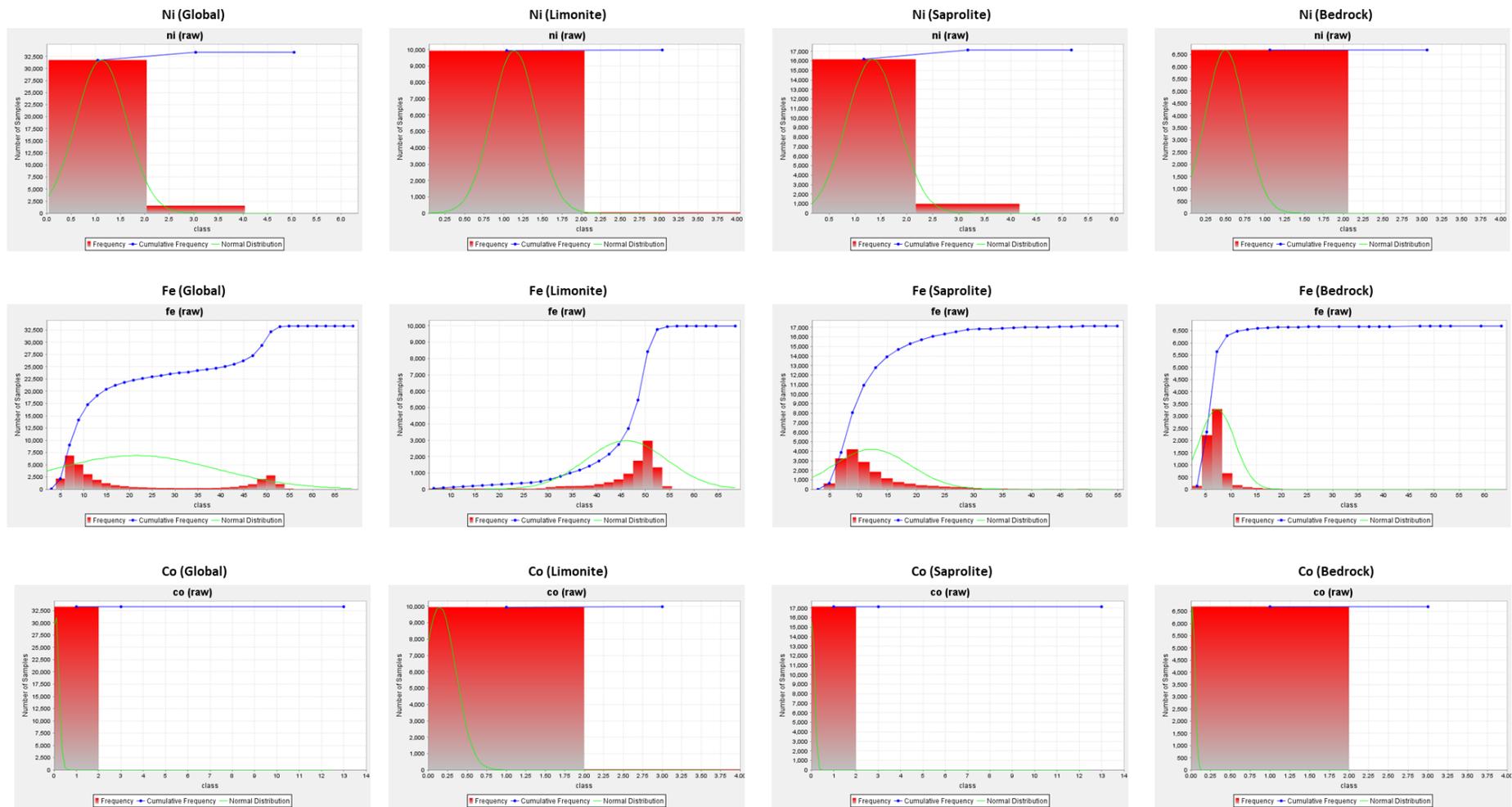


Figure-80. CAGA-2 Deposit- Frequency, Cumulative Frequency, and Normal Distribution

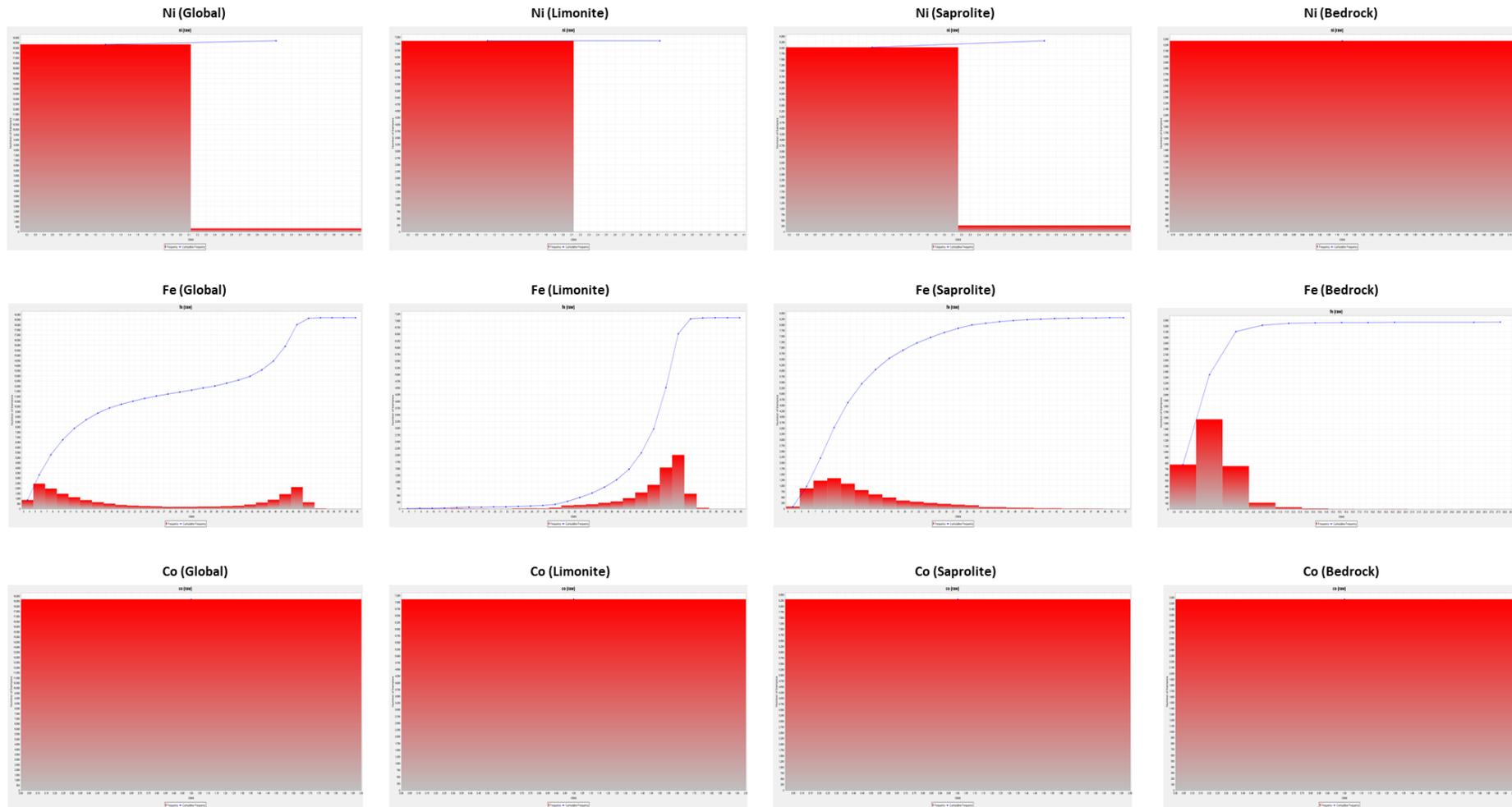


Figure-81. CAGA-3 Deposit- Frequency, Cumulative Frequency, and Normal Distribution

The statistical analysis of the different major domains indicates that generally only a few significant outliers are present in the distribution and as a result high-grade and low-grade cuts were not required in all domains as any minor outlier would not have any important effect on the resource estimation. Experience in existing mines within the region has indicated this characteristic style of mineralization of nickel laterites.

10.7 Geostatistical Analysis

After the geological surfaces were generated, samples belonging to their respective lithology were then filtered and a geostatistical analysis performed.

Variogram analyses done to determine the spatial characteristics of the samples on a per domain basis indicated a major to semi-major axes having values of 1.0 indicating no horizontal trend variations. The vertical variations (major to minor axes) are however strong indicating strong vertical trend of all elements. The gradual variations and sharp grade discontinuities have been used to subdivide the profile. Variogram interpretations and variogram analyses for the PGMC deposits are shown in **Tables- 43 to 44** and **Figures- 82 to 89**.

All assayed elements display some vertical grade trends within the limonite profile. Co, Ni increase gradually with depth within the limonite zone. The base of the limonite is marked primarily by an abrupt increase in Mg, as well as an abrupt decrease in Fe. There is also a significant increase in the Ni grade towards the base of limonite. In the majority of drill holes Ni increases progressively with depth in limonite and then sharply increases, across the limonite-saprolite boundary. Co also displays progressive enrichment towards the base of the limonite.

Typically Ni grades are <1% at surface and increase with depth at the base of the limonite. The saprolite boundary is typically marked by a sharp increase in Ni grade. The highest Ni grade usually occurs at the top of the saprolite and Ni grade decreases with depth at the base of the saprolite or bedrock. Ni grades are more variable in the saprolite probably due to the occurrence of proportions of less enriched coarse rocks mixed with enriched saprolite fines. The occurrence of enriched stringers or boulder rims is also possible but has not been tested by separate analysis.

Below this boundary the Ni decreases toward the bedrock interface. Other elements also display some change in average grade with depth as rocks become more common. Ni and Mg display the strongest vertical grade trend in the saprolite. The change in grade with depth for Mg is more pronounced than other elements. Si, Mg could be used to determine saprolite from bedrock.

Bedrock grades are relatively consistent although some grade trends do persist, in those samples classified as predominantly bedrock but which still contain some saprolite.

Table 43. Variogram Interpretation of CAGA-2 Deposit

Lithology	Attributes	Nugget	Sill 1	Sill 2	Range 1	Range 2	Maj/Semi	Maj/Min	Bearing	Dip	Plunge	Depth 1	Depth 2
Limonite	ni	0.51	0.14	0.25	64.34	77.75	1.13	6.69	70	30	0	9.62	11.62
	fe	0.82	0.06	0.10	60.71	110.68	1.34	4.01	40	10	0	15.13	27.59
	co	0.80	0.07	0.48	62.57	74.34	6.59	4.09	150	40	0	15.31	18.19
	mgo	0.67	0.27	0.07	73.77	89.27	1.48	8.30	40	20	0	8.89	10.76
	al2o3	0.33	0.28	0.28	55.21	82.52	1.00	8.00	100	10	0	6.90	10.31
	sio2	0.79	0.04	0.23	80.19	97.34	1.14	7.40	30	10	0	10.83	13.15
Saprolite	ni	0.64	0.13	0.15	46.54	65.18	1.00	1.05	30	20	0	44.24	61.96
	fe	0.56	0.23	0.26	51.15	55.75	1.00	3.88	100	10	0	13.19	14.38
	co	0.06	0.12	0.08	75.86	98.27	1.23	9.11	140	-10	0	8.32	10.78
	mgo	0.65	0.09	0.25	76.70	83.19	1.00	2.33	50	10	0	32.92	35.70
	al2o3	0.52	0.25	0.19	85.50	139.53	1.00	19.12	100	10	0	4.47	7.30
	sio2	0.29	0.36	0.24	70.84	80.47	1.25	3.82	40	-10	0	18.54	21.06

Table 44. Variogram Interpretation of CAGA-3 Deposit

Lithology	Attributes	Nugget	Sill 1	Sill 2	Range 1	Range 2	Maj/Semi	Maj/Min	Bearing	Dip	Plunge	Depth 1	Depth 2
Limonite	ni	0.55	0.31	0.11	61.26	105.82	1.00	10.76	100	20	0	5.69	9.83
	fe	0.53	0.28	0.17	69.13	76.00	1.00	9.99	90	0	0	6.92	7.61
	co	0.76	0.21	0.13	64.80	77.74	1.66	7.41	160	10	0	8.75	10.50
	mgo	0.30	0.25	0.39	55.26	85.78	1.16	12.75	10	-20	0	4.33	6.73
	al2o3	0.48	0.11	0.34	42.86	51.44	1.00	4.57	40	10	0	9.38	11.26
	sio2	0.59	0.21	0.16	59.80	60.48	1.00	7.81	100	10	0	7.66	7.74
Saprolite	ni	0.49	0.19	0.25	52.94	62.21	1.04	3.61	130	10	0	14.68	17.25
	fe	0.83	0.09	0.07	43.54	65.48	1.39	3.30	0	20	0	13.21	19.87
	co	0.30	0.32	0.32	79.38	104.59	1.70	3.29	90	-10	0	24.15	31.82
	mgo	0.84	0.09	0.06	70.78	94.53	1.00	1.00	10	20	0	70.78	94.53
	al2o3	0.75	0.10	0.14	70.11	78.43	1.84	3.89	60	10	0	18.02	20.16
	sio2	0.76	0.11	0.11	41.50	54.99	1.00	1.31	140	0	0	31.72	42.04

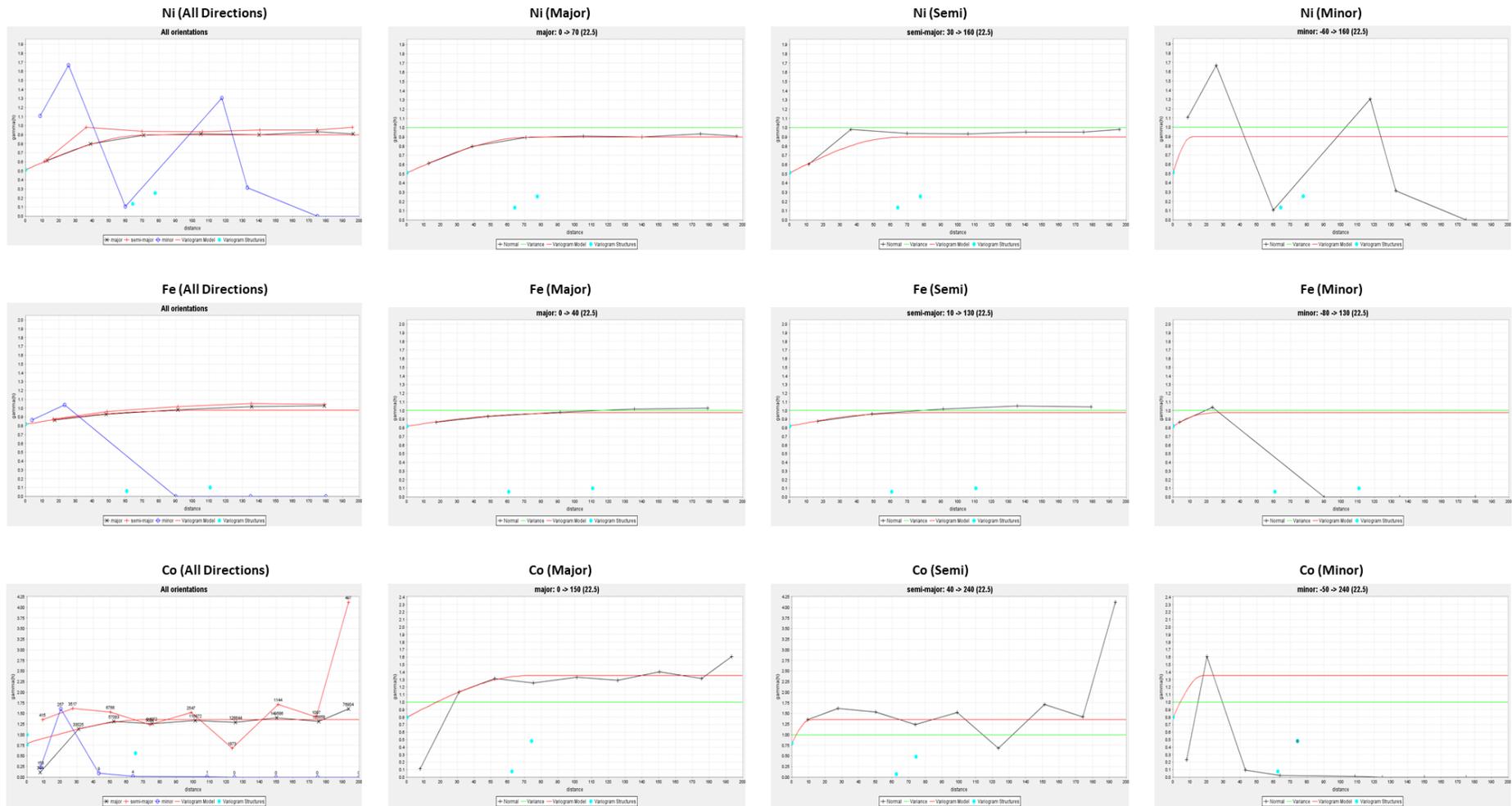


Figure-82. CAGA-2 Limonite Domain Variograms (Ni, Fe, Co)

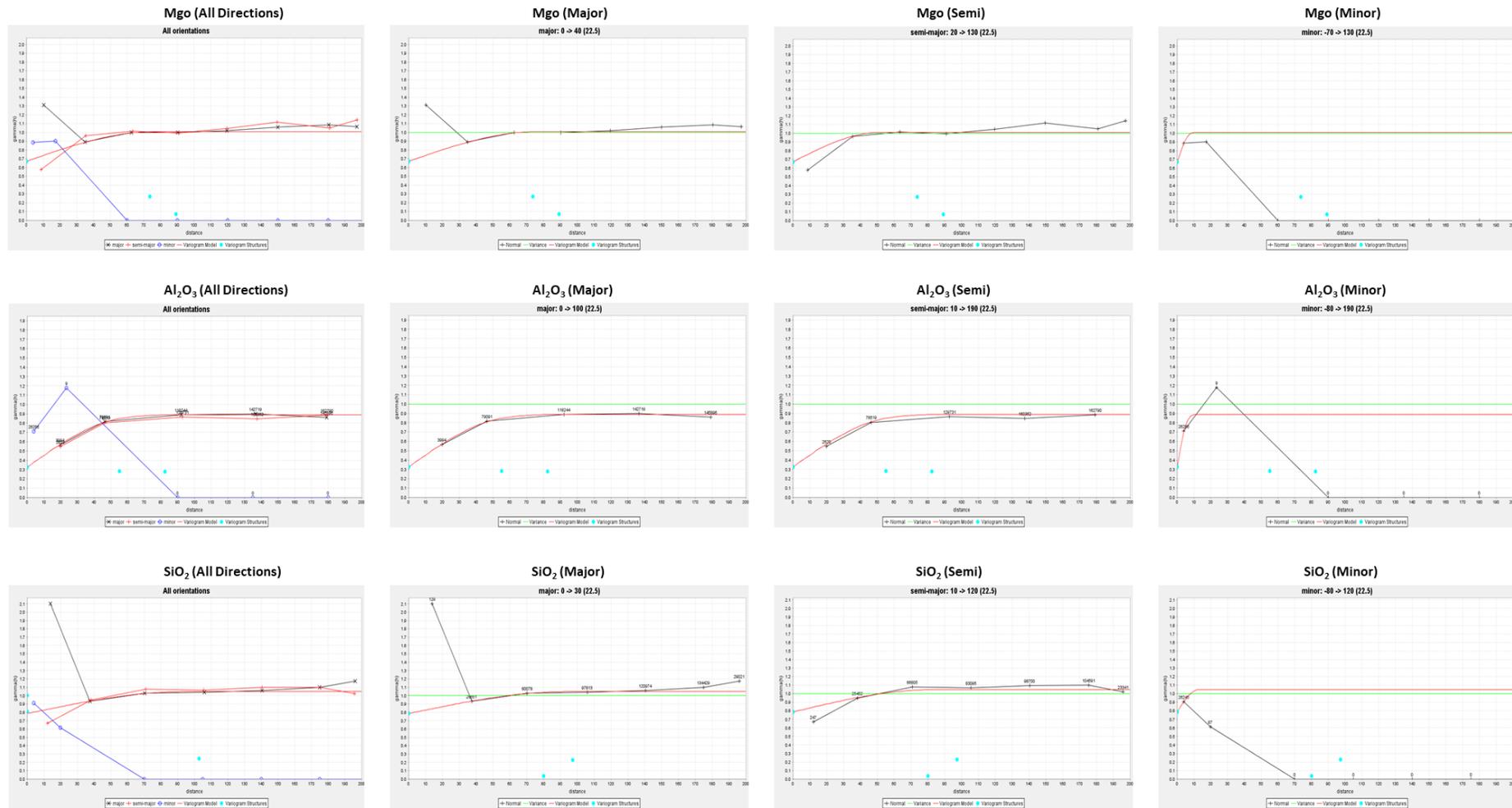


Figure-83. CAGA-2 Limonite Domain Variograms (MgO, Al₂O₃, SiO₂)

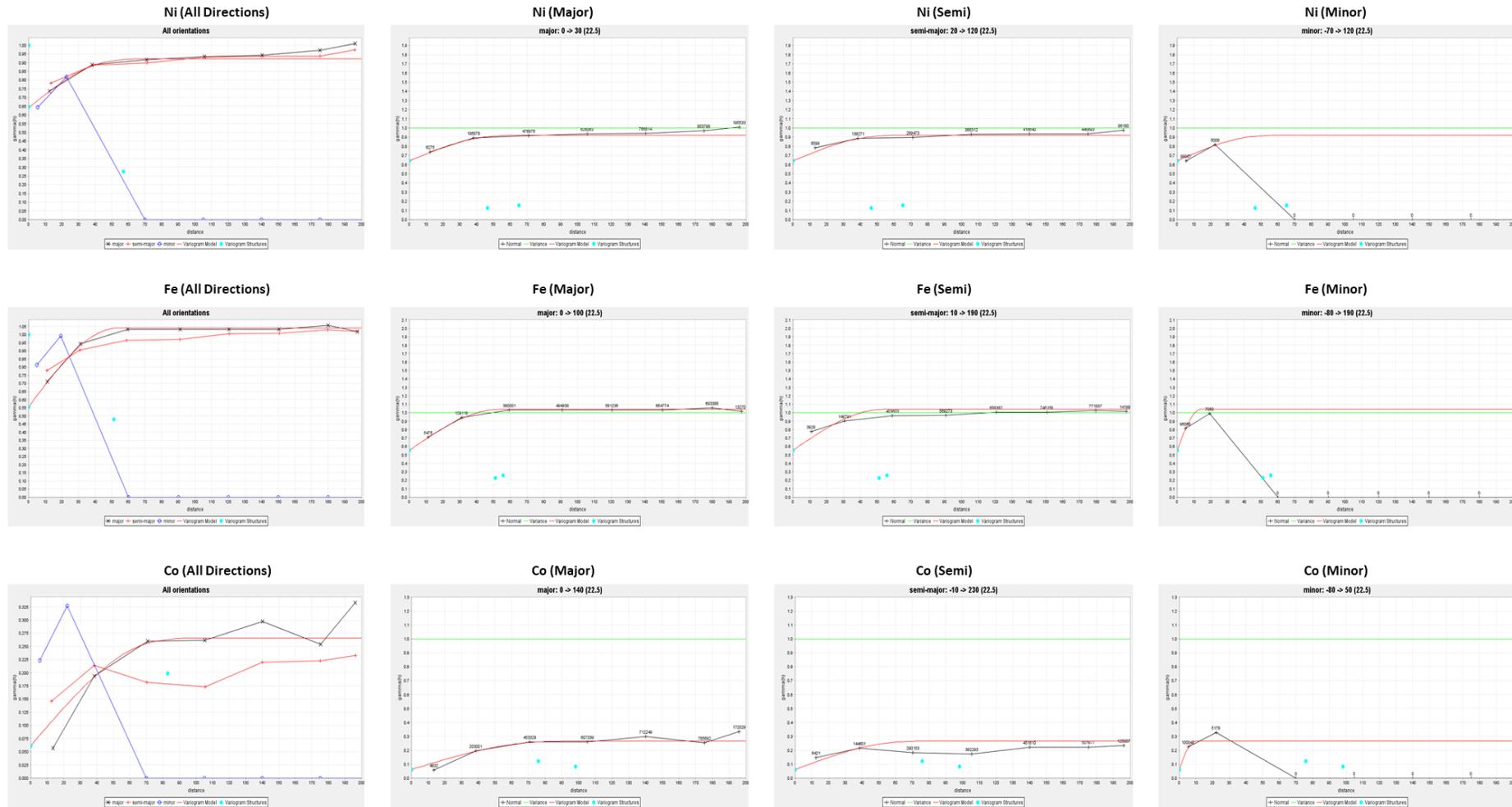


Figure-84. CAGA-2 Saprolite Domain Variograms (Ni, Fe, Co)

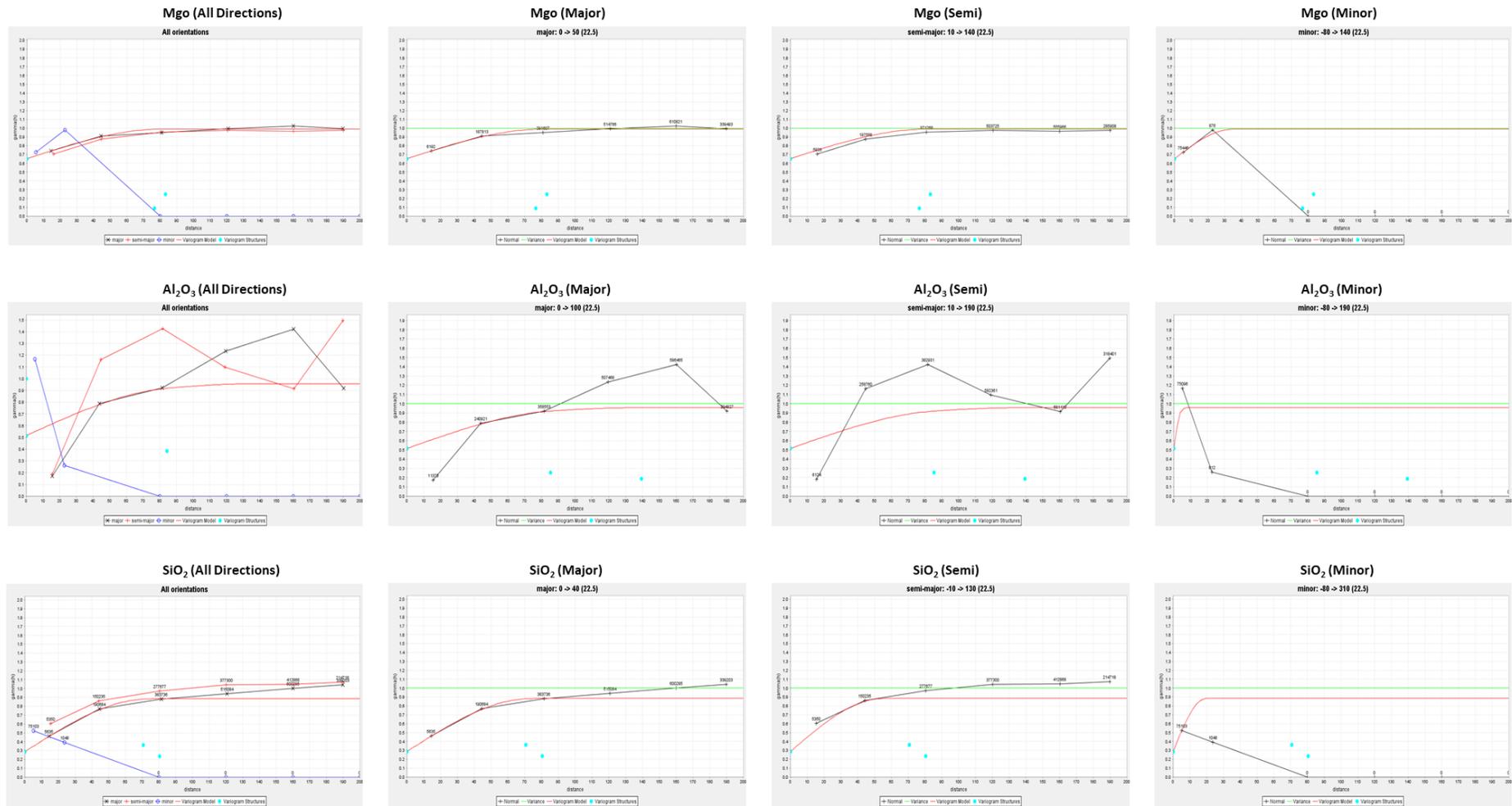


Figure-85. CAGA-2 Saprolite Domain Variograms (MgO, Al₂O₃, SiO₂)

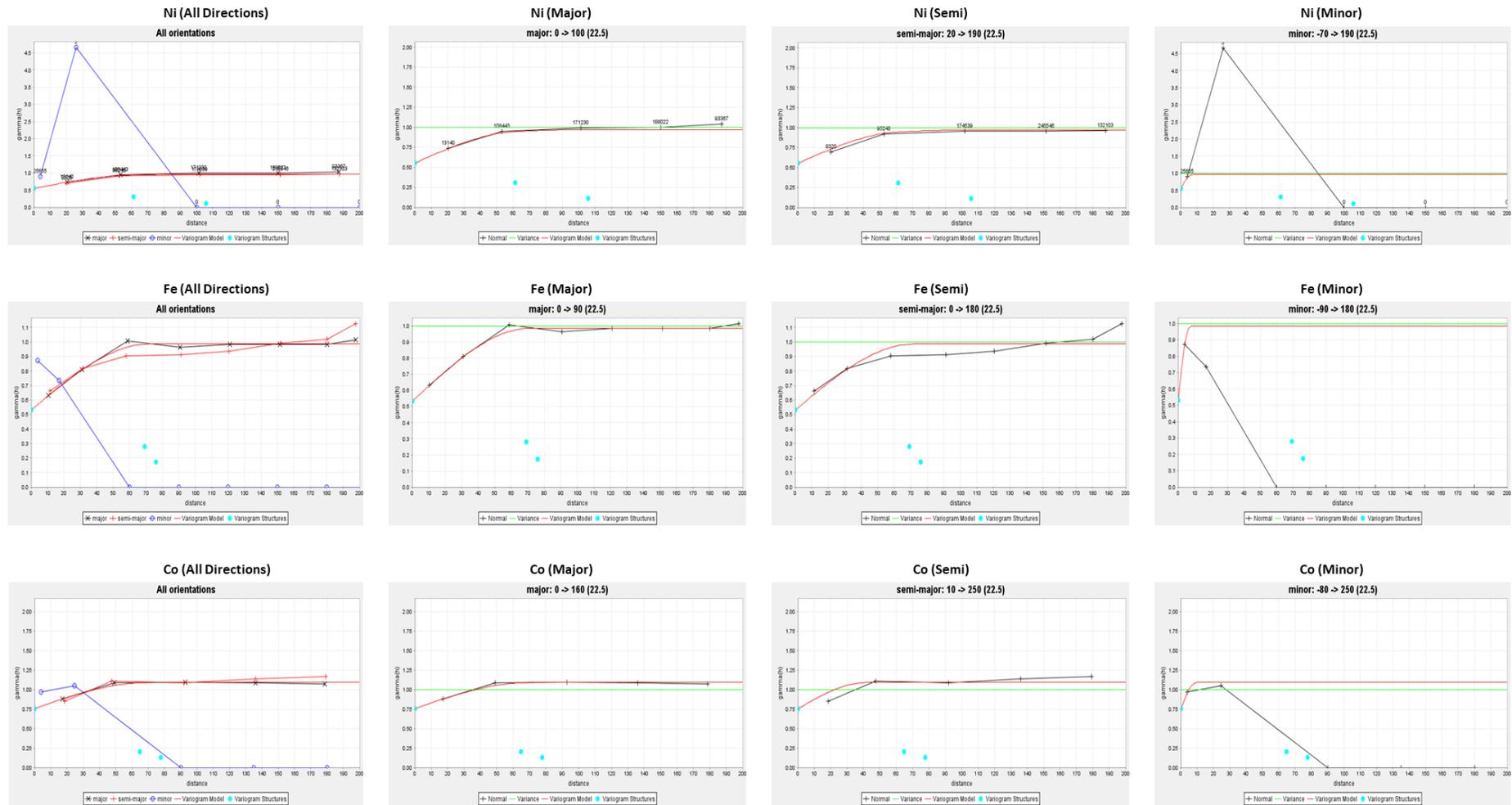


Figure-86. CAGA-3 Limonite Domain Variograms (Ni, Fe, Co)

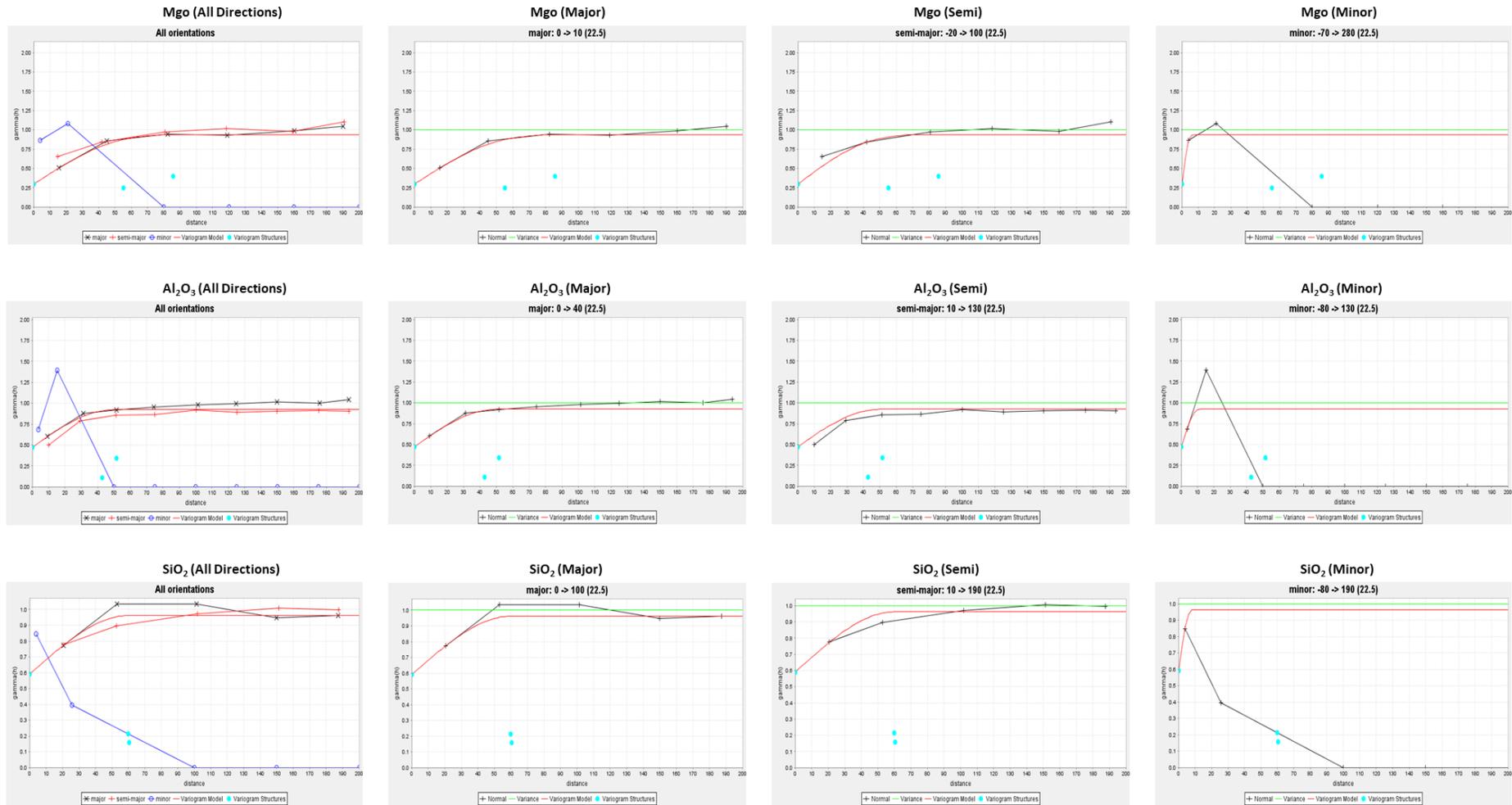


Figure-87. CAGA-3 Limonite Domain Variograms (MgO, Al₂O₃, SiO₂)

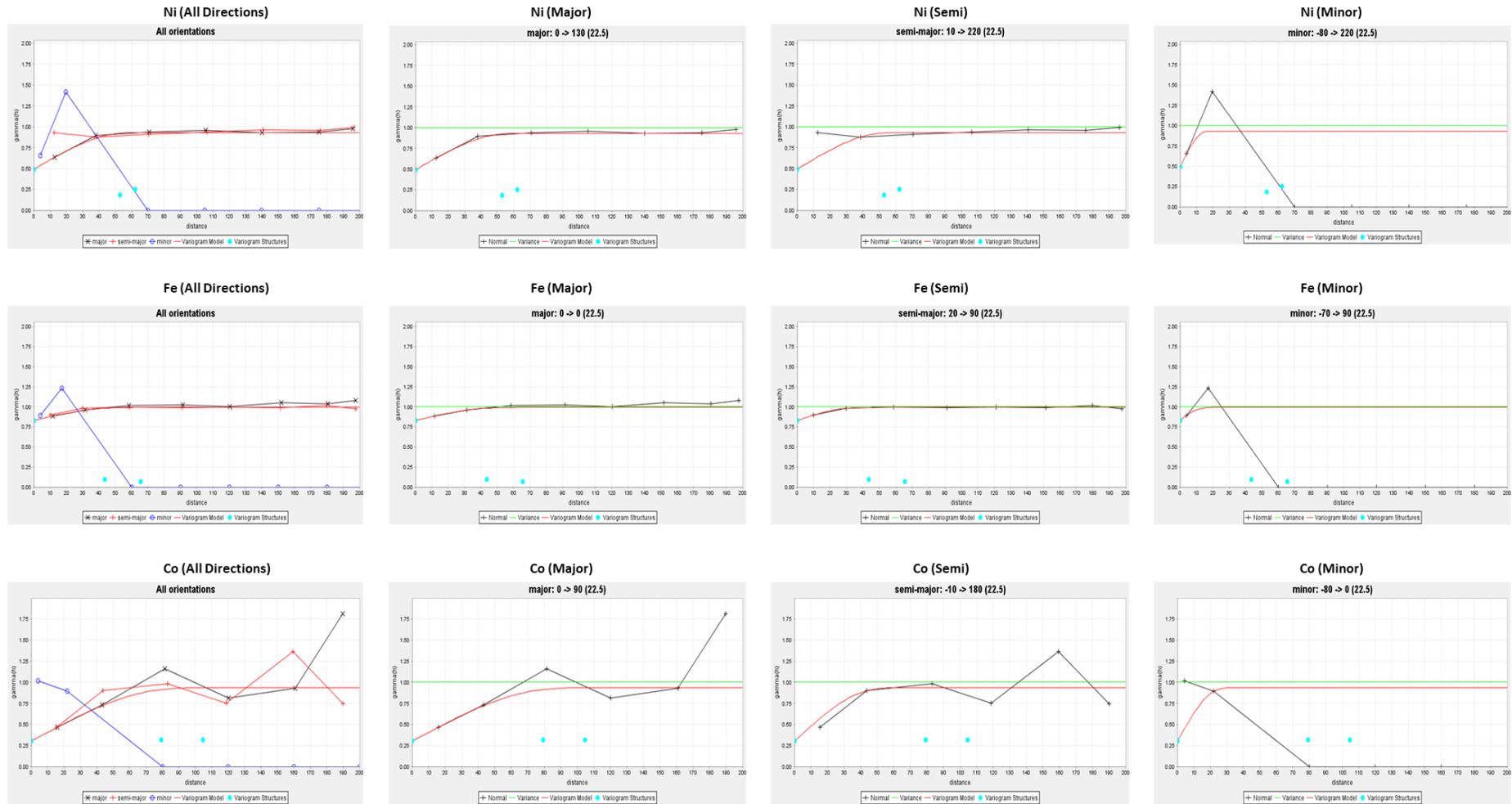


Figure-88. CAGA-3 Saprolite Domain Variograms (Ni, Fe, Co)

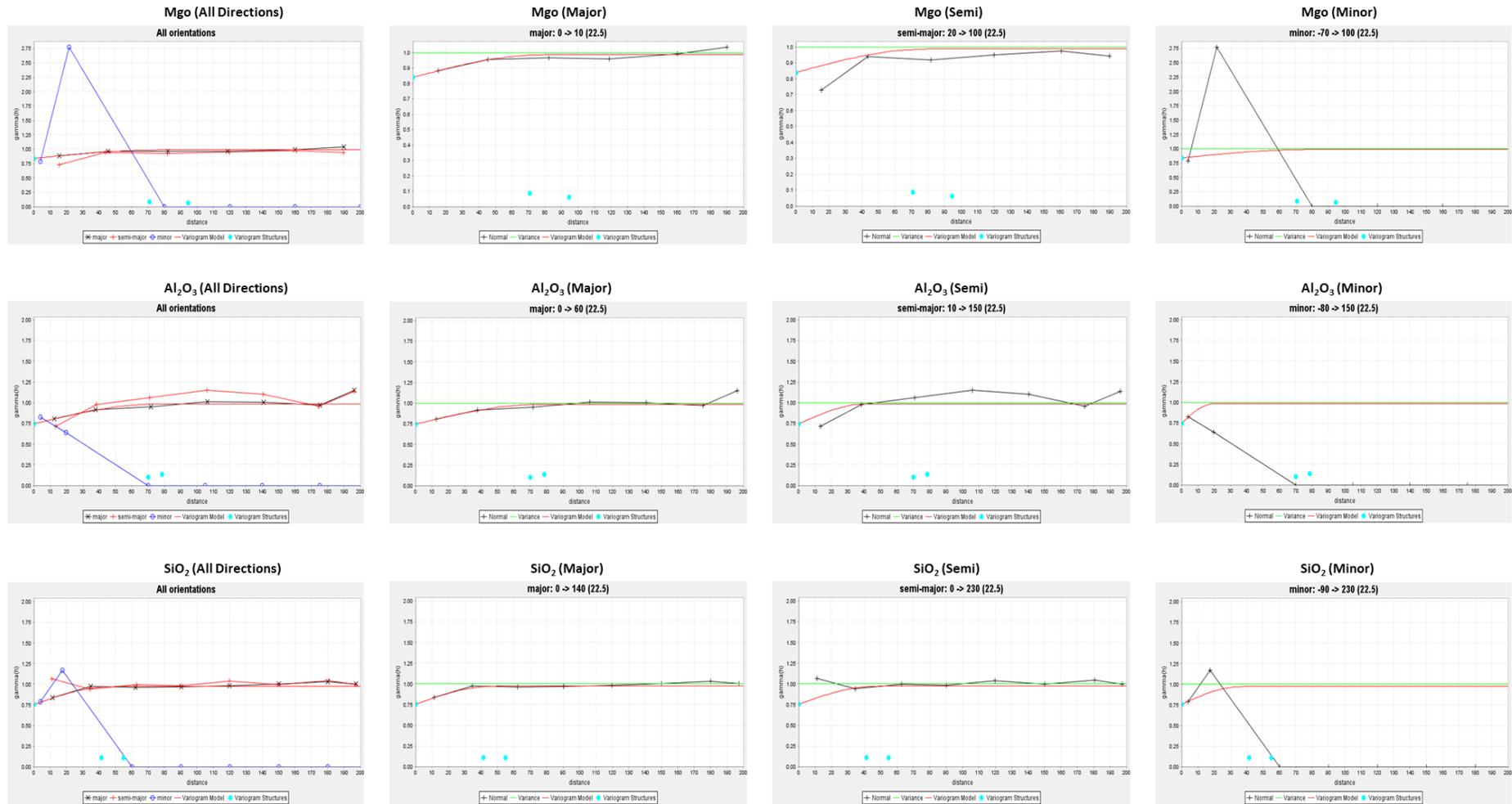


Figure-89. CAGA-3 Saprolite Domain Variograms (MgO, Al₂O₃, SiO₂)

10.8 Geological Surface Generation and Domain Modelling

The modelling of the geological surfaces involves the following:

- Extraction of the bottom contact of each lithological domain (Limonite, Saprolite, and Bedrock);
- Digital Terrain Modelling (DTM) of the bottom contacts of the domains;
- Digitizing of geological boundaries to define the horizontal extents of the domain. This boundary was based on the drill hole edges. Extrapolation to beyond the drill hole edges was done at a radius of 50m and 100m generated polygons; and
- Solids modelling of the geological boundaries.

The geologic contacts of each lithological domain were extracted and generated using Leapfrog Geo 4.1 and exported to GEOVIA Surpac 6.6 as DTM's and 3DM's. Three (3) surfaces were generated namely limonite bottom, saprolite bottom and bedrock bottom. The overburden bottom was incorporated into the limonite zone due to limited thickness. The geological surfaces were used to delimit the blocks according to lithology. In the case of CAGA-2, volumes of waste dumps and rehab areas were removed from the model.

Geological model boundaries were generated by digitizing a closed string around the periphery of the drilled area and extrapolating by offsetting the string to around 100m distance. This became the lateral boundary for the block model. Flow chart is on **Figure-90**.

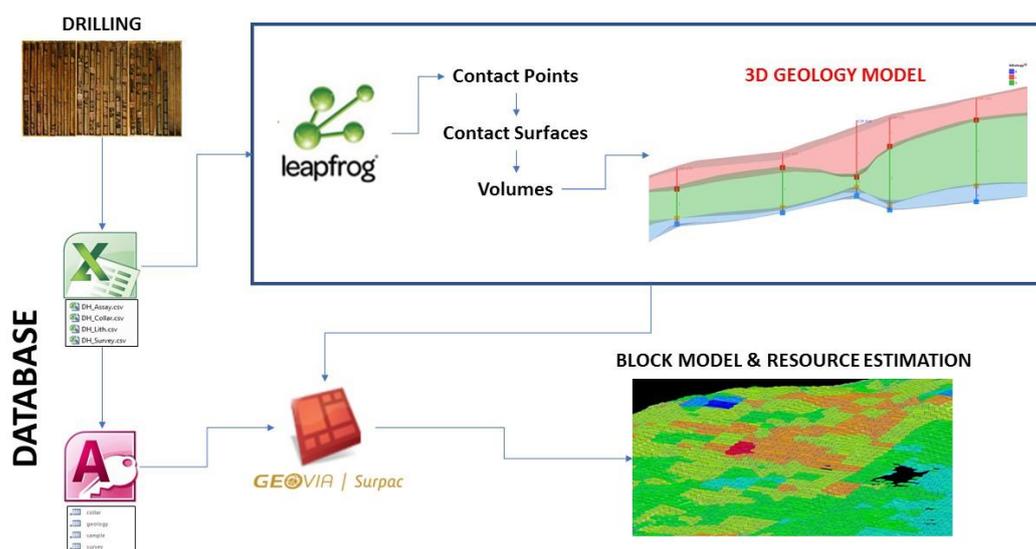


Figure-90. Geological Modelling to Block Modelling Flow Chart

Major geological zones were interpreted and delineated as surfaces using data from drill hole logs and assays. Mineralized envelopes, resource classification and drill hole collars for the different deposits are given in **Figures-91 to 94**.

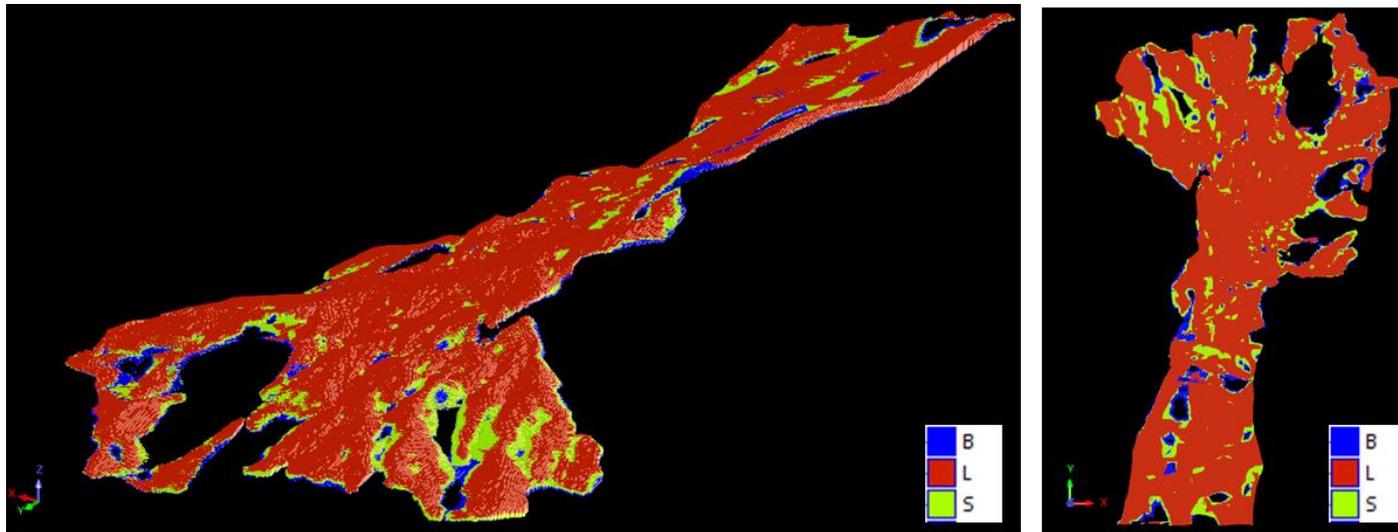


Figure-91. Block Model of Lithological Domains of CAGA-2 (GEOVIA Surpac)

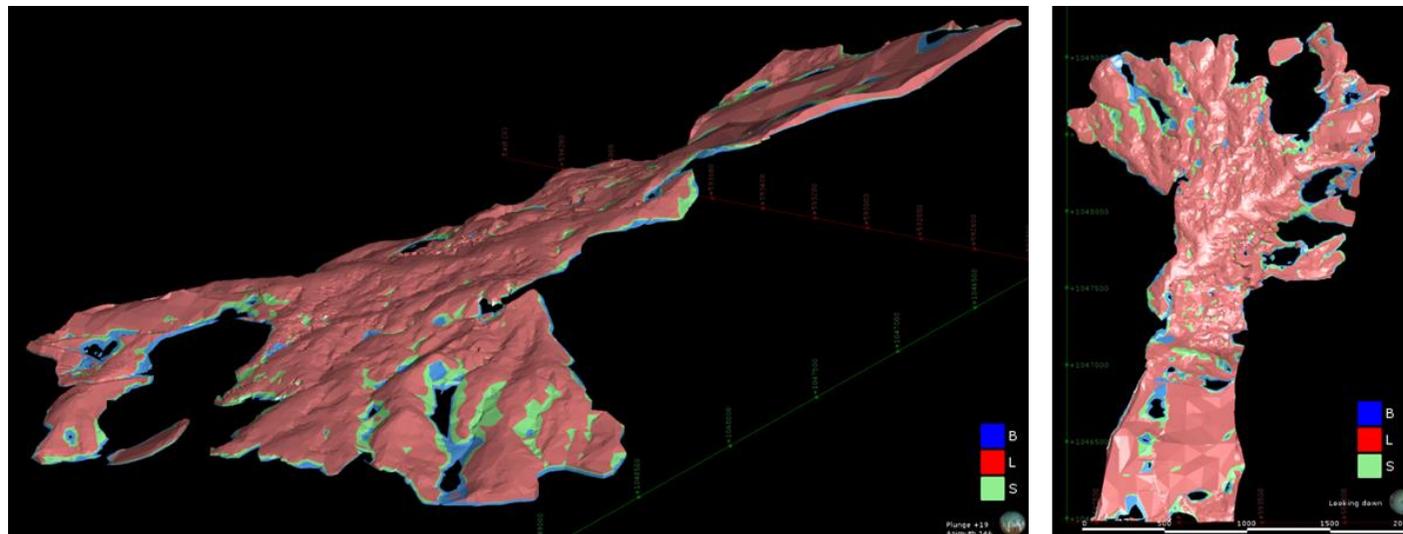


Figure-92. Geological Model of Lithological Domains of CAGA-2 (Leapfrog GEO)

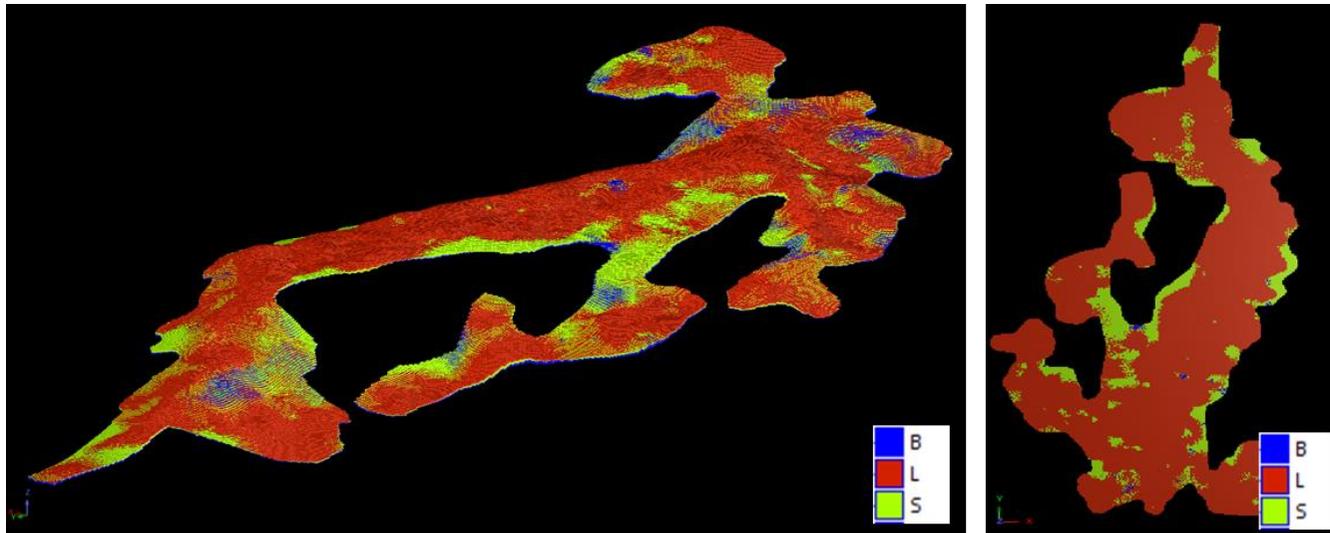


Figure-93. Block Model of Lithological Domains of CAGA-3 (GEOVIA Surpac)

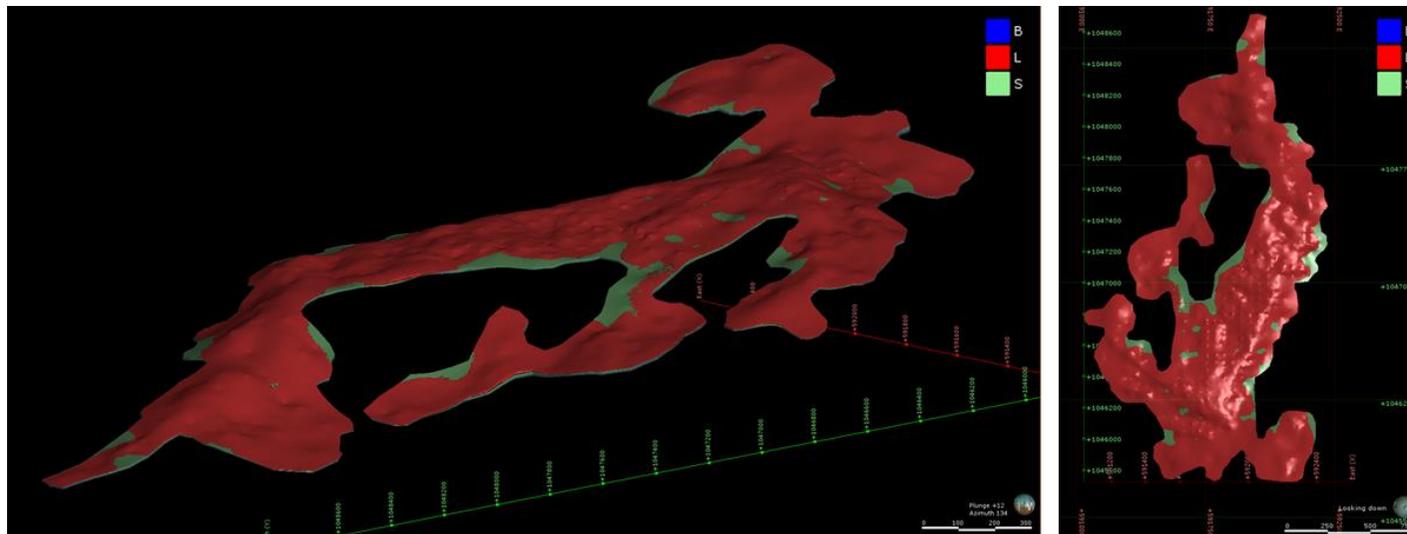


Figure-94. Geological Model of Lithological Domains of CAGA-3 (Leapfrog GEO)

10.9 Grade Interpolation

The interpreted surfaces and Ni grade shells were used as hard boundaries in the interpolation of the elements and only grades inside each domain were used to interpolate the blocks inside the domain. The grade interpolation was then executed using the Ordinary Kriging (OK) method for drilling grids of 25mx25m and 50mx50m. Inverse Distance Weighing (IDW) method were likewise used for 100mx100m. IDW was also used to estimate the density values and block grades for the bedrock domain.

There was no major horizontal anisotropy identified within the weathering profiles as expected in these types of deposits. The search ellipse parameters for each element and pass are shown in **Tables-45 to 50**.

Table 45. Search Ellipse Parameters of CAGA-2 Deposit at 25m Drilling Grid

Domain	Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Discretization
Limonite	Ni	1	1.00	7.14	70	30	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.00	70	30	0	70.00	10.00	3	15	5x5x3
		3	1.00	7.00	70	30	0	140.00	20.00	3	15	5x5x3
		4	1.00	7.00	70	30	0	280.00	40.00	3	15	5x5x3
	Fe	1	1.00	7.14	40	10	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.00	40	10	0	70.00	10.00	3	15	5x5x3
		3	1.00	7.00	40	10	0	140.00	20.00	3	15	5x5x3
		4	1.00	7.00	40	10	0	280.00	40.00	3	15	5x5x3
	Co	1	1.00	7.14	150	40	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.00	150	40	0	70.00	10.00	3	15	5x5x3
		3	1.00	7.00	150	40	0	140.00	20.00	3	15	5x5x3
		4	1.00	7.00	150	40	0	280.00	40.00	3	15	5x5x3
	MgO	1	1.00	7.14	40	20	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.00	40	20	0	70.00	10.00	3	15	5x5x3
		3	1.00	7.00	40	20	0	140.00	20.00	3	15	5x5x3
		4	1.00	7.00	40	20	0	280.00	40.00	3	15	5x5x3
	Al2O3	1	1.00	7.14	100	10	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.00	100	10	0	70.00	10.00	3	15	5x5x3
		3	1.00	7.00	100	10	0	140.00	20.00	3	15	5x5x3
		4	1.00	7.00	100	10	0	280.00	40.00	3	15	5x5x3
SiO2	1	1.00	7.14	30	10	0	50.00	7.00	3	15	5x5x3	
	2	1.00	7.00	30	10	0	70.00	10.00	3	15	5x5x3	
	3	1.00	7.00	30	10	0	140.00	20.00	3	15	5x5x3	
	4	1.00	7.00	30	10	0	280.00	40.00	3	15	5x5x3	
Saprolite	Ni	1	1.00	10.00	30	20	0	40.00	4.00	3	15	5x5x3
		2	1.00	7.14	30	20	0	50.00	7.00	3	15	5x5x3
		3	1.00	7.14	30	20	0	100.00	14.00	3	15	5x5x3
		4	1.00	7.14	30	20	0	200.00	28.00	3	15	5x5x3
	Fe	1	1.00	10.00	100	10	0	40.00	4.00	3	15	5x5x3
		2	1.00	7.14	100	10	0	50.00	7.00	3	15	5x5x3
		3	1.00	7.14	100	10	0	100.00	14.00	3	15	5x5x3
		4	1.00	7.14	100	10	0	200.00	28.00	3	15	5x5x3
	Co	1	1.00	10.00	140	-10	0	40.00	4.00	3	15	5x5x3
		2	1.00	7.14	140	-10	0	50.00	7.00	3	15	5x5x3
		3	1.00	7.14	140	-10	0	100.00	14.00	3	15	5x5x3
		4	1.00	7.14	140	-10	0	200.00	28.00	3	15	5x5x3
	MgO	1	1.00	10.00	50	10	0	40.00	4.00	3	15	5x5x3
		2	1.00	7.14	50	10	0	50.00	7.00	3	15	5x5x3
		3	1.00	7.14	50	10	0	100.00	14.00	3	15	5x5x3
		4	1.00	7.14	50	10	0	200.00	28.00	3	15	5x5x3
	Al2O4	1	1.00	10.00	100	10	0	40.00	4.00	3	15	5x5x3
		2	1.00	7.14	100	10	0	50.00	7.00	3	15	5x5x3
		3	1.00	7.14	100	10	0	100.00	14.00	3	15	5x5x3
		4	1.00	7.14	100	10	0	200.00	28.00	3	15	5x5x3
SiO3	1	1.00	10.00	40	-10	0	40.00	4.00	3	15	5x5x3	
	2	1.00	7.14	40	-10	0	50.00	7.00	3	15	5x5x3	

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		3	1.00	7.14	40	-10	0	100.00	14.00	3	15	5x5x3
		4	1.00	7.14	40	-10	0	200.00	28.00	3	15	5x5x3
Bedrock	Ni, Fe, Co, MgO, Al ₂ O ₃ , SiO ₂	1	1.00	5.83	0	0	0	35.00	6.00	3	15	5x5x3
		2	1.00	5.83	0	0	0	70.00	12.00	3	15	5x5x3
		3	1.00	5.83	0	0	0	140.00	24.00	3	15	5x5x3
		4	1.00	5.83	0	0	0	280.00	48.00	3	15	5x5x3
		5	1.00	5.83	0	0	0	420.00	72.00	3	15	5x5x3

Table 46. Search Ellipse Parameters of CAGA-2 Deposit at 50m Drilling Grid

Domain	Attributes	Pass	Major/Semi	Major/ Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Discretization
Limonite	Ni	1	1.00	7.00	70	30	0	70.00	10.00	3	15	5x5x3
		2	1.00	7.00	70	30	0	140.00	20.00	3	15	5x5x3
		3	1.00	7.00	70	30	0	280.00	40.00	3	15	5x5x3
	Fe	1	1.00	7.00	40	10	0	70.00	10.00	3	15	5x5x3
		2	1.00	7.00	40	10	0	140.00	20.00	3	15	5x5x3
		3	1.00	7.00	40	10	0	280.00	40.00	3	15	5x5x3
	Co	1	1.00	7.00	150	40	0	70.00	10.00	3	15	5x5x3
		2	1.00	7.00	150	40	0	140.00	20.00	3	15	5x5x3
		3	1.00	7.00	150	40	0	280.00	40.00	3	15	5x5x3
	MgO	1	1.00	7.00	40	20	0	70.00	10.00	3	15	5x5x3
		2	1.00	7.00	40	20	0	140.00	20.00	3	15	5x5x3
		3	1.00	7.00	40	20	0	280.00	40.00	3	15	5x5x3
	Al ₂ O ₃	1	1.00	7.00	100	10	0	70.00	10.00	3	15	5x5x3
		2	1.00	7.00	100	10	0	140.00	20.00	3	15	5x5x3
		3	1.00	7.00	100	10	0	280.00	40.00	3	15	5x5x3
SiO ₂	1	1.00	7.00	30	10	0	70.00	10.00	3	15	5x5x3	
	2	1.00	7.00	30	10	0	140.00	20.00	3	15	5x5x3	
	3	1.00	7.00	30	10	0	280.00	40.00	3	15	5x5x3	
Saprolite	Ni	1	1.00	7.14	30	20	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.14	30	20	0	100.00	14.00	3	15	5x5x3
		3	1.00	7.14	30	20	0	200.00	28.00	3	15	5x5x3
	Fe	1	1.00	7.14	100	10	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.14	100	10	0	100.00	14.00	3	15	5x5x3
		3	1.00	7.14	100	10	0	200.00	28.00	3	15	5x5x3
	Co	1	1.00	7.14	140	-10	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.14	140	-10	0	100.00	14.00	3	15	5x5x3
		3	1.00	7.14	140	-10	0	200.00	28.00	3	15	5x5x3
	MgO	1	1.00	7.14	50	10	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.14	50	10	0	100.00	14.00	3	15	5x5x3
		3	1.00	7.14	50	10	0	200.00	28.00	3	15	5x5x3
	Al ₂ O ₄	1	1.00	7.14	100	10	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.14	100	10	0	100.00	14.00	3	15	5x5x3
		3	1.00	7.14	100	10	0	200.00	28.00	3	15	5x5x3
SiO ₃	1	1.00	7.14	40	-10	0	50.00	7.00	3	15	5x5x3	
	2	1.00	7.14	40	-10	0	100.00	14.00	3	15	5x5x3	
	3	1.00	7.14	40	-10	0	200.00	28.00	3	15	5x5x3	
Bedrock	Ni, Fe, Co, MgO, Al ₂ O ₃ , SiO ₂	1	1.00	5.83	0	0	0	70.00	12.00	3	15	5x5x3
		2	1.00	5.83	0	0	0	140.00	24.00	3	15	5x5x3
		3	1.00	5.83	0	0	0	280.00	48.00	3	15	5x5x3
		4	1.00	5.83	0	0	0	420.00	72.00	3	15	5x5x3

Table 47. Search Ellipse Parameters of CAGA-2 Deposit at 100m Drilling Grid

Domain	Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Discretization	
Limonite	Ni	1	1.00	7.00	70	30	0	140.00	20.00	3	15	5x5x3	
		2	1.00	7.00	70	30	0	280.00	40.00	3	15	5x5x3	
	Fe	1	1.00	7.00	40	10	0	140.00	20.00	3	15	5x5x3	
		2	1.00	7.00	40	10	0	280.00	40.00	3	15	5x5x3	
	Co	1	1.00	7.00	150	40	0	140.00	20.00	3	15	5x5x3	
		2	1.00	7.00	150	40	0	280.00	40.00	3	15	5x5x3	
	MgO	1	1.00	7.00	40	20	0	140.00	20.00	3	15	5x5x3	
		2	1.00	7.00	40	20	0	280.00	40.00	3	15	5x5x3	
	Al2O3	1	1.00	7.00	100	10	0	140.00	20.00	3	15	5x5x3	
		2	1.00	7.00	100	10	0	280.00	40.00	3	15	5x5x3	
	SiO2	1	1.00	7.00	30	10	0	140.00	20.00	3	15	5x5x3	
		2	1.00	7.00	30	10	0	280.00	40.00	3	15	5x5x3	
	Saprolite	Ni	1	1.00	7.14	30	20	0	100.00	14.00	3	15	5x5x3
			2	1.00	7.14	30	20	0	200.00	28.00	3	15	5x5x3
Fe		1	1.00	7.14	100	10	0	100.00	14.00	3	15	5x5x3	
		2	1.00	7.14	100	10	0	200.00	28.00	3	15	5x5x3	
Co		1	1.00	7.14	140	-10	0	100.00	14.00	3	15	5x5x3	
		2	1.00	7.14	140	-10	0	200.00	28.00	3	15	5x5x3	
MgO		1	1.00	7.14	50	10	0	100.00	14.00	3	15	5x5x3	
		2	1.00	7.14	50	10	0	200.00	28.00	3	15	5x5x3	
Al2O4		1	1.00	7.14	100	10	0	100.00	14.00	3	15	5x5x3	
		2	1.00	7.14	100	10	0	200.00	28.00	3	15	5x5x3	
SiO3		1	1.00	7.14	40	-10	0	100.00	14.00	3	15	5x5x3	
		2	1.00	7.14	40	-10	0	200.00	28.00	3	15	5x5x3	
Bedrock		Ni, Fe, Co, MgO, Al2O3, SiO2	1	1.00	5.83	0	0	0	140.00	24.00	3	15	5x5x3
			2	1.00	5.83	0	0	0	280.00	48.00	3	15	5x5x3
	3		1.00	5.83	0	0	0	420.00	72.00	3	15	5x5x3	

Table 48. Search Ellipse Parameters of CAGA-3 Deposit at 25m Drilling Grid

Domain	Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Discretization
Limonite	Ni	1	1.00	10.00	100	20	0	40.00	4.00	3	15	5x5x3
		2	1.00	8.33	100	20	0	50.00	6.00	3	15	5x5x3
		3	1.00	8.33	100	20	0	100.00	12.00	3	15	5x5x3
		4	1.00	8.33	100	20	0	200.00	24.00	3	15	5x5x3
	Fe	1	1.00	10.00	90	0	0	40.00	4.00	3	15	5x5x3
		2	1.00	8.33	90	0	0	50.00	6.00	3	15	5x5x3
		3	1.00	8.33	90	0	0	100.00	12.00	3	15	5x5x3
		4	1.00	8.33	90	0	0	200.00	24.00	3	15	5x5x3
	Co	1	1.00	10.00	160	10	0	40.00	4.00	3	15	5x5x3
		2	1.00	8.33	160	10	0	50.00	6.00	3	15	5x5x3
		3	1.00	8.33	160	10	0	100.00	12.00	3	15	5x5x3
		4	1.00	8.33	160	10	0	200.00	24.00	3	15	5x5x3
	MgO	1	1.00	10.00	10	-20	0	40.00	4.00	3	15	5x5x3
		2	1.00	8.33	10	-20	0	50.00	6.00	3	15	5x5x3
		3	1.00	8.33	10	-20	0	100.00	12.00	3	15	5x5x3
		4	1.00	8.33	10	-20	0	200.00	24.00	3	15	5x5x3
	Al2O3	1	1.00	10.00	40	10	0	40.00	4.00	3	15	5x5x3
		2	1.00	8.33	40	10	0	50.00	6.00	3	15	5x5x3
		3	1.00	8.33	40	10	0	100.00	12.00	3	15	5x5x3
		4	1.00	8.33	40	10	0	200.00	24.00	3	15	5x5x3
	SiO2	1	1.00	10.00	100	10	0	40.00	4.00	3	15	5x5x3
		2	1.00	8.33	100	10	0	50.00	6.00	3	15	5x5x3
		3	1.00	8.33	100	10	0	100.00	12.00	3	15	5x5x3

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Saprolite	Ni	4	1.00	8.33	100	10	0	200.00	24.00	3	15	5x5x3	
		1	1.00	4.00	130	10	0	40.00	10.00	3	15	5x5x3	
		2	1.00	6.00	130	10	0	60.00	10.00	3	15	5x5x3	
		3	1.00	6.00	130	10	0	120.00	20.00	3	15	5x5x3	
	Fe	4	1.00	6.00	130	10	0	240.00	40.00	3	15	5x5x3	
		1	1.00	4.00	0	20	0	40.00	10.00	3	15	5x5x3	
		2	1.00	6.00	0	20	0	60.00	10.00	3	15	5x5x3	
		3	1.00	6.00	0	20	0	120.00	20.00	3	15	5x5x3	
	Co	4	1.00	6.00	0	20	0	240.00	40.00	3	15	5x5x3	
		1	1.00	4.00	90	-10	0	40.00	10.00	3	15	5x5x3	
		2	1.00	6.00	90	-10	0	60.00	10.00	3	15	5x5x3	
		3	1.00	6.00	90	-10	0	120.00	20.00	3	15	5x5x3	
	MgO	4	1.00	6.00	90	-10	0	240.00	40.00	3	15	5x5x3	
		1	1.00	4.00	10	20	0	40.00	10.00	3	15	5x5x3	
		2	1.00	6.00	10	20	0	60.00	10.00	3	15	5x5x3	
		3	1.00	6.00	10	20	0	120.00	20.00	3	15	5x5x3	
	Al2O4	4	1.00	6.00	10	20	0	240.00	40.00	3	15	5x5x3	
		1	1.00	4.00	60	10	0	40.00	10.00	3	15	5x5x3	
		2	1.00	6.00	60	10	0	60.00	10.00	3	15	5x5x3	
		3	1.00	6.00	60	10	0	120.00	20.00	3	15	5x5x3	
	SiO3	4	1.00	6.00	60	10	0	240.00	40.00	3	15	5x5x3	
		1	1.00	4.00	140	0	0	40.00	10.00	3	15	5x5x3	
		2	1.00	6.00	140	0	0	60.00	10.00	3	15	5x5x3	
		3	1.00	6.00	140	0	0	120.00	20.00	3	15	5x5x3	
	Bedrock	Ni, Fe, Co, MgO, Al2O3, SiO2	4	1.00	6.00	140	0	0	240.00	40.00	3	15	5x5x3
			1	1.00	5.83	0	0	0	35.00	6.00	3	15	5x5x3
			2	1.00	5.83	0	0	0	70.00	12.00	3	15	5x5x3
			3	1.00	5.83	0	0	0	140.00	24.00	3	15	5x5x3
4			1.00	5.83	0	0	0	280.00	48.00	3	15	5x5x3	
		5	1.00	5.83	0	0	0	420.00	72.00	3	15	5x5x3	

Table 49. Search Ellipse Parameters of CAGA-3 Deposit at 50m Drilling Grid

Domain	Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Discretization
Limonite	Ni	1	1.00	8.33	100	20	0	50.00	6.00	3	15	5x5x3
		2	1.00	8.33	100	20	0	100.00	12.00	3	15	5x5x3
		3	1.00	8.33	100	20	0	200.00	24.00	3	15	5x5x3
	Fe	1	1.00	8.33	90	0	0	50.00	6.00	3	15	5x5x3
		2	1.00	8.33	90	0	0	100.00	12.00	3	15	5x5x3
		3	1.00	8.33	90	0	0	200.00	24.00	3	15	5x5x3
	Co	1	1.00	8.33	160	10	0	50.00	6.00	3	15	5x5x3
		2	1.00	8.33	160	10	0	100.00	12.00	3	15	5x5x3
		3	1.00	8.33	160	10	0	200.00	24.00	3	15	5x5x3
	MgO	1	1.00	8.33	10	-20	0	50.00	6.00	3	15	5x5x3
		2	1.00	8.33	10	-20	0	100.00	12.00	3	15	5x5x3
		3	1.00	8.33	10	-20	0	200.00	24.00	3	15	5x5x3
	Al2O3	1	1.00	8.33	40	10	0	50.00	6.00	3	15	5x5x3
		2	1.00	8.33	40	10	0	100.00	12.00	3	15	5x5x3
		3	1.00	8.33	40	10	0	200.00	24.00	3	15	5x5x3
SiO2	1	1.00	8.33	100	10	0	50.00	6.00	3	15	5x5x3	
	2	1.00	8.33	100	10	0	100.00	12.00	3	15	5x5x3	
	3	1.00	8.33	100	10	0	200.00	24.00	3	15	5x5x3	
Saprolite	Ni	1	1.00	6.00	130	10	0	60.00	10.00	3	15	5x5x3
		2	1.00	6.00	130	10	0	120.00	20.00	3	15	5x5x3
		3	1.00	6.00	130	10	0	240.00	40.00	3	15	5x5x3
	Fe	1	1.00	6.00	0	20	0	60.00	10.00	3	15	5x5x3
		2	1.00	6.00	0	20	0	120.00	20.00	3	15	5x5x3
		3	1.00	6.00	0	20	0	240.00	40.00	3	15	5x5x3
	Co	1	1.00	6.00	90	-10	0	60.00	10.00	3	15	5x5x3
		2	1.00	6.00	90	-10	0	120.00	20.00	3	15	5x5x3
		3	1.00	6.00	90	-10	0	240.00	40.00	3	15	5x5x3
	MgO	1	1.00	6.00	10	20	0	60.00	10.00	3	15	5x5x3
		2	1.00	6.00	10	20	0	120.00	20.00	3	15	5x5x3
		3	1.00	6.00	10	20	0	240.00	40.00	3	15	5x5x3
Al2O4	1	1.00	6.00	60	10	0	60.00	10.00	3	15	5x5x3	
	2	1.00	6.00	60	10	0	120.00	20.00	3	15	5x5x3	
	3	1.00	6.00	60	10	0	240.00	40.00	3	15	5x5x3	

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	SiO3	1	1.00	6.00	140	0	0	60.00	10.00	3	15	5x5x3
		2	1.00	6.00	140	0	0	120.00	20.00	3	15	5x5x3
		3	1.00	6.00	140	0	0	240.00	40.00	3	15	5x5x3
Bedrock	Ni, Fe, Co, MgO, Al2O3, SiO2	1	1.00	5.83	0	0	0	70.00	12.00	3	15	5x5x3
		2	1.00	5.83	0	0	0	140.00	24.00	3	15	5x5x3
		3	1.00	5.83	0	0	0	280.00	48.00	3	15	5x5x3
		4	1.00	5.83	0	0	0	420.00	72.00	3	15	5x5x3

Table 50. Search Ellipse Parameters of CAGA-3 Deposit at 100m Drilling Grid

Domain	Attributes	Pass	Major/Semi	Major/ Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Discretization	
Limonite	Ni	1	1.00	8.33	100	20	0	100.00	12.00	3	15	5x5x3	
		2	1.00	8.33	100	20	0	200.00	24.00	3	15	5x5x3	
	Fe	1	1.00	8.33	90	0	0	100.00	12.00	3	15	5x5x3	
		2	1.00	8.33	90	0	0	200.00	24.00	3	15	5x5x3	
	Co	1	1.00	8.33	160	10	0	100.00	12.00	3	15	5x5x3	
		2	1.00	8.33	160	10	0	200.00	24.00	3	15	5x5x3	
	MgO	1	1.00	8.33	10	-20	0	100.00	12.00	3	15	5x5x3	
		2	1.00	8.33	10	-20	0	200.00	24.00	3	15	5x5x3	
	Al2O3	1	1.00	8.33	40	10	0	100.00	12.00	3	15	5x5x3	
		2	1.00	8.33	40	10	0	200.00	24.00	3	15	5x5x3	
	SiO2	1	1.00	8.33	100	10	0	100.00	12.00	3	15	5x5x3	
		2	1.00	8.33	100	10	0	200.00	24.00	3	15	5x5x3	
	Saprolite	Ni	1	1.00	6.00	130	10	0	120.00	20.00	3	15	5x5x3
			2	1.00	6.00	130	10	0	240.00	40.00	3	15	5x5x3
Fe		1	1.00	6.00	0	20	0	120.00	20.00	3	15	5x5x3	
		2	1.00	6.00	0	20	0	240.00	40.00	3	15	5x5x3	
Co		1	1.00	6.00	90	-10	0	120.00	20.00	3	15	5x5x3	
		2	1.00	6.00	90	-10	0	240.00	40.00	3	15	5x5x3	
MgO		1	1.00	6.00	10	20	0	120.00	20.00	3	15	5x5x3	
		2	1.00	6.00	10	20	0	240.00	40.00	3	15	5x5x3	
Al2O4		1	1.00	6.00	60	10	0	120.00	20.00	3	15	5x5x3	
		2	1.00	6.00	60	10	0	240.00	40.00	3	15	5x5x3	
SiO3		1	1.00	6.00	140	0	0	120.00	20.00	3	15	5x5x3	
		2	1.00	6.00	140	0	0	240.00	40.00	3	15	5x5x3	
Bedrock	Ni, Fe, Co, MgO, Al2O3, SiO2	1	1.00	5.83	0	0	0	140.00	24.00	3	15	5x5x3	
		2	1.00	5.83	0	0	0	280.00	48.00	3	15	5x5x3	
		3	1.00	5.83	0	0	0	420.00	72.00	3	15	5x5x3	

10.10 Mineral Resource Estimation – Block Modelling

The block model was defined using the geological domain constraints to generate volumetrics, block cell sizes, origin, and extents and block cell attributes. The grade interpolation was then executed using a combination of Ordinary Kriging (OK) and Inverse Distance Weighing (IDW) method.

Block modelling was then executed using Geovia Surpac v6.6 functions.

Top cutting was not used in all the variables as the coefficient of variation of nickel laterite deposits are generally less than 1. This indicates that the samples have high spatial correlation which can be easily modelled.

Density values used on block modelling are given in **Table-51** below:

Table 51. Density Values in Block Model

Deposit	Domain	DM Density	Remarks
CAGA-2	LIM	1.20	Assigned density values to blocks directly
	SAP	1.30	
	BED	2.30	
CAGA-3	LIM	1.20	Assigned density values to blocks thru IDW
	SAP	1.15	
	BED	2.40	

A topographic map of the two deposits based from actual topographic survey at 5m to 10m contour intervals (**Figures-25 to 30**) was used.

Mining depletions for the CAGA-2 and CAGA-4 deposits were applied to the block models using actual pit survey data supplied by PGMC dated current as at the **23th day of June 2017**. To date, no mining has commenced on the other three deposits: CAGA-1, CAGA-3 and CAGA-5.

The block model parameters and block model attributes are shown in **Table-52** and **Table-53**, respectively.

Table 52. Block Model Parameters

Orientation	North (Y)	East (X)	Level (Z)
Deposit	CAGA-2		
Minimum Coordinates	1045755	592239	-9.2
Maximum Coordinates	1049405	594464	950.8
User Block Size	25	25	3
Min. Block Size	6.25	6.25	0.75
Rotation	0	0	0
Deposit	CAGA-3		
Block Size	25	25	3
Minimum Coordinates	1045500	591000	100
Maximum Coordinates	1048800	592500	952
User Block Size	25	25	3
Min. Block Size	6.25	6.25	0.75
Rotation	0	0	0

Table-53. Block Model Attributes

Attributes	Description
ni	Estimated nickel grade (%)
co	Estimated cobalt grade (%)
fe	Estimated iron grade (%)
num_ni	number of nickel samples used to estimate block grade
num_co	number of cobalt samples used to estimate block grade
num_fe	number of iron samples used to estimate block grade
lithology	lithology (L for Limonite, S for Saprolite and B for Bedrock)
oreclass	PGMC defined ore classification
classification	PMRC classification of resources (mes - measured, ind - indicated and inf - inferred)
mat_res	Material resource classification (lg, mg, hg)
sg	dry bulk density (in dry tonnes/cum)
block_vol	volume of a cell in a block model, cum
mass	weight in dry tonnes of a cell in a block model
pass	Interpolation routine number (1 - first pass, 2 - 2nd pass, 3 - 3rd pass, etc.)
Grid	drilling grid pattern (25x50, 50x50 and 100x100m grid)

10.11 Model Validation

Upon completion of the grade interpolation, a block model validation was carried out by *Trend Analysis* to check the block model grades as against the sample grades of the drill holes. The *Trend Analysis* simply filters out block grades that lies within a particular coordinate (North, East and Level) constrain and compares it to the corresponding sample grades from the drill holes which is also within the same coordinate constrain.

The details of the observation are as follows:

- The results of the trend analysis for nickel grades within the Limonite and Saprolite zones in the block model are generally under estimated by 3% and 9% respectively. Over estimations for nickel grades at -0.14% found in Limonite zone.
- The trend analysis results for iron grades within the Limonite and Saprolite zones in the block model shows a minimal under estimation by 0.24% to 1.32%, respectively. Over estimations for iron grades at -0.14% and -2.92% for Limonite and Saprolite.
- The grades in the block model are smoothed simulating dilution of grades. The smoothing of the grades based on experience is within the allowable range for this particular type of deposit based on the grades derived from the conduct of actual mining.
- The review of the analytical comparison indicates that a good correlation exists, as shown in the trend analysis diagrams. This good correlation of the drill holes and interpolated block model is further supported when a visual inspection is completed.
- Overall, the model validation confirms that the estimate is representative of the composites and is indicative of the known controls of mineralization and the underlying data used for estimation.

Summary of findings is in **Tables-54 and 55** and trend analysis diagrams are in **Figures-95 to 98**.

Table-54. Summary of Block Model Validation in Limonite and Saprolite Domains in CAGA-2 (Drill Hole Samples vs Block Grades)

CAGA-2							
Lithology	Data Source	North		East		Vertical	
		Ni	Fe	Ni	Fe	Ni	Fe
Limonite	Samples	1.02	45.98	1.10	45.72	1.02	45.70
	Block Model	0.99	46.01	1.01	45.67	0.98	45.59
	Variance	3.10%	-0.07%	7.49%	0.11%	4.46%	0.24%
Saprolite	Samples	1.12	12.84	1.27	12.32	1.17	13.37
	Block Model	1.03	12.84	1.12	12.68	1.05	13.25
	Variance	8.17%	-0.01%	11.41%	-2.92%	9.71%	0.84%

Table-55. Summary of Block Model Validation in Limonite and Saprolite Domains in CAGA-3 (Drill Hole Samples vs Block Grades)

CAGA-3							
Lithology	Data Source	North		East		Vertical	
		Ni	Fe	Ni	Fe	Ni	Fe
Limonite	Samples	1.00	45.33	0.99	45.32	0.98	44.96
	Block Model	0.99	44.73	0.99	44.72	0.97	44.52
	Variance	0.53%	1.32%	-0.14%	1.33%	0.77%	1.00%
Saprolite	Samples	1.24	13.68	1.30	13.55	1.22	13.71
	Block Model	1.17	13.56	1.21	13.37	1.13	13.67
	Variance	5.67%	0.85%	7.15%	1.31%	7.26%	0.29%

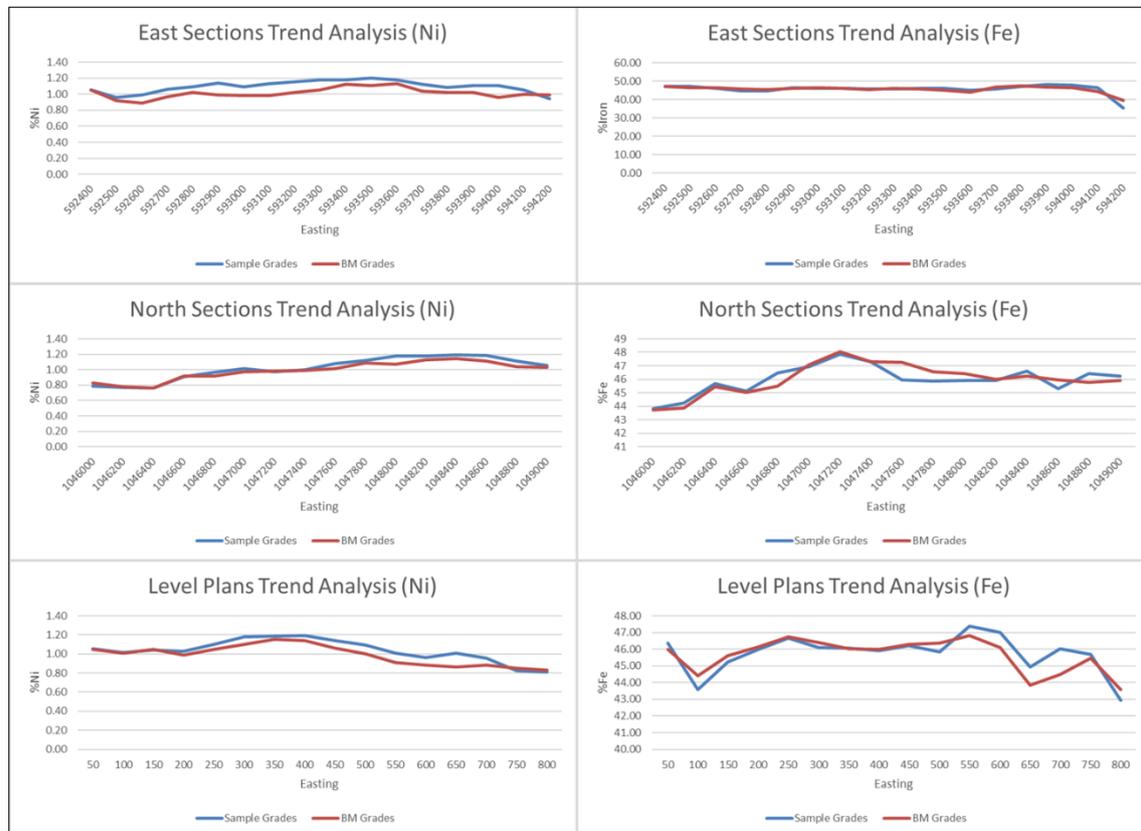


Figure 95. CAGA-2 Block Model Validation - Trend Analysis (Limonite)

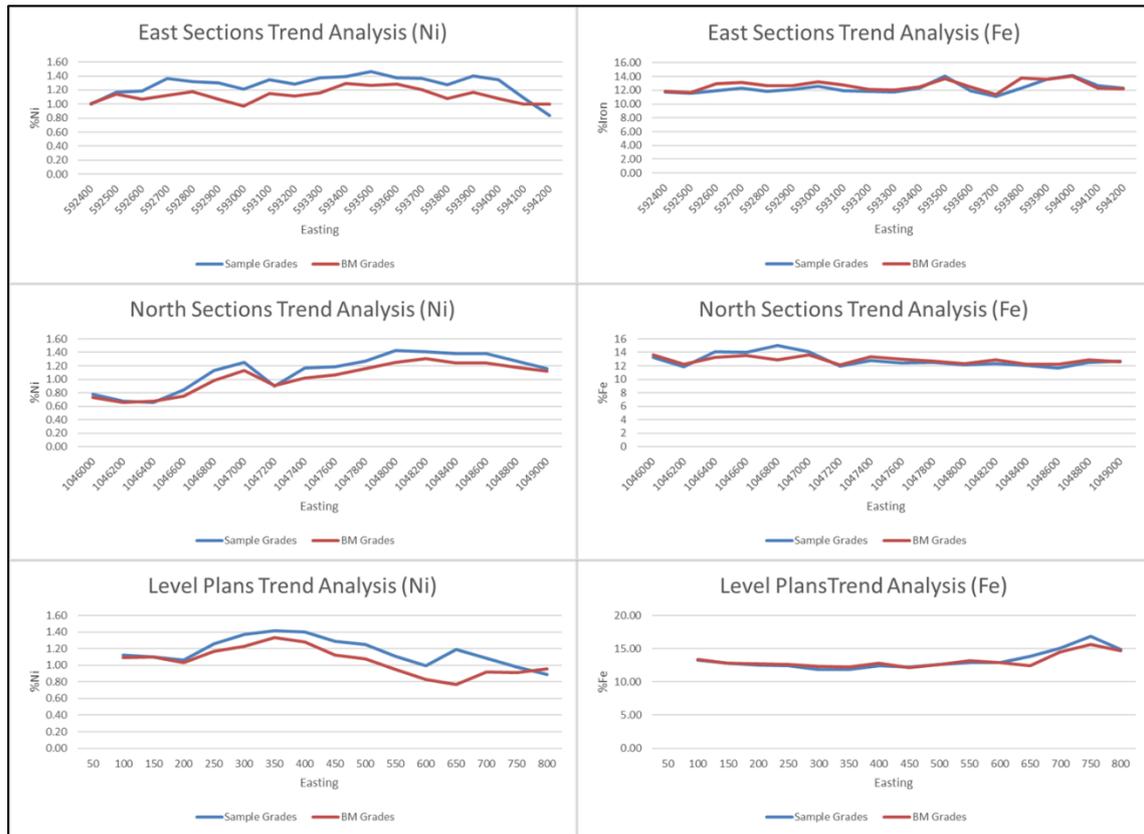


Figure 96. CAGA-2 Block Model Validation - Trend Analysis (Sapolite)

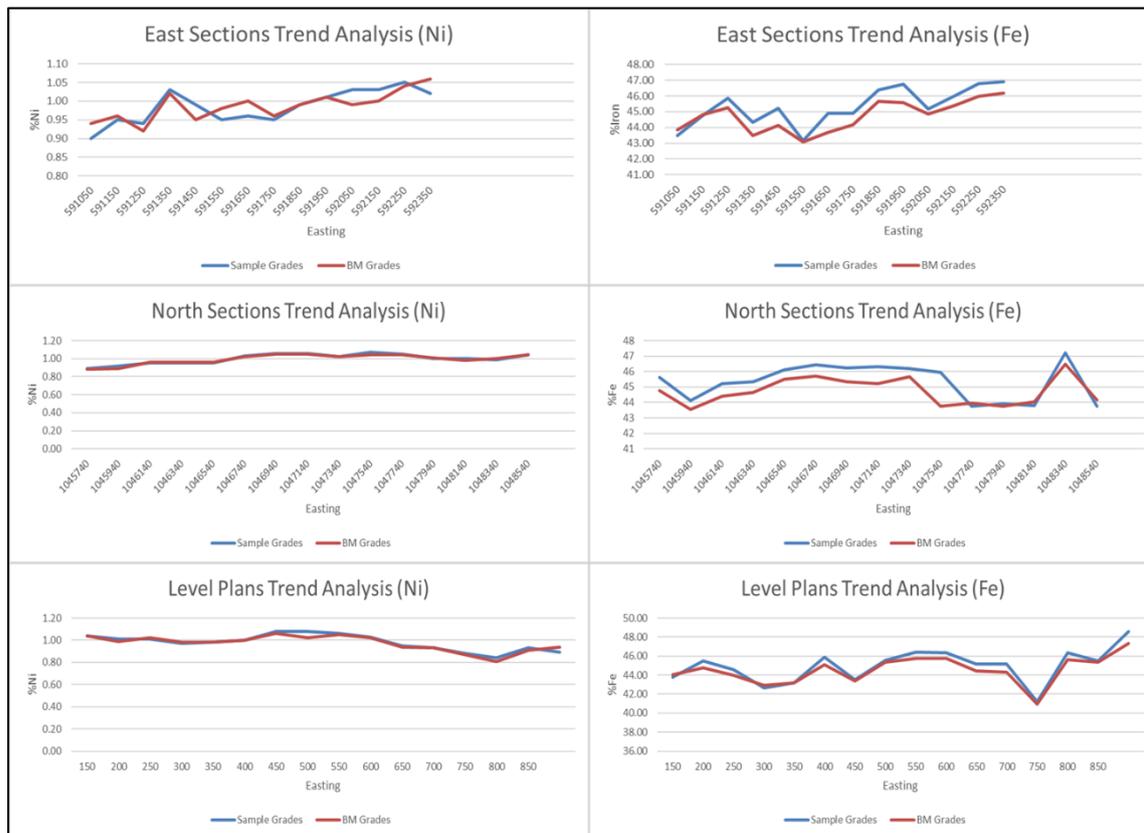


Figure 97. CAGA-3 Block Model Validation - Trend Analysis (Limonite)

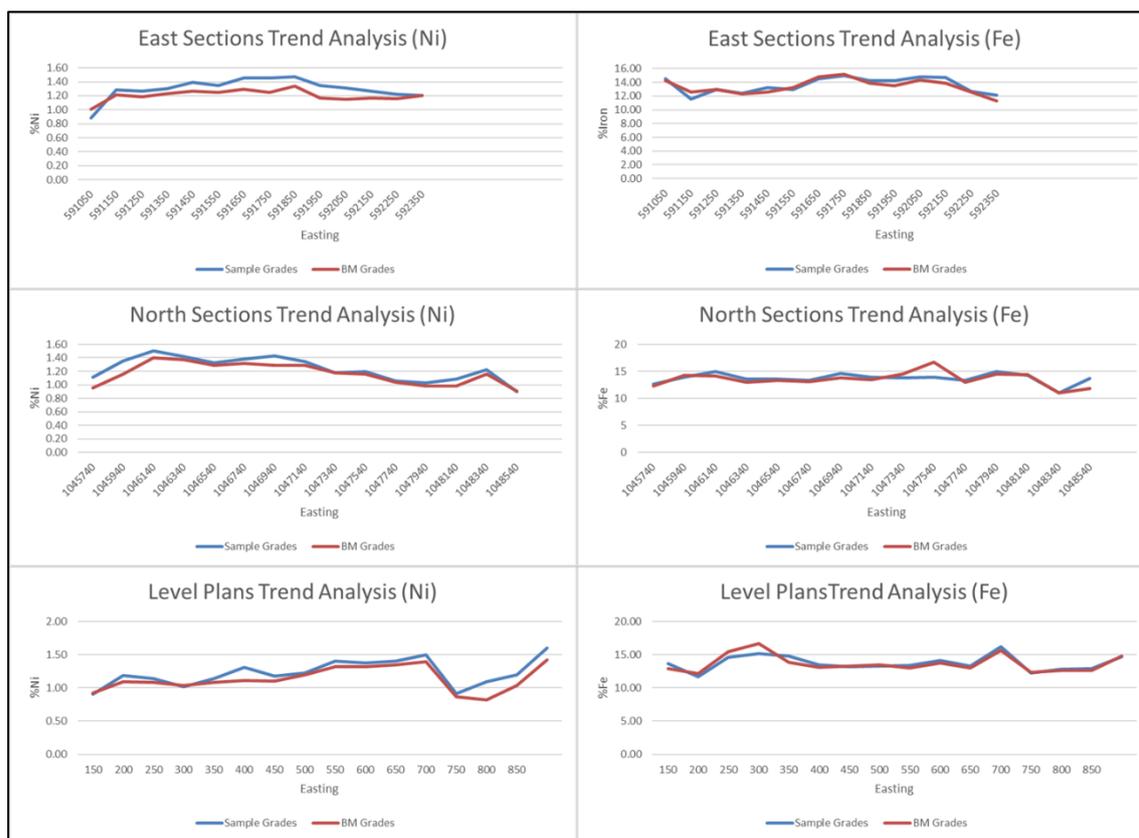


Figure 98. CAGA-3 Block Model Validation - Trend Analysis (Sapolite)

10.12 Mineral Resource Categories Used

The mineral resource categories used are based on the 2007 edition of the Philippine Mineral Reporting Council (PMRC) Code and its implementing rules and regulations. The data preparation, collation and preliminary interpretation were undertaken by the BOHRER Mining Consulting Services (BMCS) technical staff headed by the CP-Geologist Edgardo G. Garcia, a qualified geologist. He is a member in good standing with the Geological Society of the Philippines, AusIMM and is neither an employee or has interest in PGMC.

Data verification/validation, final interpretation, resource estimation and report preparation was undertaken by a team supervised by Consulting Geologist- CP, Edgardo G. Garcia, and composed of Mining Engineers Carlo A. Matilac/May Elaine C. Amora and Sr. Geologist Rainier B. Matusalem.

Resources for this deposit were estimated to PMRC standards and involve resource categories of measured, indicated or inferred status. These resource categories as outlined in “The 2007 Philippine Mineral Reporting Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (The PMRC Code)” include:

- A **‘Mineral Resource’** refers to the concentration or occurrence of material of intrinsic economic interest in or on the Earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence

and sampling. Mineral Resources are subdivided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

In this report, the term Mineral Resource refers to the mineral resource that has been blocked by the Company by means of core drilling that was properly located and the samples systematically analyzed in order to determine the vertical extent of the limonite/saprolite development. The horizontal limits were defined by means of geological mapping and incorporation of a surface topographic survey. The cut-off thickness is based on technological operational constraints and current market specifications.

- A **‘Measured Mineral Resource’** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

In this report, the term Measured Mineral Resource refers to nickel laterite resource that has been drilled to an average grid of 50m x 50m in the case of limonite material which has a more consistent grade trend resulting in high confidence level in estimates and 25m x 25m for saprolite material which has a higher variability in grades due to the unpredictable occurrence of unmineralized rocks within the enriched saprolite profile.

Mineralization may be classified as a Measured Mineral Resource when the nature, quality, amount and distribution of data are such as to leave no reasonable doubt, in the opinion of the Competent Person determining the Mineral Resource, that the tonnage and grade of the mineralization can be estimated to within close limits, and that any variation from the estimate would be unlikely to significantly affect potential economic viability. This category requires a high level of confidence in, and understanding of, the geology and controls of the mineral deposit.

Confidence in the estimate is sufficient to allow the application of technical and economic parameters and to enable an evaluation of economic viability that has a greater degree of certainty than an evaluation based on an Indicated Mineral Resource.

- An **‘Indicated Mineral Resource’** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource, but has a higher level of confidence than that applying to an Inferred Mineral Resource.

In this report, the term Indicated Mineral Resource refers to nickel laterite resource that has been drilled to an average grid of 100m x 100m for limonite material and 50m x 50m for saprolite material.

Mineralization may be classified as an Indicated Mineral Resource when the nature, quality, amount and distribution of data are such as to allow confident interpretation of the geological framework and to assume continuity of mineralization. Confidence in the estimate is sufficient to allow the application of technical and economic viability.

The Qualified Person must recognize the importance of the Indicated Mineral Resource category to the advancement of the feasibility of the project. An Indicated Mineral Resource estimate is of sufficient quality to support a Preliminary Feasibility Study which can serve as the basis for major development decisions.

- An **'Inferred Mineral Resource'** is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, working and drill holes which may be limited or of uncertain quality and reliability. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource.

In this report, the term Inferred Mineral Resource refers to nickel laterite resource that has been drilled to an average grid of 200m x 200m for limonite material and 100m x 100m for saprolite material.

The Inferred category is intended to cover situations where a mineral concentration or occurrence has been identified and limited measurements and sampling completed, but where the data are insufficient to allow the geological and/or grade continuity to be confidently interpreted. Commonly, it would be reasonable to expect that the majority of Inferred Mineral Resources would upgrade to Indicated or Measured Mineral Resources, but it should not be assumed that such upgrading will always occur. Confidence in the estimate of Inferred Mineral Resources is usually not sufficient to allow the results of the application of technical and economic parameters to be used for detailed planning and evaluation of economic viability worthy of public disclosure. For this reason, there is no direct link from an Inferred Mineral Resource to any category of Ore Reserves. Caution should be exercised if this category is considered in technical and economic studies.

The choice of the appropriate category of Mineral Resource depends upon the quantity, distribution and quality of data available and the level of confidence that attaches to those data.

The appropriate Mineral Resource category must be determined by a Competent Person or Persons.

In summary, the classification of Mineral Resources according to confidence categories (i.e. Measured, Indicated or Inferred) for PMRC Standards (**Table-55**) is dependent on the average spacing of drill hole data points from which reliable laterite thickness and laterite quality can be obtained. The geological complexity, deposit

continuity and quality of the limonite/saprolite deposits being evaluated dictate the level of drilling density required to meet the PMRC Standards.

Table-56. PMRC Classification of CAGA-2 and CAGA-3 Deposits

Lithology	Grid	Pass 1	Pass 2	Pass 3	Pass 4
Limonite	25	Measured	Measured	Indicated	Inferred
	50	Measured	Indicated	Inferred	
	100	Indicated	Inferred		
Saprolite	25	Measured	Indicated	Inferred	Inferred
	50	Indicated	Inferred	Inferred	
	100	Inferred	Inferred		
Bedrock	25	Measured	Indicated	Inferred	Inferred
	50	Indicated	Inferred	Inferred	Inferred
	100	Inferred	Inferred	Inferred	

Block model of CAGA-2 and CAGA-3 Deposits showing PMRC Classification and other model presentations are shown in **Figures-99 to 100**.

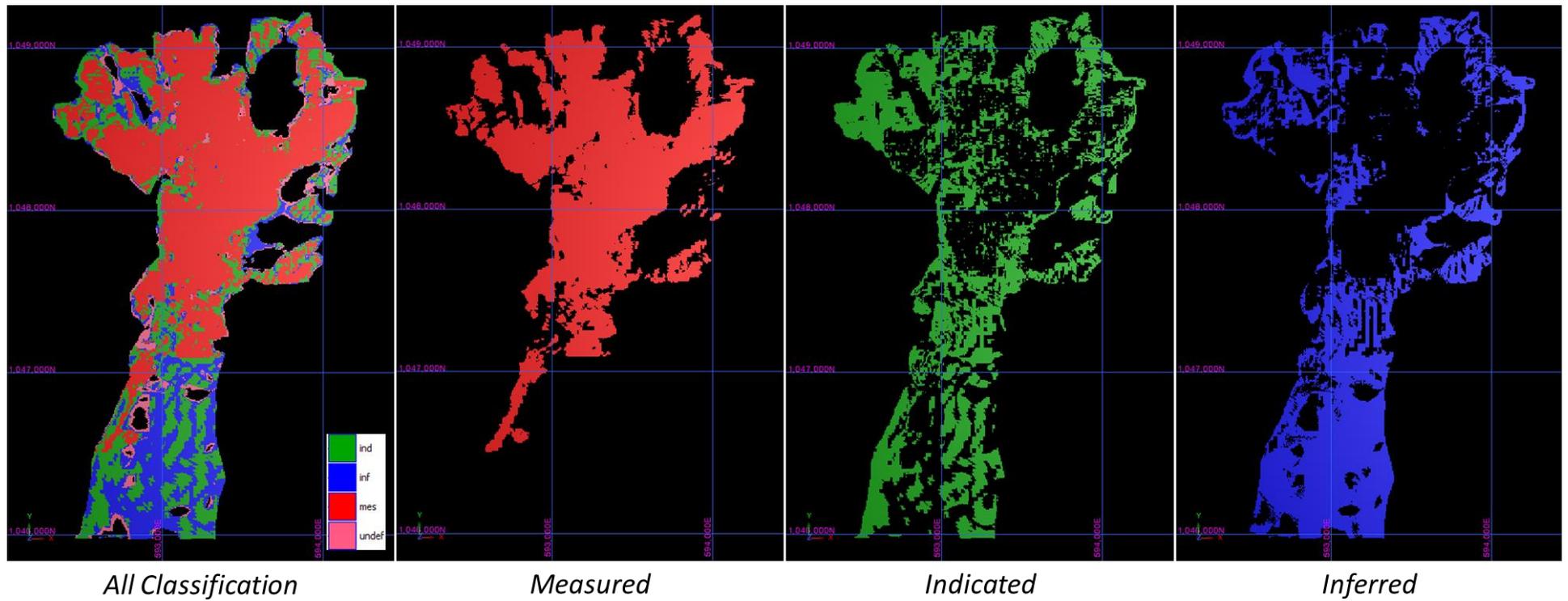


Figure-99. Block Model of CAGA-2 Showing PMRC Classification

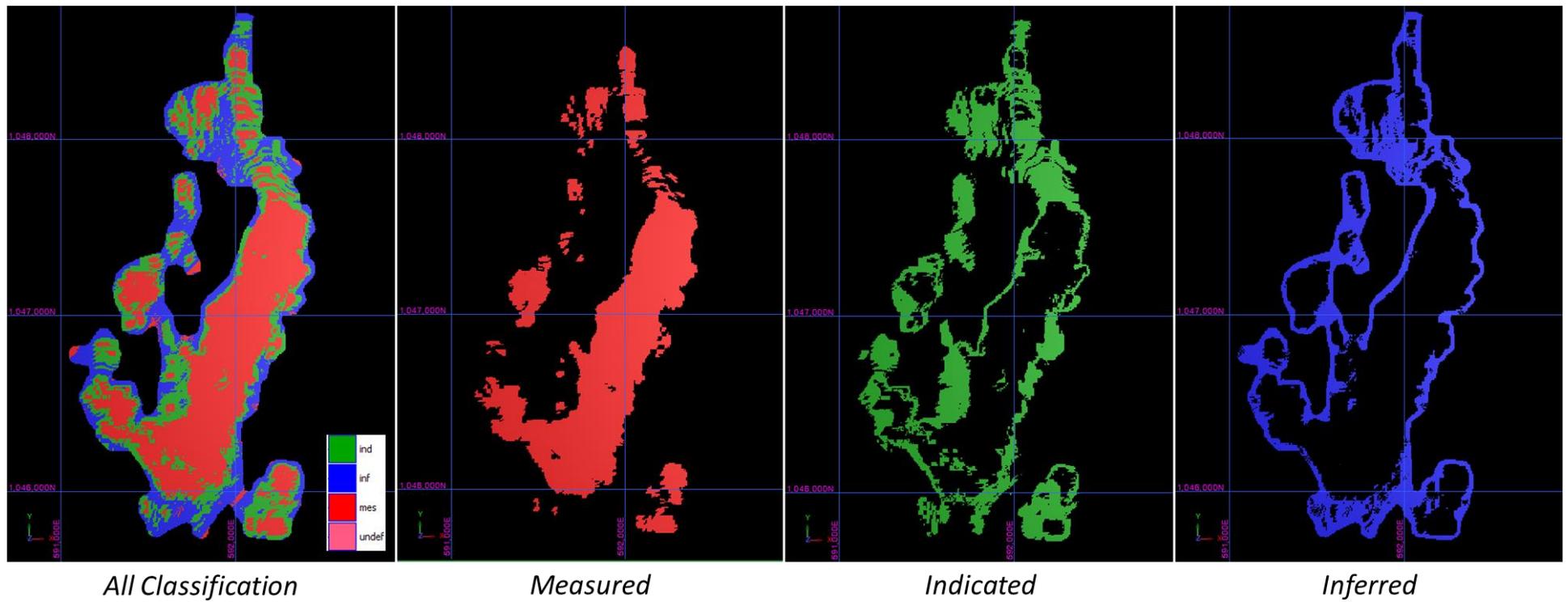


Figure-100. Block Model of CAGA-3 Showing PMRC Classification

10.13 Statement of Mineral Resources

All resource estimation work has been undertaken by BMCS and PGMC Teams composed of mining engineers Carlo A. Matilac/May Elaine C. Amora and Sr. Geologist Rainier B. Matusalem with able supervision of Geologist- CP Edgardo G. Garcia. Engr. Carlo A. Matilac is a member of the Philippine Society of Mining Engineers (PSEM) as well as the American Institute of Mining and Metallurgical Engineers – Society of Mining Engineers (AIMME-SME) and has sufficient experience in the estimation of Ni laterites. Edgardo G. Garcia is a member of both the Geological Society of the Philippines (GSP), PMRC-CP, the Australasian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience in the estimation of Ni laterites to qualify as a competent person under the PMRC/JORC guidelines.

Resource classification was thoroughly evaluated and also correlated with previous and current resource reports. The Geologist-CP and PGMC team were convinced after interpretation and review that much of the PGMC exploration data is accurate and proceeded to calculate the resource estimate.

Saprolite material is highly variable due to the unpredictable occurrence of poorly mineralized rocks within the Ni enriched weathered/saprolite profile. The lower resource classification applied for saprolite reflects the lower confidence in the prediction of saprolite grades and volumes.

Based on the above resource categories, the estimated mineral resources are given in **Tables-57 to 60**.

The grade tonnage data for the mineral resource is given in **Tables-61 to 65** and the grade tonnage curves are shown in **Figures-101 to 105**.

Table-57. Statement of Mineral Resources for Low Grade Nickel as of 23 June 2017 (Measured and Indicated)

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
Low Grade (Ni \geq 0.7%, Fe \geq 48%)	CAGA-4 (as of 23 June 2017)	Measured	3,736,000	1.0	49.8	1.0
		Indicated	1,159,000	1.0	50.1	1.0
		Subtotal	4,895,000	1.0	49.9	1.0
	CAGA-2 (as of 23 June 2017)	Measured	1,477,000	1.0	49.8	1.2
		Indicated	767,000	1.0	49.6	1.2
		Subtotal	2,244,000	1.0	49.7	1.2
	CAGA-3 (as of 23 June 2017 (unmined)*)	Measured	1,307,000	1.0	49.1	1.1
		Indicated	87,000	1.0	48.7	1.1
		Subtotal	1,394,000	1.0	49.0	1.1
	CAGA-1 (unmined)*	Measured	1,257,000	0.9	49.4	1.2
		Indicated	293,000	0.9	49.5	1.2
		Subtotal	1,550,000	0.9	49.4	1.2
	CAGA-5 (unmined)*	Measured	536,000	1.0	49.5	1.2
		Indicated	147,000	0.9	49.3	1.2
		Subtotal	683,000	1.0	49.5	1.2
	Combined	Measured	8,313,000	1.0	49.6	1.1
		Indicated	2,453,000	1.0	49.7	1.1
		Total	10,766,000	1.0	49.6	1.1

Notes:

1. The PGMC Statement of Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Codes.
2. All Mineral Resources figures reported in the table above represent estimates at 23 June 2017. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
3. Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition) which was adopted from JORC.
4. The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Project, namely: CAGA-1 to CAGA-5. However, estimates* for CAGA-1 and CAGA-5 remain the same as reported on 31 May 2014 as no additional exploration/drilling and mining operations have been undertaken since then.

Table-58. Statement of Mineral Resources for Medium Grade Nickel as of 23 June 2017 (Measured and Indicated)

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
Medium Grade (Ni \geq 0.8%, Ni < 1.5%, Fe < 48%)	CAGA-4 (as of 23 June 2017)	Measured	4,868,000	1.1	41.8	1.0
		Indicated	4,341,000	1.2	21.9	1.1
		Subtotal	9,209,000	1.1	32.4	1.1
	CAGA-2 (as of 23 June 2017)	Measured	5,456,000	1.2	22.5	1.3
		Indicated	4,380,000	1.1	26.4	1.3
		Subtotal	9,836,000	1.1	24.2	1.3
	CAGA-3 (as of 23 June 2017 (unmined)*)	Measured	6,710,000	1.2	28.3	1.2
		Indicated	2,878,000	1.1	23.0	1.2
		Subtotal	9,588,000	1.1	26.7	1.2
	CAGA-1 (unmined)*	Measured	3,092,000	1.0	43.7	1.2
		Indicated	3,071,000	1.0	26.9	1.2
		Subtotal	6,163,000	1.0	35.3	1.2
	CAGA-5 (unmined)*	Measured	866,000	1.0	43.8	1.2
		Indicated	1,502,000	1.0	21.0	1.2
		Subtotal	2,368,000	1.0	29.3	1.2
	Combined	Measured	20,992,000	1.1	32.8	1.2
		Indicated	16,172,000	1.1	24.2	1.2
		Total	37,164,000	1.1	29.1	1.2

Notes:

1. The PGMC Statement of Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Codes.
2. All Mineral Resources figures reported in the table above represent estimates at 23 June 2017. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
3. Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition) which was adopted from JORC.
4. The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Project, namely: CAGA-1 to CAGA-5. However, estimates* for CAGA-1 and CAGA-5 remain the same as reported on 31 May 2014 as no additional exploration/drilling and mining operations have been undertaken since then.

Table-59. Statement of Mineral Resources for High Grade Nickel as of 23 June 2017 (Measured and Indicated)

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
High Grade (Ni \geq 1.5%, Fe < 48%)	CAGA-4 (as of 23 June 2017)	Measured	517,000	1.8	19.2	1.1
		Indicated	2,311,000	1.8	12.7	1.2
		Subtotal	2,828,000	1.8	13.9	1.2
	CAGA-2 (as of 23 June 2017)	Measured	1,276,000	1.7	11.9	1.3
		Indicated	179,000	1.7	12.7	1.3
		Subtotal	1,455,000	1.7	12.0	1.3
	CAGA-3 (as of 23 June 2017 (unmined)*)	Measured	1,670,000	1.7	15.2	1.2
		Indicated	157,000	1.6	14.1	1.2
		Subtotal	1,827,000	1.7	15.1	1.2
	CAGA-1 (unmined)*	Measured				
		Indicated	106,000	1.7	16.2	1.1
		Subtotal	106,000	1.7	16.2	1.1
	CAGA-5 (unmined)*	Measured	7,000	1.6	42.9	1.2
		Indicated	7,000	1.5	25.7	1.2
		Subtotal	14,000	1.6	34.3	1.2
	Combined	Measured	3,470,000	1.7	14.7	1.2
		Indicated	2,760,000	1.8	12.9	1.2
		Total	6,230,000	1.7	13.9	1.2

Notes:

1. The PGMC Statement of Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Codes.
2. All Mineral Resources figures reported in the table above represent estimates at 23 June 2017. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
3. Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition which was adopted from JORC).
4. The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Project, namely: CAGA-1 to CAGA-5. However, estimates for CAGA-1 and CAGA-5 remain the same as reported on 31 May 2014 as no additional exploration/drilling and mining operations have been undertaken since then.

Table-60. Statement of Mineral Resources for Total Nickel as of 23 June 2017 (Measured and Indicated)

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
Combined	CAGA-4 (as of 23 June 2017)	Measured	9,121,000	1.1	43.8	1.0
		Indicated	7,811,000	1.3	23.3	1.1
		Subtotal	16,932,000	1.2	34.4	1.1
	CAGA-2 (as of 23 June 2017)	Measured	8,209,000	1.2	25.8	1.3
		Indicated	5,326,000	1.1	29.3	1.3
		Subtotal	13,535,000	1.1	27.1	1.3
	CAGA-3 (as of 23 June 2017 (unmined)*	Measured	9,687,000	1.2	28.9	1.2
		Indicated	3,122,000	1.1	23.3	1.2
		Subtotal	12,809,000	1.2	27.5	1.2
	CAGA-1 (unmined)*	Measured	4,349,000	1.0	45.3	1.2
		Indicated	3,470,000	1.0	28.5	1.2
		Subtotal	7,819,000	1.0	37.9	1.2
	CAGA-5 (unmined)*	Measured	1,409,000	1.0	46.0	1.2
		Indicated	1,656,000	1.0	23.5	1.2
		Subtotal	3,065,000	1.0	33.8	1.2
Combined	Measured	32,775,000	1.1	35.2	1.2	
	Indicated	21,385,000	1.2	25.7	1.2	
	Total	54,160,000	1.1	31.4	1.2	

Notes:

- The PGMC Statement of Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Codes.
- All Mineral Resources figures reported in the table above represent estimates at 23 June 2017. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
- Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition) which was adopted from JORC.
- The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Project, namely: CAGA-1 to CAGA-5. However, estimates* for CAGA-1 and CAGA-5 remain the same as reported on 31 May 2014 as no additional exploration/drilling and mining operations have been undertaken since then.
- The increase in PGMC's Mineral Resources at CAGA-2 and CAGA-3 (2016:2017) was a result of additional resources estimated upon completion of additional exploration drilling from 2016 – 2017.

Table-61. CAGA-1 Grade-Tonnage Relationship (Measured + Indicated) as of 23 June 2017

Ni Cut-off	DMT	Ni	Co	Fe
0.00	11,855,932	0.86	0.07	32.35
0.10	11,855,932	0.86	0.07	32.35
0.20	11,855,932	0.86	0.07	32.35
0.30	11,722,912	0.86	0.07	32.63
0.40	11,258,591	0.88	0.08	33.64
0.50	10,622,351	0.91	0.08	35.11
0.60	9,970,038	0.93	0.08	36.50
0.70	9,283,435	0.95	0.09	37.23
0.80	7,615,851	1.00	0.09	37.01
0.90	5,333,631	1.06	0.09	35.12
1.00	2,928,092	1.15	0.08	30.43
1.10	1,506,144	1.25	0.08	25.03
1.20	781,201	1.35	0.07	21.06
1.30	402,927	1.46	0.07	18.69
1.40	191,472	1.58	0.07	16.77
1.50	106,096	1.69	0.07	16.20
1.60	63,443	1.79	0.07	15.55
1.70	37,497	1.90	0.07	15.41
1.80	25,576	1.96	0.07	15.42
1.90	17,408	2.02	0.07	15.59
2.00	10,107	2.07	0.07	16.30
2.10	1,774	2.12	0.07	17.15

Table-62. CAGA-2 Grade-Tonnage Relationship (Measured + Indicated) as of 23 June 2017

Ni Cut-off	DMT	Ni	Fe	SG
0.00	15,117,046	1.10	27.90	1.25
0.10	15,117,046	1.10	27.90	1.25
0.20	15,117,046	1.10	27.90	1.25
0.30	15,116,932	1.10	27.90	1.25
0.40	15,104,630	1.10	27.91	1.25
0.50	15,065,384	1.10	27.93	1.25
0.60	14,928,189	1.11	27.94	1.25
0.70	14,308,774	1.13	27.50	1.26
0.80	13,373,955	1.16	26.87	1.26
0.90	11,647,871	1.20	25.33	1.26
1.00	9,345,738	1.26	22.64	1.27
1.10	6,842,965	1.34	18.28	1.28
1.20	4,935,343	1.42	15.26	1.29
1.30	3,456,566	1.50	13.40	1.30
1.40	2,231,203	1.59	12.28	1.30
1.50	1,455,638	1.67	12.00	1.30
1.60	861,512	1.76	11.78	1.30
1.70	469,297	1.85	11.89	1.30
1.80	243,281	1.96	12.12	1.30
1.90	137,145	2.05	12.03	1.30
2.00	70,723	2.14	11.89	1.30
2.10	36,639	2.23	11.99	1.30
2.20	19,805	2.30	11.91	1.30
2.30	10,740	2.37	11.84	1.30
2.40	2,628	2.53	12.78	1.30

Table-63. CAGA-3 Grade-Tonnage Relationship (Measured + Indicated) as of 23 June 2017

Ni Cut-off	DMT	Ni	Fe	SG
0.00	13,305,521	1.18	27.71	1.16
0.10	13,305,521	1.18	27.71	1.16
0.20	13,305,486	1.18	27.71	1.16
0.30	13,305,091	1.18	27.71	1.16
0.40	13,301,086	1.18	27.71	1.16
0.50	13,284,903	1.18	27.72	1.16
0.60	13,250,842	1.18	27.72	1.16
0.70	13,127,001	1.18	27.69	1.16
0.80	12,675,882	1.20	27.27	1.16
0.90	11,445,897	1.24	25.87	1.16
1.00	9,481,161	1.30	23.10	1.17
1.10	7,402,325	1.37	19.63	1.18
1.20	5,695,067	1.44	16.73	1.19
1.30	4,198,374	1.51	15.19	1.20
1.40	2,901,843	1.58	14.98	1.20
1.50	1,826,395	1.66	15.12	1.20
1.60	1,104,862	1.74	15.24	1.20
1.70	619,700	1.82	15.45	1.20
1.80	296,403	1.91	15.58	1.20
1.90	115,700	2.01	16.11	1.20
2.00	47,743	2.12	16.01	1.20
2.10	25,173	2.20	17.42	1.20
2.20	9,915	2.29	17.03	1.20
2.30	3,727	2.34	18.46	1.20
2.40	1,020	2.41	17.96	1.20

Table-64. CAGA-4 Grade-Tonnage Relationship (Measured + Indicated) as of 23 June 2017

Ni Cut-off	DMT	Ni	Fe	SG
0.00	18,267,384	1.17	34.35	1.06
0.10	18,267,384	1.17	34.35	1.06
0.20	18,267,384	1.17	34.35	1.06
0.30	18,237,745	1.17	34.35	1.06
0.40	18,197,871	1.17	34.39	1.06
0.50	18,164,015	1.17	34.43	1.06
0.60	18,063,138	1.18	34.43	1.06
0.70	17,679,194	1.19	34.35	1.06
0.80	16,789,898	1.21	33.98	1.06
0.90	15,024,003	1.25	33.01	1.07
1.00	12,312,673	1.32	30.77	1.08
1.10	9,137,617	1.42	26.62	1.09
1.20	6,628,235	1.52	21.90	1.12
1.30	5,015,044	1.61	18.09	1.13
1.40	3,863,695	1.69	15.63	1.14
1.50	2,938,507	1.77	14.19	1.15
1.60	2,222,760	1.85	13.41	1.16
1.70	1,632,085	1.92	13.00	1.16
1.80	1,147,717	1.99	12.85	1.16
1.90	748,658	2.07	12.96	1.16
2.00	472,257	2.15	13.02	1.16
2.10	278,589	2.23	12.91	1.16
2.20	144,909	2.31	13.06	1.16
2.30	66,473	2.38	12.95	1.16
2.40	25,556	2.47	13.65	1.16

Table-65. CAGA-5 Grade-Tonnage Relationship (Measured + Indicated) as of 23 June 2017

Ni Cut-off	DMT	Ni	Co	Fe
0.00	6,255,210	0.76	0.07	23.34
0.10	6,255,210	0.76	0.07	23.34
0.20	6,255,210	0.76	0.07	23.34
0.30	6,125,160	0.77	0.07	23.69
0.40	5,345,790	0.83	0.08	25.99
0.50	4,610,370	0.89	0.09	28.66
0.60	4,004,760	0.94	0.10	31.07
0.70	3,516,960	0.98	0.10	32.22
0.80	3,052,785	1.02	0.10	32.56
0.90	2,417,985	1.06	0.10	32.42
1.00	1,550,340	1.13	0.10	32.43
1.10	762,390	1.21	0.11	34.23
1.20	329,535	1.30	0.12	36.55
1.30	132,660	1.40	0.13	38.98
1.40	52,875	1.47	0.13	40.50
1.50	20,115	1.54	0.12	38.28
1.60	2,160	1.63	0.13	49.28



Figure-101. CAGA-1 Grade-Tonnage Relationship (Measured + Indicated)

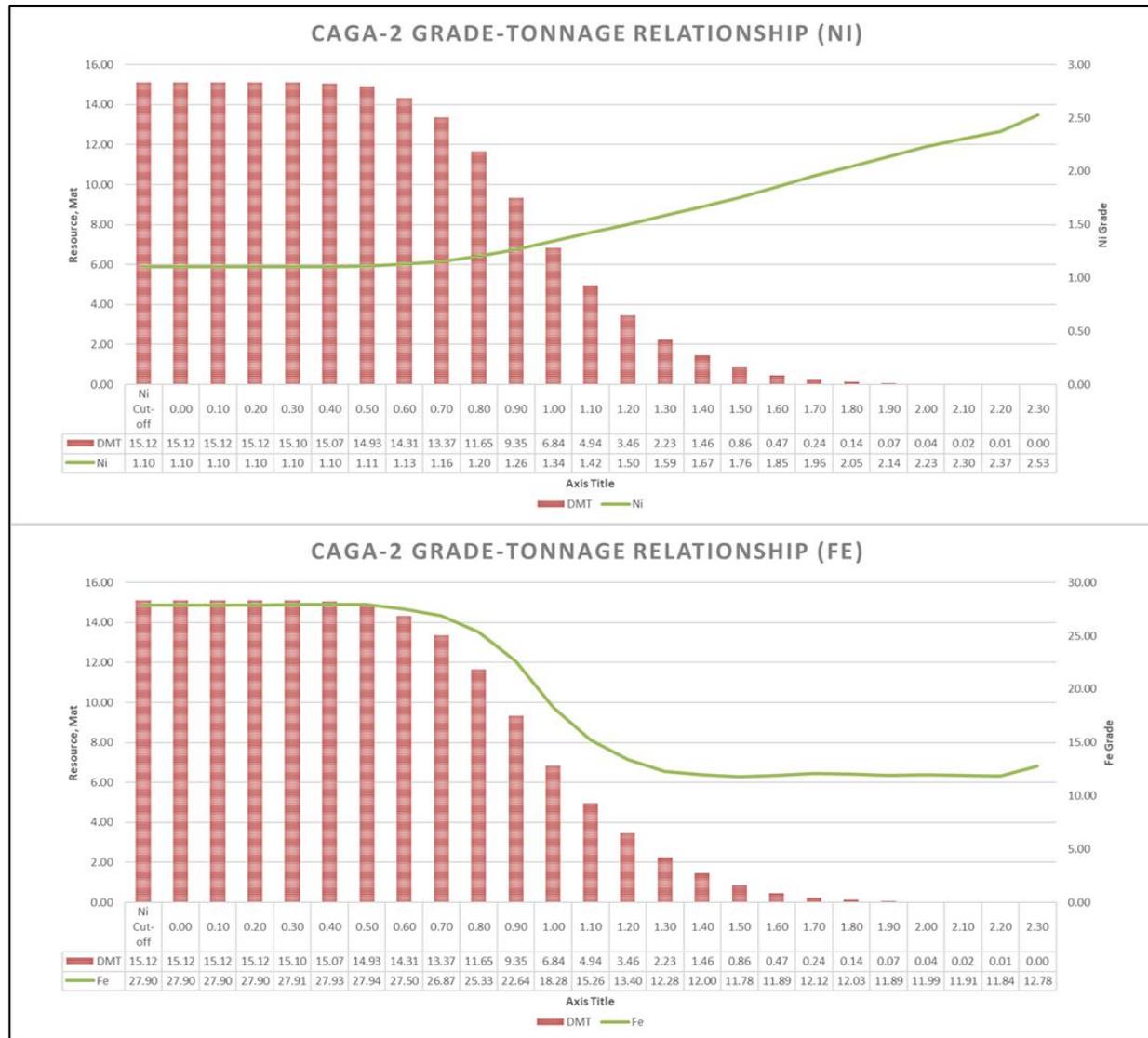


Figure-102. CAGA-2 Grade-Tonnage Relationship (Measured + Indicated)



Figure-103. CAGA-3 Grade-Tonnage Relationship (Measured + Indicated)

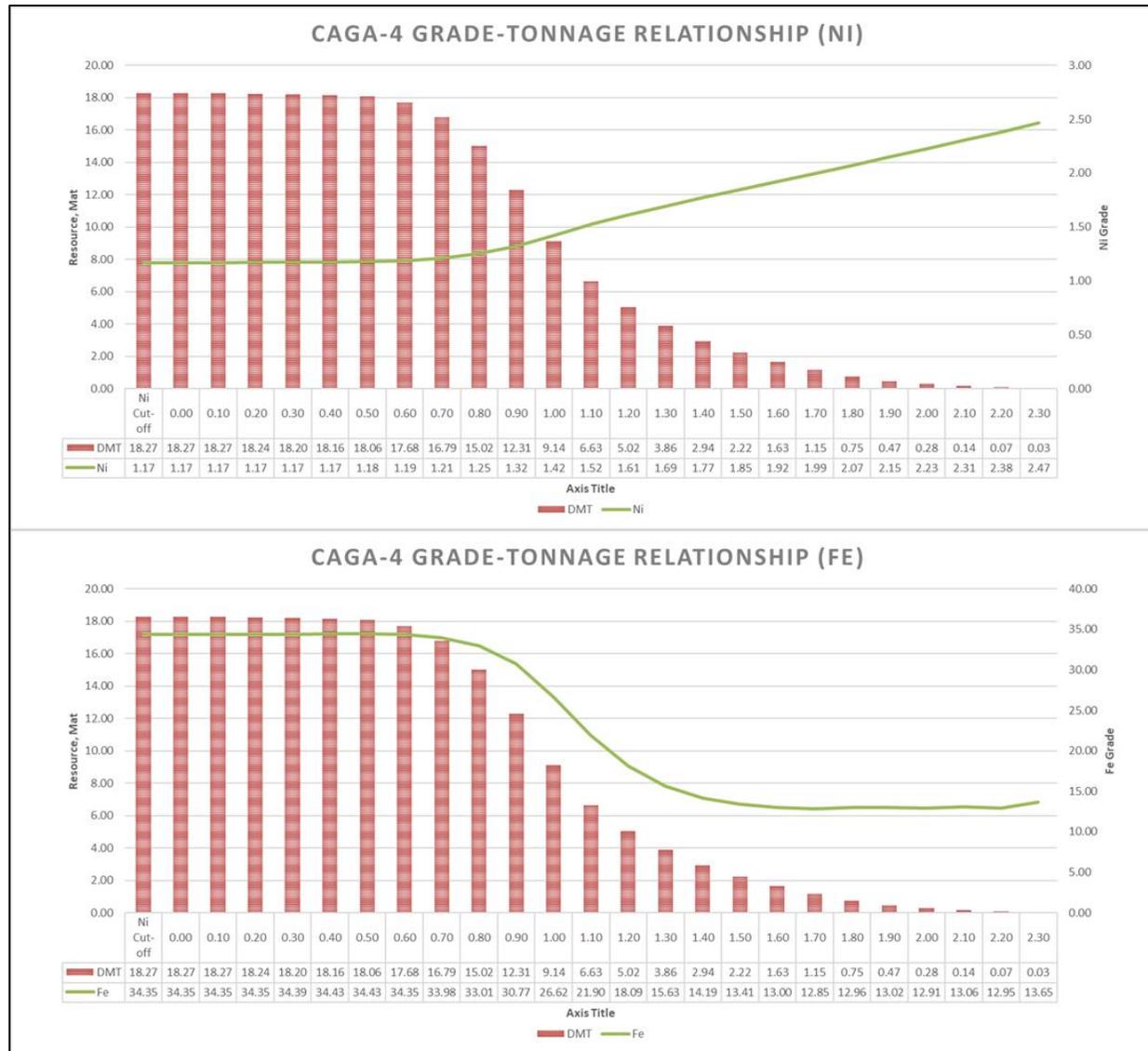


Figure-104. CAGA-4 Grade-Tonnage Relationship (Measured + Indicated)

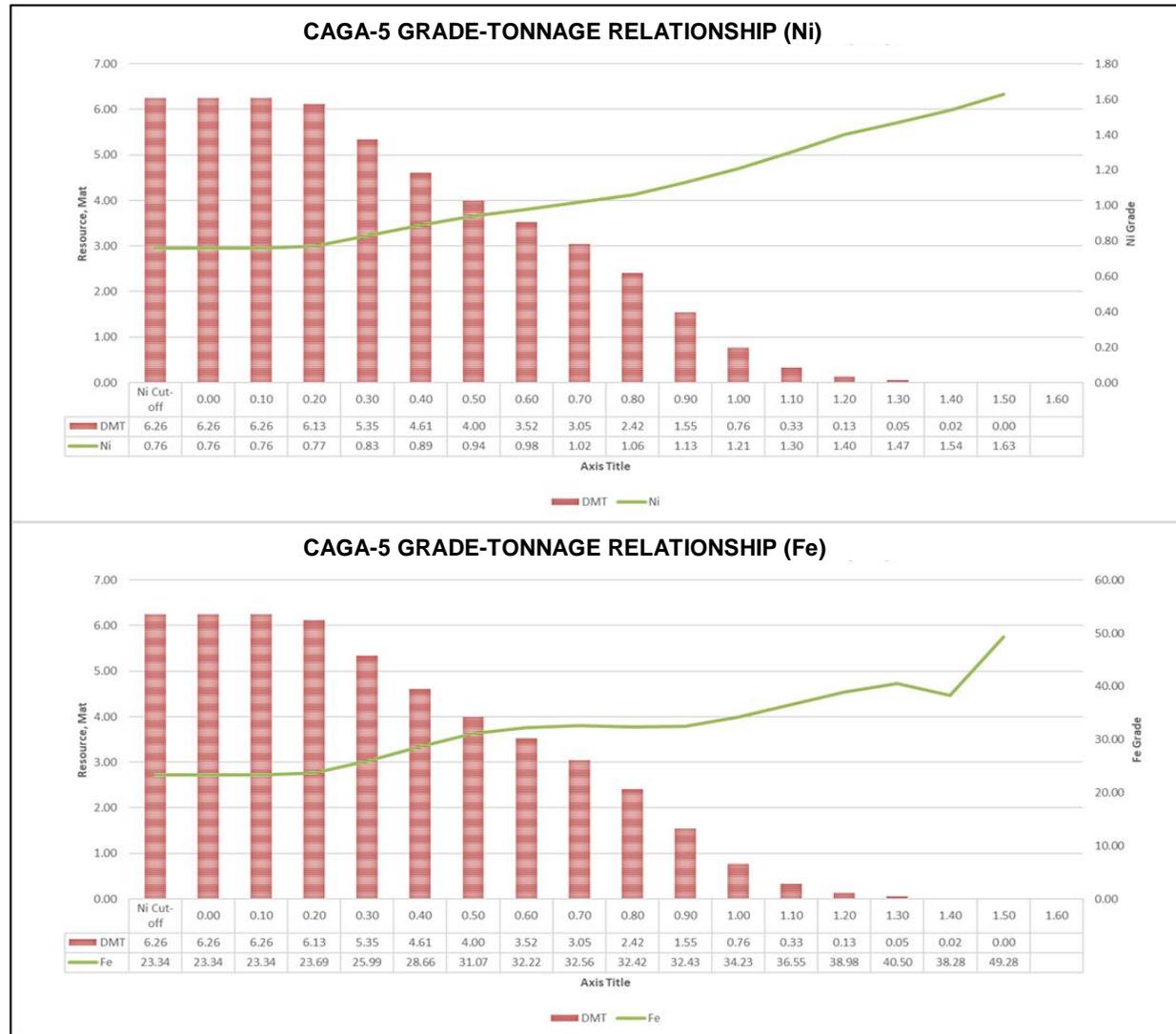


Figure-105. CAGA-5 Grade-Tonnage Relationship (Measured + Indicated)

10.14 Resource Estimates Including Inferred resources

PMRC regulations do not allow inclusion of Inferred Resources in Statement of Mineral Resources. In PGMC's recently concluded exploration program substantial inferred resources totaling 23,982,000 DMT (**Table-69**) of various material types from CAGA-1 to CAGA-5 Deposits have been identified. Substantial new inferred resources were estimated at CAGA-2 and CAGA-3 as a result of the additional drilling on new areas within these two deposits. Previous inferred resources at CAGA-1 and CAGA-5 remain as previously reported in the Mineral Resource Statement of 31 May 2014 and 30 June 2016. With additional drilling, these resources may be upgraded into Indicated or Measured Resources.

These Inferred Resources are presented in **Tables-66 to 69**.

Table-66. Mineral Resources (+Inferred) for Low Grade Nickel as of 23 June 2017

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
Low Grade (Ni ≥ 0.7%, Fe ≥ 48%)	CAGA-4 (as of 23 June 2017)	Measured	3,736,000	1.0	49.8	1.0
		Indicated	1,159,000	1.0	50.1	1.0
		Inferred	2,079,000	1.0	51.2	1.0
		Subtotal	6,974,000	1.0	50.3	1.0
	CAGA-2 (as of 23 June 2017)	Measured	1,477,000	1.0	49.8	1.2
		Indicated	767,000	1.0	49.6	1.2
		Inferred	96,000	1.0	49.4	1.2
		Subtotal	2,340,000	1.0	49.7	1.2
	CAGA-3 (as of 23 June 2017 (unmined)*)	Measured	1,307,000	1.0	49.1	1.1
		Indicated	87,000	1.0	48.7	1.1
		Inferred	29,000	1.0	48.7	1.1
		Subtotal	1,423,000	1.0	49.0	1.1
	CAGA-1 (unmined)*	Measured	1,257,000	0.9	49.4	1.2
		Indicated	293,000	0.9	49.5	1.2
		Inferred				
		Subtotal	1,550,000	0.9	49.4	1.2
	CAGA-5 (unmined)*	Measured	536,000	1.0	49.5	1.2
		Indicated	147,000	0.9	49.3	1.2
		Inferred	393,000	0.9	49.3	1.0
		Subtotal	1,076,000	0.9	49.4	1.1
	Combined	Measured	8,313,000	1.0	49.6	1.1
		Indicated	2,453,000	1.0	49.7	1.1
		Inferred	2,597,000	1.0	50.8	1.0
		Total	13,363,000	1.0	49.9	1.1

Notes:

- The PGMC Statement of Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Codes.
- All Mineral Resources figures reported in the table above represent estimates at 23 June 2017. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
- Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition) which was adopted from JORC.
- The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Project, namely: CAGA-1 to CAGA-5. However, estimates* for CAGA-1 and CAGA-5 remain the same as reported on 31 May 2014 as no additional exploration/drilling and mining operations have been undertaken since then.

Table-67. Mineral Resources (+Inferred) for Medium Grade Nickel as of 23 June 2017

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
Medium Grade (Ni >= 0.8%, Ni < 1.5%, Fe < 48%)	CAGA-4 (as of 23 June 2017)	Measured	4,868,000	1.1	41.8	1.0
		Indicated	4,341,000	1.2	21.9	1.1
		Inferred	9,373,000	1.2	16.4	1.1
		Subtotal	18,582,000	1.1	24.3	1.1
	CAGA-2 (as of 23 June 2017)	Measured	5,456,000	1.2	22.5	1.3
		Indicated	4,380,000	1.1	26.4	1.3
		Inferred	3,800,000	1.0	21.0	1.3
		Subtotal	13,636,000	1.1	23.3	1.3
	CAGA-3 (as of 23 June 2017 (unmined)*)	Measured	6,710,000	1.2	28.3	1.2
		Indicated	2,878,000	1.1	23.0	1.2
		Inferred	2,091,000	1.1	20.0	1.2
		Subtotal	11,679,000	1.1	25.5	1.2
	CAGA-1 (unmined)*	Measured	3,092,000	1.0	43.7	1.2
		Indicated	3,071,000	1.0	26.9	1.2
		Inferred	717,000	1.1	17.2	1.1
		Subtotal	6,880,000	1.0	33.4	1.2
	CAGA-5 (unmined)*	Measured	866,000	1.0	43.8	1.2
		Indicated	1,502,000	1.0	21.0	1.2
		Inferred	1,785,000	1.0	26.3	1.2
		Subtotal	4,153,000	1.0	28.0	1.2
Combined	Measured	20,992,000	1.1	32.8	1.2	
	Indicated	16,172,000	1.1	24.2	1.2	
	Inferred	17,766,000	1.1	18.8	1.2	
	Total	54,930,000	1.1	25.8	1.2	

Notes:

1. The PGMC Statement of Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Codes.
2. All Mineral Resources figures reported in the table above represent estimates at 23 June 2017. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
3. Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition) which was adopted from JORC.
4. The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Project, namely: CAGA-1 to CAGA-5. However, estimates* for CAGA-1 and CAGA-5 remain the same as reported on 31 May 2014 as no additional exploration/drilling and mining operations have been undertaken since then.

Table-68. Mineral Resources (+Inferred) for High Grade Nickel as of 23 June 2017

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
High Grade (Ni >= 1.5%, Fe < 48%)	CAGA-4 (as of 23 June 2017)	Measured	517,000	1.8	19.2	1.1
		Indicated	2,311,000	1.8	12.7	1.2
		Inferred	3,338,000	1.7	13.0	1.2
		Subtotal	6,166,000	1.8	13.4	1.2
	CAGA-2 (as of 23 June 2017)	Measured	1,276,000	1.7	11.9	1.3
		Indicated	179,000	1.7	12.7	1.3
		Inferred	130,000	1.6	13.3	1.3
		Subtotal	1,585,000	1.7	12.1	1.3
	CAGA-3 (as of 23 June 2017 (unmined)*	Measured	1,670,000	1.7	15.2	1.2
		Indicated	157,000	1.6	14.1	1.2
		Inferred	76,000	1.6	12.6	1.2
		Subtotal	1,903,000	1.7	15.0	1.2
	CAGA-1 (unmined)*	Measured				
		Indicated	106,000	1.7	16.2	1.1
		Inferred	23,000	1.7	15.6	1.1
		Subtotal	129,000	1.7	16.1	1.1
	CAGA-5 (unmined)*	Measured	7,000	1.6	42.9	1.2
		Indicated	7,000	1.5	25.7	1.2
		Inferred	52,000	1.6	38.2	1.2
		Subtotal	66,000	1.6	37.4	1.2
	Combined	Measured	3,470,000	1.7	14.7	1.2
		Indicated	2,760,000	1.8	12.9	1.2
		Inferred	3,619,000	1.7	13.4	1.2
		Total	9,849,000	1.7	13.7	1.2

Notes:

1. The PGMC Statement of Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Codes.
2. All Mineral Resources figures reported in the table above represent estimates at 23 June 2017. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
3. Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition) which was adopted from JORC.
4. The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Project, namely: CAGA-1 to CAGA-5. However, estimates for CAGA-1 and CAGA-5 remain the same as reported on 31 May 2014 as no additional exploration/drilling and mining operations have been undertaken since then.

Table-69. Mineral Resources (+Inferred) for Total Nickel as of 23 June 2017

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
Combined	CAGA-4 (as of 23 June 2017)	Measured	9,121,000	1.1	43.8	1.0
		Indicated	7,811,000	1.3	23.3	1.1
		Inferred	14,790,000	1.3	20.5	1.1
		Subtotal	31,722,000	1.2	27.9	1.1
	CAGA-2 (as of 23 June 2017)	Measured	8,209,000	1.2	25.8	1.3
		Indicated	5,326,000	1.1	29.3	1.3
		Inferred	4,026,000	1.1	21.4	1.3
		Subtotal	17,561,000	1.1	25.8	1.3
	CAGA-3 (as of 23 June 2017 (unmined)*)	Measured	9,687,000	1.2	28.9	1.2
		Indicated	3,122,000	1.1	23.3	1.2
		Inferred	2,196,000	1.1	20.1	1.2
		Subtotal	15,005,000	1.2	26.4	1.2
	CAGA-1 (unmined)*	Measured	4,349,000	1.0	45.3	1.2
		Indicated	3,470,000	1.0	28.5	1.2
		Inferred	740,000	1.1	17.2	1.1
		Subtotal	8,559,000	1.0	36.1	1.2
	CAGA-5 (unmined)*	Measured	1,409,000	1.0	46.0	1.2
		Indicated	1,656,000	1.0	23.5	1.2
		Inferred	2,230,000	1.0	30.6	1.2
		Subtotal	5,295,000	1.0	32.5	1.2
Combined	Measured	32,775,000	1.1	35.2	1.2	
	Indicated	21,385,000	1.2	25.7	1.2	
	Inferred	23,982,000	1.2	21.5	1.2	
	Total	78,142,000	1.2	28.4	1.2	

Notes:

1. The PGMC Statement of Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Codes.
2. All Mineral Resources figures reported in the table above represent estimates at 23 June 2017. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
3. Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition) which was adopted from JORC.
4. The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Project, namely: CAGA-1 to CAGA-5. However, estimates* for CAGA-1 and CAGA-5 remain the same as reported on 31 May 2014 as no additional exploration/drilling and mining operations have been undertaken since then.
5. The increase in PGMC's Mineral Resources at CAGA-2 and CAGA-3 (2016:2017) was a result of additional resources estimated upon completion of additional exploration drilling from 2016 – 2017.

10.15 Comments on the Mineral Resource Statements

- Resource classification and estimation was thoroughly evaluated and also correlated with previous and current resource reports. Both the Author and Geologist-CP are convinced after interpretation and review that much of the PGMC exploration data was accurate and correlatable for the resource estimations undertaken in 2012, 2014, 2016, and 2017.
- Combined (measured + indicated) estimates as at 30 June 2016 was 50,314,000 DMT as compared to combined (measured + indicated) as at 23 June 2017 of 54,160,000 DMT.
- Despite mine depletion at CAGA-2 and CAGA-4 mines over a period of one year since last resource update of 30 June 2016, the combined mineral resources have significantly increased by 3,846,000 DMT which is indicative of additional resources resulting from the recent exploration.
- Highly notable was the **78% or 5,624,000 DMT increase in CAGA-3** (unmined) mineral resources from the 2016 estimate of 7,185,000 DMT to the 2017 estimate of 12,809,000 DMT.
- Substantial **inferred resources totaling 23,982,000 DMT** of various material types from CAGA-1 to CAGA-5 have also been estimated and these need further drilling to upgrade resource confidence level.

10.16 Exploration Potential

Possible potential areas were previously interpreted at the peripheral extensions of the identified deposits (CAGA-1 to CAGA-5), at the Western Area (CAGA-6) and at the unexplored laterites at CAGA-7. These may be areas of moderate, isolated laterite profiles which may become feasible if mined in conjunction with the existing deposits.

With the objective of increasing the resource inventory, PGMC, has started implementing an exploration drilling program to delineate and assess these other potential areas beginning with CAGA-2, CAGA-3 and CAGA-4 way back on the last quarter of 2015 until its completion by mid-2017. For 2017- 2018, this drilling program will continue for CAGA-1, CAGA-6 and CAGA-7 areas.

The Exploration Targets and Proposed Drilling Program/Exploration Costs are given in **Table 70**.

DEPOSIT	SIZE (HAS)	DHs/METERAGE	EXPLORATION TARGET (DMT)
1.0 CLNMI (Higdon) Deposit			
Area-1 (WEST)	174.6	300/4,500	5,000,000 – 10,000,000
Area-2 (EAST)	106.1	235/3,525	2,500,000 – 5,000,000
Sub-total	280.7	535/8,025	7,500,000- 15,000,000
2.0 CAGA-7 Deposit			
Area-1	20.25	67/1,005	700,000 - 1,400,000
Area-2	61.66	183/2,745	2,200,000 - 4,400,000
Area-3	55.49	15/2,475	2,000,000 - 4,000,000
Area-4	29.82	87/1,305	1,100,000 - 2,200,000
Sub-total	167.22	502/7,530	6,000,000 - 12,000,000
3.0 CAGA- 1 Deposit			
Saprolite Dev't Drilling	30.91	368/5,520	1,100,000 – 2,200,000
In-fill	60.26	270/4,050	2,200,000 – 4,400,000
Peripheral	46.96	196/2,940	1,700,000 – 3,400,000
Sub- total	138.13	834/12,510	5,000,000 - 10,000,000
4.0 CAGA- 5 Deposit			
In-fill	63.68	207/3,105	1,115,000 - 2,230,000
Peripheral	64.19	329/4,935	2,900,000 - 5,800,000
Sub- total	127.87	536/8,040	4,015,000 - 8,030,000
5.0 CAGA-6 Deposit			
Area-1	53.57	157/2,355	1,900,000 – 3,800,000
Area-2	86.05	264/3,960	3,100,000 – 6,200,000
Sub- total	139.62	421/6,315	5,000,000 – 10,000,000
TOTAL	853.54	2,828/42,420	31,515,000 – 63,030,000

Table-70. EXPLORATION TARGETS/PROPOSED DRILL HOLES

Notes:

- The above table is part of the over-all exploration/drilling program for the whole PGMC- CAGA Project wherein CAGA-2, CAGA-3 and CAGA-4 are included. Drilling at CAGA-2, CAGA-3 and CAGA-4 have been prioritized and completed which paved the way for the 2017 Mineral Resource update for the Project.
- Drilling will then continue for the other identified (CAGA- 1, 5, 6 and 7) and new (Higdon) areas.
- With the interesting results for CAGA- 2, CAGA-3 and CAGA-4 where substantial additional mineral resources were estimated, it is anticipated that further confirmatory drilling may be undertaken as necessary.

Priority No.	AREA	SIZE	DHs	Meterage	Schedule	Amount (Php)	Amount (\$)
1	CAGA-1	138.13	834	12,510	6.0 months	Php 26,899,800.00	\$534,787
2	CAGA-6	139.62	421	6,315	4.5 months	Php 15,436,200.00	\$306,883
3	CAGA-7	167.22	502	7,530	3.5 months	Php 18,081,150.00	\$359,466
4	HIGDON	280.70	535	8,025	4.0 months	Php 23,929,000.00	\$475,726
5	CAGA-5	127.87	536	8,040	4.0 months	Php 16,332,992.00	\$324,712
TOTAL		853.54	2,828	42,420	22 months	Php 100,679,142	\$2,001,574

Notes:

- Above table presents the estimated cost details and schedules for the Proposed Drilling Program for the PCSSC.
- Costs must be allotted a 20.0% contingency as actual drill holes may increase during actual implementation. Say, costs may increase to **US\$2,401,890**. Exchange Rate is US\$1:P50.30 (Average March to September 2017). Above data are based on previously completed drilling programs.
- Total Schedule (drill-months) is based on individual drilling programs undertaken separately. But, if performed simultaneously this may be shortened.
- CAGA-1, 6 and 7 drilling programs approved and will be implemented starting October 2017. Schedule is for 6-8 months.
- CAGA-5 and Higdon drilling programs will be implemented later upon settlement of issues with IPs and DENR-MGB, respectively.

11.0 ECONOMIC ASSESSMENT OF THE MINING PROJECT

11.1. Description of Mineral Resources estimates used as basis for conversion to Ore Reserves

The mineral resources has been modeled and reported by the Geologist-CP Edgardo G. Garcia in his Technical Report “PMRC-Competent Person’s Technical Report Mineral Resource Evaluation of Platinum Group Metals Corporation Cagdiano Nickel Project (MPSA No. 007-92-X) Barangay Cagdiano, Municipality of Claver, Province of Surigao del Norte, Philippines” dated 30 June 2016 which was subsequently updated on 01 October 2017. The updates covered both the CAGA 2 and CAGA 3 deposits which were explored by PGMC thru BOHRER Mining Consultants Services within the period of October 2016 to May 2017 comprising of a total of 3,812 drillholes with a total meterage of 48,862 meters. The mineral resource estimates of CAGA1, and CAGA5 deposits as of the time of writing have not been updated as these deposits have not been subjected to additional exploration, development and mining.

11.2. Type and Level of Feasibility Study

The level of economic study done by the PGMC Mine Engineering Team on the Cagdiano Nickel Expansion Project based on their latest Project Description dated 08 May 2014 that was received by the DENR-MGB Central Office on 09 May 2014 is a Pre-Feasibility Level Study since the mine was already operating since Year 2007. The Author also observed that some aspects both cost and technical in the Project Description were taken from PGMC’s existing operations. The “Author’s” level of assessment done on this project is only at a scoping level and further refinement will be necessary as more detailed specific factors are known. This economic assessment primarily determined the economic viability of the project in order to justify the estimated ore reserves and not for purposes of mine valuation.

11.3. Brief Description of the Project

11.3.1. Planned Mining and Operations

The PGMC Cagdiano Nickel Expansion Project is a Direct Shipping Operations (DSO) mine which is located in Barangay Cagdiano, Municipality of Claver, and Province of Surigao del Norte, Philippines.

Mining operations solely employ an open pit (contour) mining method using conventional backhoes (1.0 cum) and rear dump trucks (20-Tons). The ore is delivered into the stockyards and shipped to its buyers in China and Australia thru Super-handimax bulk carrier vessels. The mining season coincides with the dry season starting from April to October and will cease to operate starting November and ends on March of the succeeding year due to heavy rains and swells.

The planned mining program is to produce an annual ore of **5.0** Million Wet Metric tones starting from Year 2017 up to the end of mine life from the Five (5) identified pits namely CAGA1, CAGA2, CAGA3, CAGA4 and CAGA5.

Based on the proven and probable ore reserves of **36.3 Million WMT** as estimated by the Author as at ending 23 June 2017, the estimated mine life of the project at an annual production rate of **5.0 Million WMT** is pegged at approximately eight (8) years.

The PGMC management plans to do further peripheral exploration at CAGA1 and CAGA5 as well as grassroots drilling at CAGA6, CAGA7 North and Higdon (CAGA7 South) in order to delineate additional mineral resource that has the potential to become ore reserves that can serve as an opportunity to extend the life of the mine beyond eight (8) years and possibly justify the construction of a mine mouth Blast Furnace (BF) plant to process the vast low nickel-high iron ore (0.90-1.19%Ni/48%Fe) within the current mining operations.

11.3.2. Mining Method and capacity

The mining operations will solely employ an open cut (contour) block mining method using conventional backhoes (1.0 cum) and rear dump trucks (20-Tons). Benches three (3) meters high and at least 5 to 20 meters wide will be established to provide greater flexibility and ore selectivity of mining equipment after the topsoil and overburden materials have been removed and dumped into designated waste dumps adjacent to the active mining blocks. The Run-of-mine (ROM) ore will be mined by one (1) meter flitches and loaded into rear dump trucks and delivered either directly into barges/LCTS or to the designated stockyards.

There will be no processing of the ore. Ore preparation however is necessary which consists of ore sorting, drying, segregation and size reduction (removal of boulders) to meet the size and moisture specifications of the buyers.

The prepared ore will then be loaded into 2000-3000DWT capacity barges or LCTs and trans-shipped into Super-Handimax (Supramax) bulk carrier vessels with a capacity of approximately 55,000WMT where they will be shipped to different buyers in China.

Auxiliary equipment such as dozers, graders, compactors, water trucks will support the operations in terms of construction and maintenance of stockyards, roads, causeways and environmental structures.

11.3.3. Processing Method and capacity

There are no mineral processing involved as the operation is a Direct Shipping Operation (DSO) mine.

11.3.4. Ore to be Mined / Product to be produced

The ore to be mined and shipped are divided into six (6) marketable ore products as tabulated below in **Table 71**.

Table 71. Marketable ore specifications

Ore Type	Grade Specifications
Low Grade Nickel- High Iron Ore (LGHF)	<1.20% Ni and >=48% Fe
Low Grade Nickel-Medium Iron Ore (LGMF)	>=1.20% Ni to <1.40% Ni and >=40% Fe
Low Grade Nickel- Low Grade Iron Ore (LGLF)	>=1.20% Ni to <1.40% Ni and <40% Fe
Medium Grade Nickel- Medium Iron Ore (MGMF)	>=1.40% Ni to <1.70% Ni and >=30% Fe
Medium Grade Nickel- Low Iron Ore (MGLF)	>=1.40% Ni to <1.70% Ni and <30% Fe
High Grade Nickel Ore (HG)	>=1.70% Ni and regardless % Fe

11.3.5. Prospective Markets or Buyers

At present, the marketable ores are all shipped to buyers in China.

11.3.6. Estimated Mine Life

Based on an annual production of 5.0 Million WMT of ore, the estimated mine life of the project is approximately eight (8) years.

11.3.7. Total Project Cost/Financing

The estimated Project Cost for the Cagdianao Nickel Expansion Project is PhP 3.4 Billion or US\$68.0 Million at an exchange rate of 50PhP/US\$ (**Table 72**).

PGMC has various options which may be used to finance the project aside from stockholder's equity. Currently it is sourcing its funds for the development and resumption of operations of the mine thru advances from buyers for the sale of ore to China.

Table 72. Capital expenses for the PGMC CNEP

Cost Item	Description	Total	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024
Equipment	Heavy Equipment	114,600,000	47,000,000	50,300,000	-	14,000,000	3,300,000	-	-	-
	Mine Survey Equipment	3,300,000	1,650,000	-	-	-	1,650,000	-	-	-
	Grade Control Equipment	1,800,000	-	600,000	-	600,000	-	600,000	-	-
	Maintenance and Logistics	6,000,000	-	3,000,000	-	-	3,000,000	-	-	-
	Mining Equipment and Softwares	18,000,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000
	IT and Laboratory Equipment	12,000,000	-	2,000,000	8,000,000	-	2,000,000	-	-	-
	Subtotal	155,700,000	50,900,000	58,150,000	10,250,000	16,850,000	12,200,000	2,850,000	2,250,000	2,250,000
Civil Works										
	Buildings and Structures	132,543,600	13,901,350	37,976,250	14,700,000	18,433,000	9,700,000	18,433,000	9,700,000	9,700,000
	Road Network	207,280,000	18,520,000	68,930,000	30,480,000	11,500,000	11,500,000	11,500,000	43,350,000	11,500,000
	Subtotal	339,823,600	32,421,350	106,906,250	45,180,000	29,933,000	21,200,000	29,933,000	53,050,000	21,200,000
Exploration Drilling	CAGA1,3,5,6,7 ad Higdon	341,377,833	261,387,833	79,990,000						
Development and Stripping										
	Stripping	259,800,000	0	69,000,000	30,000,000	58,200,000	27,000,000	75,600,000	0	0
	Stockyards	80,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
	Pier Upgrade	90,500,000	4,000,000	39,050,000	27,450,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
	Subtotal	430,300,000	14,000,000	118,050,000	67,450,000	72,200,000	41,000,000	89,600,000	14,000,000	14,000,000
Environmental, Safety and Health Works		115,955,000	15,460,000	25,235,000	19,410,000	12,410,000	13,210,000	11,410,000	10,410,000	8,410,000
Working Capital		238,147,000	238,147,000							
Total		1,621,303,433	612,316,183	388,331,250	142,290,000	131,393,000	87,610,000	133,793,000	79,710,000	45,860,000
Book Value (CAPEX 2017)	Beginning 01 July 2017	1,779,938,156	1,779,938,156							
Grand total (PhP)		3,401,241,589	2,392,254,339	388,331,250	142,290,000	131,393,000	87,610,000	133,793,000	79,710,000	45,860,000
(US\$)		68,024,832	47,845,087	7,766,625	2,845,800	2,627,860	1,752,200	2,675,860	1,594,200	917,200

11.3.8. Direct Operating Cost / Production Schedule

The programmed annual production schedule of the PGMC Cagdianao Nickel Expansion Project is 5.0 Million WMT with an average waste to ore stripping ratio of **0.67:1**. Tabulated below is the details of the annual mine production schedule.

Table 73. Life-of-Mine (LOM) Mine Production Schedule

Pit	Material	Y2017	Y2018	Y2019	Y2020	Y2021	Y2022	Y2023	Y2024	Total/Ave.
CAGA1	Ore			0.50	0.50	0.50	0.50	0.50		2.50
	Waste			0.17	0.17	0.17	0.17	0.17		0.85
CAGA2	Ore	0.82	1.00	1.00	1.00	1.00	1.00	1.00		6.82
	Waste	0.22	0.27	0.27	0.27	0.27	0.27	0.27		1.84
CAGA3	Ore		1.00	1.00	1.50	1.50	1.50	2.19	0.67	9.36
	Waste		0.40	0.40	0.60	0.60	0.60	0.87	0.27	3.74
CAGA4	Ore	2.49	3.00	2.50	2.00	2.00	2.00	1.31		15.30
	Waste	2.74	3.31	2.76	2.20	2.20	2.20	1.44		16.85
CAGA5	Ore								0.70	0.70
	Waste								0.62	0.62
COMBINED	Ore	3.31	5.00	5.00	5.00	5.00	5.00	5.00	3.03	36.34
	Waste	2.97	3.98	3.59	3.24	3.24	3.24	2.75	1.38	24.39
	W:O	0.90	0.80	0.72	0.65	0.65	0.65	0.55	0.46	0.67

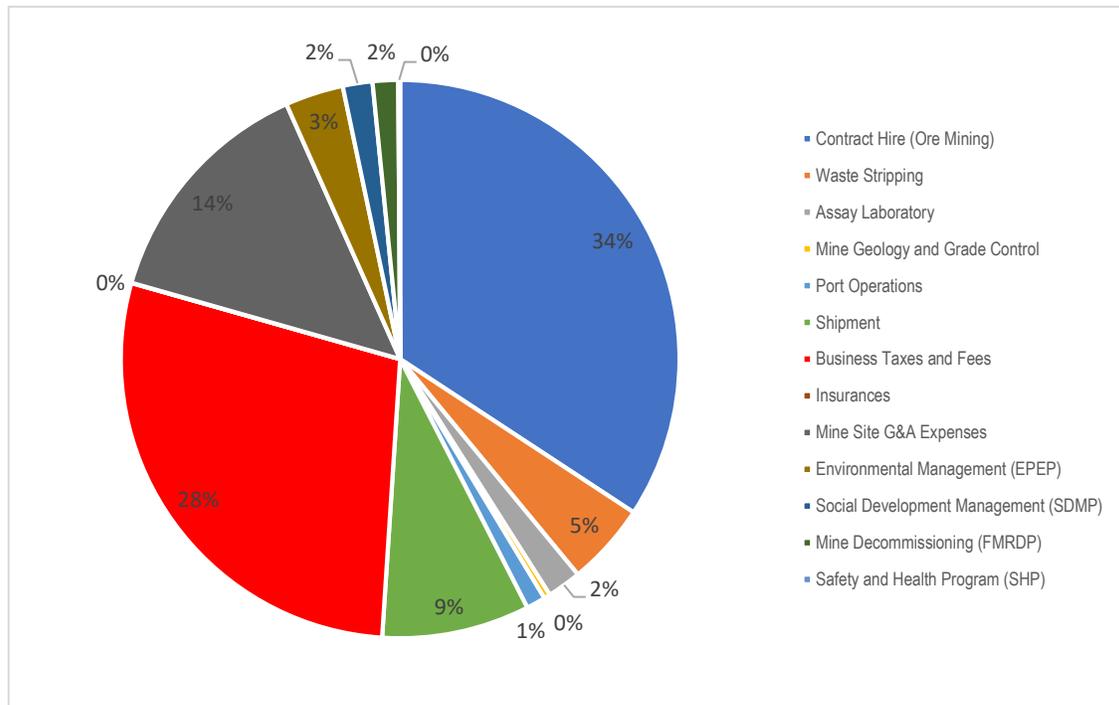
The direct operating cost was estimated at **US\$16.45/WMT** which is broken down as follows:

Table 74. Detailed breakdown of direct operating costs

Cost Center	Unit Cost (US\$/t)
Contract Hire (Ore Mining)	5.63
Waste Stripping	0.79
Assay Laboratory	0.33
Mine Geology and Grade Control	0.06
Port Operations	0.18
Shipment	1.41
Business Taxes and Fees	4.67
Insurances	0.003
Mine Site G&A Expenses	2.29
Environmental Management (EPEP)	0.56
Social Development Management (SDMP)	0.28
Mine Decommissioning (FMRDP)	0.24
Safety and Health Program (SHP)	0.02
Total Direct Operating Cost	16.45

Further, as can be seen on the **Figure 106**, the contract hire is the highest which accounts for approximately 34% of the total cost followed by the Taxes and Fees at 28% and Mine site G&A expenses at 14% respectively.

Figure 106. Distribution of direct operating costs



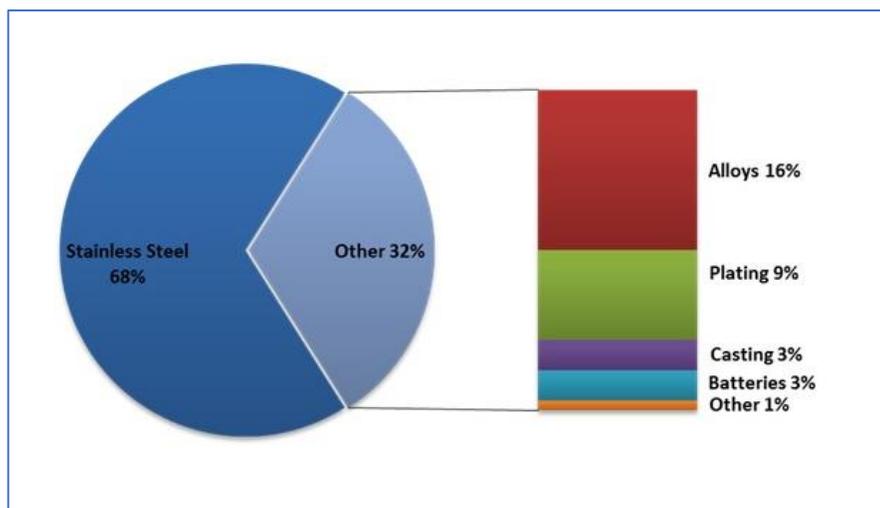
11.4. Marketing Aspects

11.4.1. World Supply and Demand Situation

Nickel metal is a silvery white, hard, malleable and ductile metallic element that belongs to the Iron group. Nickel is a diversely used metal due to its high melting point, corrosive resistance and known as a catalyst in organic synthesis. It could be found from over 300,000 products, from daily used coins to aerospace application.

The most important use of nickel is in the production of stainless steel. This accounts for about **68%** of first use nickel up from one-third in the past three decades. The world nickel consumption is growing by an average **2.3%** a year and the market for stainless steel is growing at the rate of about **5%** per annum. Please refer to **Figure 107** for the distribution of the use of nickel.

Figure 107. World Use of Nickel



Source: INSG Report 19 September 2017

The usage of nickel is remarkably increasing over time, which is correlated with economic development. In the past nine (9) years, world nickel demand increased from 1.274 Million tonnes in 2005 to 1.983 Million tonnes in 2014. However, the upward trend has had peaks and valleys. The latest year 2013 saw the greatest demand for nickel but, in 2008 demand declined to 1.377 Million tonnes as the global economic crisis unfolded, and in 2009 demand dropped again to 1.319 Million tonnes. Demand rapidly increased in 2010 to 1.445 Million tonnes, and continued improving to a record level of 1.781 Million tonnes in 2013.¹

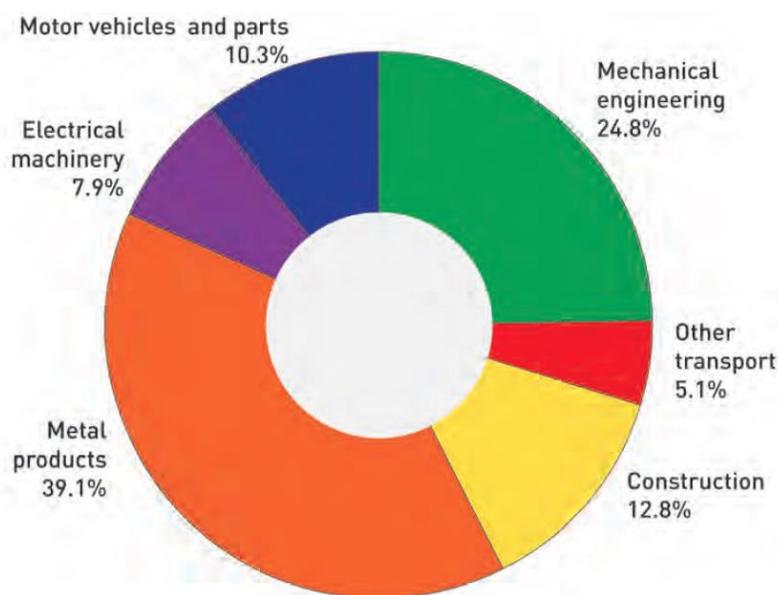
According to an economic geologist, Trevor Ellice, steady global demand for stainless steel has supported the growth in global nickel demand which has increased from 1.3 Million tonnes in 2008 to 1.983 Million tonnes in 2014. This is a healthy CAGR (*compound annual growth rate*) of 7.3%. In the same period, nickel ore consumption in China increased by a CAGR of 16.5%, fueled largely by the invention of Nickel Pig Iron (NPI) process. As of now, China accounts for about 52% of the world's total nickel consumption compared to less than 18% ten years earlier. Further, it was projected that future demand for nickel will be driven by the increasing stainless steel consumption brought about by rapid urbanization in the developing nations including China, India, Brazil, Africa and the ASEAN nations. By 2020, the demand for nickel is expected to increase by 4% CAGR to reach 2.37 Million tons. Global nickel consumption is driven by stainless steel which

¹ INSG Report, September 17, 2017

consumes easily 65% of all nickel produced.

From the International Stainless Steel Forum (ISSF), the world breakdown of stainless steel usage is broken down as follows (**Figure 108**). Noteworthy is that a large portion of stainless steel demand is driven by consumption. Metal products, motor vehicles and parts and construction are part of consumption as the products under these categories are linked towards the changing life style due to improving incomes. The three categories already take 62.2% of demand for stainless steel products. The other three categories are normally called capital expenditure items related to industry. For countries to support the consumption led economy industry like power have to grow too. This is the case of China which needs to grow their power industry to support the needs of an ever growing affluent nation. The massive investment in power which comprises both the electrical machinery and mechanical engineering category adds fuel to the growth of stainless steel and to nickel consumption as well.

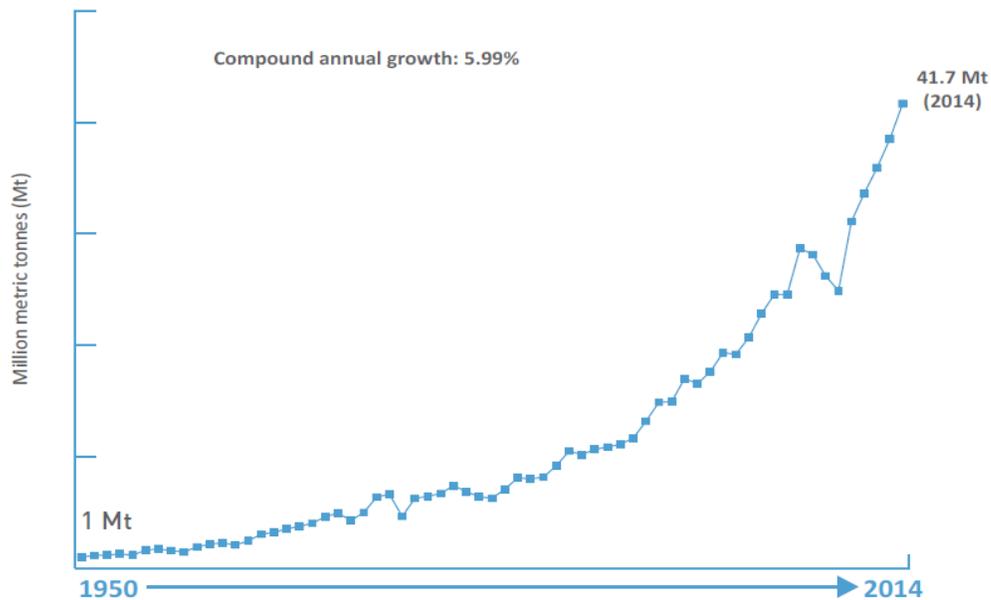
Figure 108. World Stainless Steel Consumption Distribution



(Source ISSF 2015)

From the same ISSF 2015 figures, stainless steel consumption from 1950 till 2014 has achieved a compound annual growth rate of 5.99% as seen in **Figure 109**. The strong growth occurred recently with China, Taiwan, Japan and Korea being the engines of growth. China in particular grew their stainless steel industry in double digits or 21% annual growth rate in the period of 2005-2014. Asia is now by far the largest regional market for nickel currently representing 71% of total world demand.

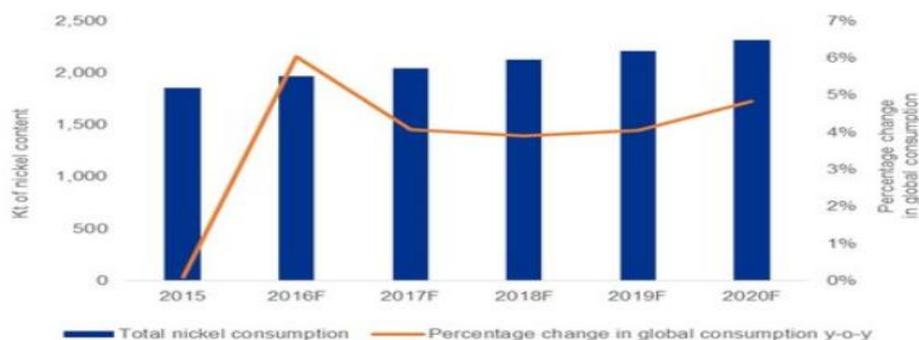
Figure 109. Compound Growth Rate of Stainless Steel



(Source: ISSF 2015)

The world nickel consumption has been rapidly increasing since the year 1950s. It is expected to further increase at a CAGR of 5.9 percent up to 2014 and slightly ease down to 4.3% from 2,045kt in 2017 to 2,318kt in 2020. During the forecast period (2017–2020F) as reflected in **Table 75**, the global demand for nickel is expected to be more positive than for other metals such as steel and copper. In addition to the growing demand from the stainless steel industry, consumption is likely to be driven by the wide range of applications in other industries, such as vehicle batteries (TESLA) and aerospace equipment, by 2020.

Table 75. Total World Nickel Consumption



Source: BMO Capital Markets: Global Metals & Mining: 2017 Outlook: A much improved backdrop for most equities, via Thomson Research, accessed April 2017.

USGS presented a data on the world nickel mine production by country shown in **Table 76**. It was cited that Indonesia and Philippines are the two (2) dominating supplier of nickel ores and concentrates exporter in the world. Other major exporting countries are Australia, Canada, and Russia produce predominantly sulfide nickel. Although Australian exports volume is much smaller than Indonesia and Philippines, the export value per unit is much higher. Indonesia and Philippines export nickel ores at lower price. Since the Year 2012, the Philippines became the largest exporter of nickel laterite ore to the world.

Table 76. World Nickel Mine Production by Country (2012 2016)

Country	2012	2013	2014	2015	2016
United States			4,300	27,200	25,000
Australia	246,000	234,000	245,000	222,000	206,000
Brazil	139,000	138,000	102,000	160,000	142,000
Canada	205,000	223,000	235,000	235,000	255,000
China	93,300	95,000	100,000	92,900	90,000
Columbia	84,000	75,000	81,000	40,400	36,800
Cuba	68,200	66,000	50,400	56,400	56,000
Guatemala	15,200	15,800	38,400	52,400	58,600
Indonesia	228,000	440,000	177,000	130,000	168,500
Madagascar	82,500	29,200	40,300	45,500	48,000
New Caledonia	132,000	164,000	178,000	186,000	205,000
Philippines	424,000	446,000	523,000	554,000	500,000
Russia	255,000	275,000	239,000	269,000	256,000
South Africa	45,900	51,200	55,000	56,700	50,000
Other Countries	273,000	377,000	377,000	157,000	150,000
World Total	2,291,100	2,629,200	2,445,400	2,284,500	2,246,900

(Source: USGS 2017)

Table 77. Demand Supply Balance

('000 ton)	2012	2013	2014	2015	2016F	2017F	2018F	CAGR
Global Output	1,760	1,963	1,994	1,932	1,938	2,032	2,102	2.6%
Global Consumption	1,668	1,785	1,863	1,891	1,973	2,056	2,158	3.7%
Global Surplus/Deficit	92	178	131	41	-35	-24	-56	

(Source: INSG forecast)

From the forecast by International Nickel Study Group (INSG), in 2016 the demand supply balance will shift to a deficit. The basis of the forecast was the projected increases in supply and demand. However, in 2016 we have seen a lot of literature warning of higher deficit caused by

supply chokes from the Philippines and some closures among nickel processors. On the demand side the pick-up in stainless steel sales has been a surprise and has led to an acceleration of the deficit. In the first seven months of 2016 INSG already stated that the deficit stood at 36k tonnes eclipsing the year end deficit of 35k tonnes.

In 2016 the Philippines had a presidential election that affected the mining industry. The new president wanted a stricter environmental compliance amongst the miners as he views the industry as damaging to the environment. He appointed a known anti-mining crusader Ms. Regina Lopez as the new Secretary of the Department of Environment and Natural Resources (DENR). Within a few months new DENR secretary suspended 10 mining operations of which 8 were nickel miners. Immediately, around 10% of Philippine production was suspended. A mining audit on the operating mines was undertaken and further suspensions were made. The situation has lowered supply and has resulted in nickel prices appreciating above USD10,000/tonne, a 31% increase over the low of USD7,595/tonne experienced in Feb 2016.

For reference, the historical LME price of nickel is shown in **Figure 110**.

The nickel supply-demand balance (shown in **Table 77**) during 1H 2016 is already in deficit by 36k tonnes and the full year forecast of 35k tonne deficit maybe too conservative as current concerns of supply coming from the Philippines and other nickel sources have significantly dropped. Even the increase in NPI production coming from Indonesia would be insufficient to make up for the gap created by increased consumption with supply chokes occurring on main producers like the Philippines.

The Philippines is endowed with rich nickel ferrous laterite deposits. The total nickel ore reserves as of 1996 as reported by the Mines and Geosciences Bureau is 1,088,854,400 MT with grades ranging from 0.34% to 2.41% of which 1,020,474,370 MT is classified as positive with grades ranging from 0.41% to 2.47%. The nickel ores are concentrated in Surigao del Norte and Zambales. Other sizeable deposits are also found in Davao Oriental, Isabela, Tawi-tawi and Palawan.

The principal Philippine nickel producers and their productions in 2014 to 2017H1 are shown in **Table 78**. The main producing province is the Surigao nickel district with the top producers being located in the province as well as most of the producers. The advantage of the district is the location of the mines are close to shore and the nickel laterite deposits have a limonite layer that is high in iron making their nickel ore amenable even to lower type of blast furnace technology. The commercial viability of mining the low grade limonite and closeness to shore has created more opportunities for the nickel district.

After Surigao we have the Zambales and Palawan nickel districts which have been shipping more high grade ores due to longer distances to shore thus requiring higher value products being shipped out. Tawi-tawi has been prominent nickel ore producer but due to lack of data remains an enigma to the world. Davao Oriental just recently opened up a new mine in 2016 and is still not included in the data compiled by the Mines and Geosciences Bureau (MGB).

Figure 110. Average LME Nickel Price- 2012 to 2017(US\$/lb)



(Source: LME)

Table 78. Philippine Nickel Production (Value in PhP)

	2014		2015		2016		H1 2017					
	Direct Shipping Ni Content	Estimated Value	Direct Shipping Ni Content	Estimated Value	Direct Shipping Ni Content	Estimated Value	Direct Shipping Ni Content	Estimated Value				
AAM-PHIL Natural Resources Exploration & Dev't Corp												
Dinagat Chromite/Nickel Project	672,970	2,968	520,879,282	261,135	1,149	164,521,373	480,267	3,199	211,927,147	165,160	1,321	78,469,560
Adnama Mining Resources Incorporated												
Urbizondo Nickel Project	772,006	10,385	2,075,348,000	586,824	8,603	652,270,014	518,014	5,520	269,899,958	162,093	1,728	135,208,752
Agata Mining Ventures, Inc.												
Agata North Lateritic Nickel Project	179,878	1,499	172,959,692	1,264,119	14,833	1,796,478,325	1,898,625	19,810	1,327,015,771	1,009,343	10,899	444,652,070
Benguet Corporation Nickel Mines Inc.												
BCNMI Sta. Cruz Nickel Mng. Project	839,230	14,514	1,450,239,115	-	-	-	677,634	10,525	1,170,062,782	-	-	-
Berong Mining Corp.												
Berong Nickel Project	813,300	12,957	1,327,677,348	867,817	15,700	1,879,304,673	341,190	5,975	361,207,144	30,679	513	34,136,553
Cagdianao Mining Corp.												
Cagdianao Nickel Project	2,748,981	40,382	3,737,912,899	3,178,434	44,424	2,809,198,060	1,401,149	20,401	1,222,853,336	147,213	2,008	116,184,280
Carrascal Nickel Corporation												
Carrascal Nickel Project	3,158,024	25,251	5,242,432,751	2,722,206	24,896	2,070,247,821	1,748,181	17,285	1,462,452,593	967,050	7,987	773,824,228
Century Peak Corporation												
Casiguran Nickel Project				105,007	1,193	31,907,459	325,862	3,044	59,239,051	-	-	-
Esperanza Nickel Project				107,143	1,080	39,328,197	301,733	2,799	79,618,869	-	-	-
Citininickel Mines & Development Corp.												
Toronlo & Pulot Nickel Projects	2,191,628	32,874	3,548,569,954	1,133,250	16,999	1,656,744,207	162,585	2,439	203,777,022	736,668	11,050	1,160,231,009
Claver Mineral Development Corp/Shenzhou Mining Group Corp.												
Tandawa Nickel Project	-	-	-	-	-	-	-	-	-	-	-	-
CTP Construction & Mining Corp.												
Adlay Nickel Project	2,452,251	31,492	6,340,873,893	1,998,700	29,993	2,701,724,798	2,305,180	26,838	2,348,527,416	251,354	2,310	241,493,184
Dahican Nickel Project	371,372	2,928	618,475,281	21,110	313	27,028,557	146,035	1,368	113,933,032	248,800	2,302	223,260,163
Eramen Minerals Inc.												
Eramen Sta. Cruz Mng Project	799,060	12,785	993,927,964	398,269	5,992	565,941,364	-	-	-	-	-	-
Hinatuan Mng. Corp.												
Tagana-an Nickel Project	2,333,251	22,095	4,922,748,222	2,300,104	24,162	2,218,734,026	1,958,972	22,355	1,987,566,307	426,248	5,777	507,086,438
Libjo Mining Corporation												
Libjo Laterite Mining Project	671,153	6,611	1,155,122,453	280,531	3,968	337,419,165	524,669	6,110	474,242,023	95,098	1,130	130,458,099
LNI Archipelago Minerals Inc./Filipinas Mining Corp.												
LNL AM Sta. Cruz Mining Project	374,227	6,142	831,578,771	106,393	1,585	281,224,605	-	-	-	-	-	-
Marcventures Mining & Development Corp.												
Cantilan Nickel Project	1,097,676	3,983	1,880,604,540	1,894,207	19,426	1,166,052,689	1,824,115	19,771	1,252,254,852	333,145	8,156	299,053,010
Minahang Bayan ng Mamamayan ng Dinagat Island Cooperative												
Bel-at Nickel Project												
Oriental Synergy Mining Corporation												
Bel-at Nickel Project	264,224	2,083	218,951,623	104,859	1,507	167,725,601						
Oriental Vision Mining Phils. Corporation/Norweah Metals and Minerals Co. Inc.												
Palhi Nickel Project				505,026	7,764	577,387,248	-	-	-	-	-	-
Pacific Nickel Phil. Inc./Shuley Mine Inc.												
Nonoc Nickel Project	-	-	-	-	-	-	-	-	-	-	-	-
Platinum Group Metals Corp.												
Cagdianao Nickel Project	3,903,169	51,200	11,396,217,311	3,614,690	54,483	5,181,957,624	2,007,084	21,912	1,712,518,477	1,033,371	12,072	1,175,215,363
Rio Tuba Nickel Mng.												
Rio Tuba Nickel Project	1,901,651	27,148	4,881,881,000	1,975,233	29,038	3,688,810,000	1,867,516	26,070	2,512,750,000	1,113,526	15,845	1,381,530,000
Sinosteel Philippines H.Y. Mining Corp.												
H.Y. Nickel-Chromite Project	-	-	-	-	-	-	-	-	-	-	-	-
SR Metals, Inc.												
Tubay Nickel-Cobalt Project	2,062,069	24,525	4,249,708,692	2,527,310	34,130	2,938,996,886	1,911,051	27,964	1,832,161,613	669,877	9,511	642,225,052
Taganito Mining Corp.												
Claver Nickel Project	5,747,496	69,440	8,787,432,795	5,173,489	66,234	5,170,562,196	4,458,253	55,716	3,767,742,527	1,533,871	19,532	1,165,591,868
Wellex Mining Corp.												
Wellex Area II Nickel Mining Project				1,112,814	7,107	540,792,564	-	-	-	-	-	-
Westernshore Nickel Corporation/East Coast Mineral Resources Co. Inc.												
Libjo Project (Phase 2)				328,372	3,713	269,603,362						
Zambales Diversified Metals Corp.												
ZDMC Sta. Cruz-Candelaria Mng. Project	219,972	3,385	439,916,346	-	-	-	92,863	1,406	93,484,705	75,102	1,137	145,038,234
Grand Total	33,573,587	404,647	64,793,457,932	32,567,041	418,292	36,933,960,811	24,950,976	300,506	22,463,234,625	8,998,598	113,277	8,653,657,862

(Source: MGB statistics data)

11.4.2. Prospective Markets or Buyers

PGMC is currently supplying its ore solely to China since the year 2012.

11.4.3. Product Specifications

The current product specifications from PGMC which are marketed to China are as follows:

- Low Grade Nickel-High Iron Ore: 0.90-1.19%Ni and 48-50%Fe;
- Low Grade Nickel-Medium Iron Ore: 1.20-1.40%Ni and 40-45%Fe;
- Low Grade Nickel-Low Iron Ore: 1.20-1.40%Ni and less than 20%Fe;
- Medium Grade Nickel-High Iron Ore: 1.40-1.60%Ni and 20-25%Fe;
- Medium Grade Nickel-Low Iron Ore: 1.40-1.60%Ni and below 20%Fe; and
- High Grade Nickel Ore: 1.70-1.80%Ni and regardless of Fe

11.4.4. Price and Volume Forecasts

From **Figure 111**, we saw the volatile price behavior of nickel prices. At the peak price of USD52,179/tonne of nickel in May 2007, the demand for stainless steel by China was huge as the country prepared for the 2008 Beijing Olympics. During those years the nickel used in making stainless steel was sourced from scrap and pure nickel. Since 2012, the LME nickel prices have been steadily going down simply because of large nickel stock inventories. We see the level of nickel inventory at the London Metal Exchange (LME) in 2007 running at a low of 20,000 tonnes which caused panic among the users of the metal. This caused nickel prices to achieve its all-time high in May 2007.

Around 2006 an old technology was rediscovered to treat nickel laterite ores and this was the Nickel Pig Iron (NPI) blast furnace operation. The technology can treat nickel laterite which is more abundant than nickel sulfide and is found at the Asia-Pacific region in the Philippines, Indonesia, Australia, and New Caledonia. The technology offered a cheaper alternative and this created a new industry in China to develop. At the start it was just a blast furnace but further refinements were made to capitalize on cheap power in China and the next technology was the electric arc furnace (EAF) before the latest technology of rotary kiln electric furnace (RKEF). From just one province the technology spread around the coastal provinces taking advantage of cheap power, coal and growing stainless steel consumption in China.

Slowly the LME nickel inventory started rising as stainless steel producers in China shifted sourcing their nickel units to NPI as they were paying for nickel with the iron and chromite carried

free in the ingots. The US, Europe, and other nations still used scrap and pure nickel as their source. With the cheaper NPI China's production grew at over 15% from 2010 till 2014 as they capitalized on the competitive advantage. China was producing more of the low end stainless steel and let the others compete on the high end stainless steel segment.

From the peak in Feb 2011 commodity prices started reversing and so with nickel. The problem was the global economy was slowing down and cracks in some over leveraged economies started showing up. With concerns on growth prospects the relationship on demand was hit badly and most industrial commodities started sliding and was technically the end of the commodity bull-run. China's slowing economy from 2 decades of double digit growth and now becoming the second largest economy in the globe have come to fore. With their GNP slowing down to 6.7%-7.7% in 2013-2015, and the long term plan of the government is maintain a managed growth level of 6%, investors are closely monitoring developments in the country.

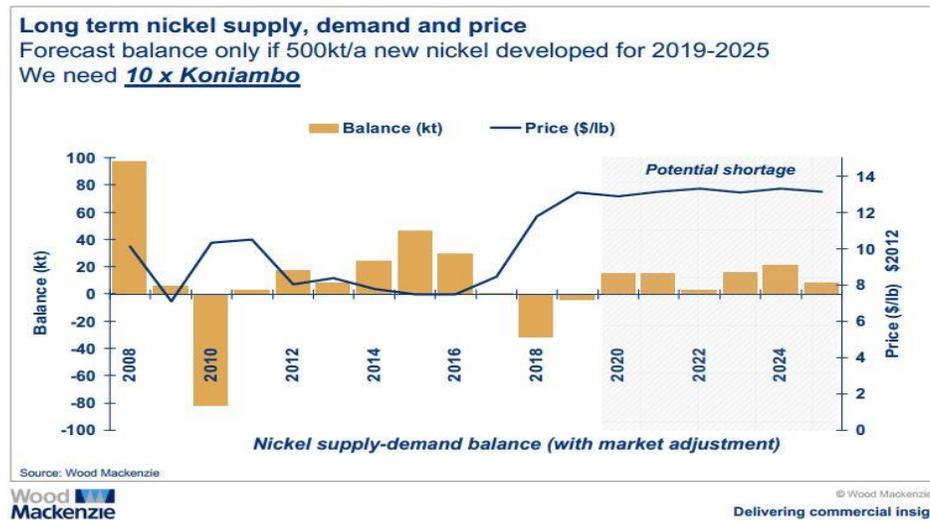
Come 2013 with Indonesia already planning to enforce the ban on ore exports by January 2014 exported over 50 million Wet Metric Ton (WMT) of high grade nickel ore to China. This ore was stockpiled in the ports of China and would become an overhang on the supply of nickel to the market. In 2014 when the Indonesian ore ban took place we saw LME nickel prices rising from USD6.20/lb (USD13,670/tonne) to a high of USD9.50/lb (USD20,947/tonne). What is not apparent was that nickel ore prices were an all-time high with high grade ore of 1.8%Ni being sold at USD140/WMT vs USD40/WMT in 2012.

Figure 111. Nickel Price Vs Stocks (2012 to 2017)



(Source: LME)

Figure 112. Long Term Nickel Supply, Demand and Price (2019 to 2025)



Wood Mackenzie forecasted a deficit to occur by 2017 and expect shortage in 2018 and nickel prices to hover above USD12/lb.

From a different source, the INSG says the deficit is much earlier and will be sustained in the next three years or until 2018.

The Author has sited existing PGMC spot contracts covering July 2016 to June 2017. These contracts are negotiated and does not reflect the true prices in the market. The price assumptions used in the pit optimization were based on the actual price movements of ore from the Philippines as shipped to various Chinese and Japanese Ports. The historical price analysis using a combination of PGMC spot contract prices and monitoring taken from the www.nieba.cn, shows in **Table 79** and **Figure 113** the price movements from Year 2012 to ending June 2017. The High grade nickel ore (>1.7%Ni) has slightly increased its prices ranging from US\$49 to US\$52/ton FOB followed by the Medium grade nickel ore also at its low side at an average of US\$31/ton FOB. The Low nickel-high iron ore further slowed down its pace to an average of only US\$17/ton FOB down from US\$20/ton FOB as compared to June 2016 prices.

The Author considered the average price trends for each material specification in the computation of gross revenue based on current economic conditions such as:

- High and Medium Grade Nickel Ore – Still a positive short term outlook is anticipated for these type of ore even as the Indonesian export ban on unprocessed minerals/metals have been partially lifted as, currently, they have only been able to export less than 2.0 Million wet metric tonnes. The Philippines is still the only major supplier to the Chinese and Japanese smelters/refineries. A stronger demand for these types of ore will be for Nickel Pig Iron (NPI) industry which uses the Rotary Kiln Electric Arc Furnace (RKEF) as the cost of production is much lower as against the BF and EAF. Price assumptions will

therefore be put on the mainstream side of US\$29/ton and US\$42/ton for the medium and high grade ores;

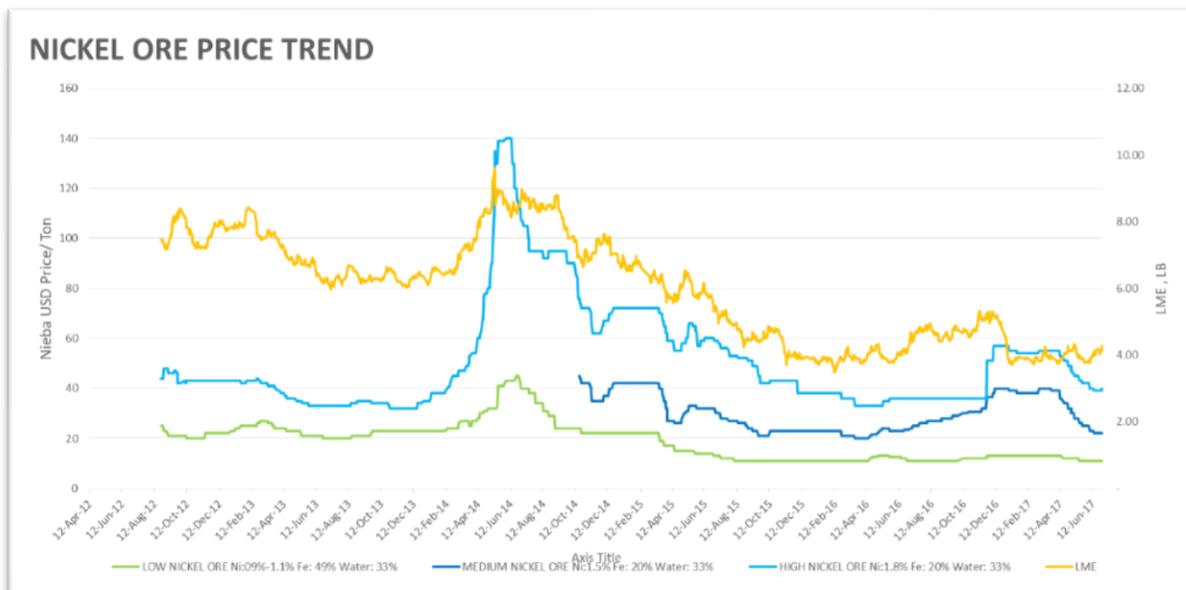
- Low Grade Nickel-High Iron Ore – A negative short to medium term outlook is anticipated for these types of ore as the Carbon Steel industry will lower down its demand due to low iron ore prices. Price assumptions will therefore be put on the mainstream side of US\$18/ton.

Table 79. Year 2012 to ending June 2017 Nickel Ore Prices

Period	Specification	Ave. Floor Price	Ave. Highest Price	Ave. Mainstream Price
2012-2015	Ni: 0.6 ~ 0.8%; Fe: 49%; water: 33%	15.1	18.3	15.9
2013-2016	Ni: 0.6 ~ 0.8%; Fe: 50%; water: 33%	17.4	19.8	18.5
2012-2017	Ni: 0.9 ~ 1.1%; Fe: 48%; water: 33%	16.4	19.0	17.6
2012-2017	Ni: 0.9 ~ 1.1%; Fe: 49%; water: 33%	17.3	20.0	18.7
2014-2017	Ni: 0.9 ~ 1.1%; Fe: 50%; water: 33%	14.7	17.6	16.3
2014-2017	Ni: 1.5%; Fe: <20%; water: 33%	30.9	33.7	32.3
2013-2017	Ni: 1.6%; Fe: <20%; water: 33%	31.9	35.3	34.0
2012-2017	Ni: 1.8%; Fe: <20%; water: 33%	49.1	52.5	50.5

(Source: PGMC Data and nieba.cn)

Figure 113. Nieba Vs LME Prices



(Source: nieba.cn)

11.4.5. Sales Contract

PGMC markets its ore based on spot contracts which it enters into with Chinese buyers to within a period of one month from the actual date of the shipment. The author has sighted numerous sales contact agreements with the buyers for the Year 2017 which will likely be the same contract templates that PGMC will use to negotiate with its existing and potential buyers in the near future.

11.5. Technical Aspects

11.5.1. Mining Plans

11.5.1.1. Mining method

The CAGA pits are shallow deposits of lateritic nickel ore which are composed of both limonite and saprolite. The mining method used is a conventional open pit (contour) mining method which uses backhoes and trucks. No drilling and blasting is required as the material is very soft and friable which makes it a free-digging operation.

Typically, vegetation are removed by clearing and grubbing followed by topsoil removal (**Figure 114**) which are stored in a designated topsoil dump area for future use in the rehabilitation of mined-out areas. Overburden which is about 0.50m thick is removed while simultaneously developing the pit benches which are 3 meters in height and 5-20 meters in width (**Figure 115**).

Excavators load the ore into trucks for transport to the designated mine yards (**Figure 116**). Generally, excavators mine the ore by digging in 1 meter flitches to allow for higher ore selectivity in terms of grade. The roads are generally 12-15 meters wide and fully sheeted with safety berms along the crest and a drainage canal along the toe line to prevent any run-off water from seeping into the road ways.

The run-of-mine (ROM) ore will be sampled, analyzed and classified according to the ore classification designed by the grade control engineer. The classified ore is then dumped into its designated composite stockpile for future blending according to the specifications of the buyer. Prior to the shipment, ore preparation needs to be done on the stockpile to remove the rocks and lower the moisture content in such a way that it will be safe for transport by the vessels.

When the ore is ready for export, it will be loaded and hauled to the barges (**Figure 117**) for delivery and loading into Super Handimax bulk carrier vessels with a capacity of approximately 55,000 WMT (**Figure 118**).

Figure 114. Removal of vegetation thru clearing and grubbing



(Source: PGMC)

Figure 115. Bench forming and mining of ore



(Source: PGMC)

Figure 116. Ore stockpiling



(Source: BMP)

Figure 117. Loading of ore to Barges/LCTs during shipment



(Source: BMP)

Figure 118. Loading of ore to vessel during shipment



(Source: PGMC)

11.5.1.2. Mine Design/Mining Parameters/Geotechnical Parameters

The mine design parameters used in the economic assessment are:

- Annual mine production rate of 5.0 Million WMT;
- Waste to Ore Stripping ratio of 0.67 : 1;
- Ore extraction based on marketable ore;
- Working days per Year is 145 days for mining and 200 days for shipment;
- Working shifts per day is 2 shifts at 12 hours per shift;
- Maximum designed haul road gradient is 12%;
- Design road width is 12-15 meters;
- Pit Slope is 45 degrees;
- Bench Slope is 80 degrees;
- Design Bench width is 5 meters;
- Design Production Bench width is 20 meters;
- Berm height is 1-1.50 meters;
- Berm width is 1-2 meters;

Geotechnical parameters considered are:

- Cut slope in haul roads is maintained as 38 degrees;
- Main haul road sub grade to sub base thickness is 1 meter;
- Topsoil dump height is limited to 5-7 meters;
- Cliff dump height is limited to 10 meters with a slope of 45-50 degrees;

- Wastedumps and dikes are compacted with a minimum of 3-4 passes of 10-15 ton capacity drum compactors;

11.5.1.3. Mining Recovery, Dilution and Losses

Based on the mine reconciliation studies done by PGMC for CAGA2 and CAGA4, the following definitions apply:

- Ore Loss – that portion of ore that has been mined and misclassified as waste
- Dilution – That portion of ore that has been lost and replaced with waste material in such a way that the quality of the material in terms of grade of nickel will be lowered down;

Tabulated below in **Table 80** are the ore loss and dilution factors used by PGMC which the “Author” deems appropriate based on the current mining situation:

Table 80. Ore Loss and Dilution Factors for CAGA 1 to CAGA 5

Recovery Factors	CAGA 1	CAGA 2	CAGA 3	CAGA 4	CAGA 5
Ore Loss	10%	15%	10%	5%	10%
Dilution Ni	3%	3%	3%	3%	3%

11.5.1.4. Planned Capacity/Production Schedule/Estimated Life of mine

The planned capacity and production schedule is as follows:

- Year 2017 – 3.31 Million WMT ore;
- Year 2018 to 2023 – 5.0 Million WMT ore, and
- Year 2024 – 3.03 Million WMT ore.

The estimated mine life of the project is eight (8) years based on the production rate of 5.0 Million WMT per year.

11.5.1.5. Working Schedule

The work schedule is as follows:

- No. of working hours/shift – 12 hours;
- No. of shifts per day – 2 shifts;
- No. of mining days per year – 145 days;
- No. of shipment days per year – 200 days

11.5.1.6.

11.5.1.7. List of Mining Equipment and Auxiliary Machinery

For the 5.0Mwt per year mine production to be attained, the following list of equipment is required (**Table 81**). Most of the equipment are already at site and are owned-operated by the contractors.

Table 81. List of the equipment required for the project

Activity	Unit Type	Model	2017	2018	2019	2020	2021	2022	2023	2024
Loading (Pit)	Backhoe	KOM PC200LC-8	24	27	27	27	27	27	30	18
Loading (Receiving)	Backhoe	VOLVO EC290	2	2	2	2	2	2	2	1
Loading (Shipment, Limonite)	Backhoe	KOM PC200LC-8	3	3	3	3	3	3	3	3
Loading (Shipment, Saprolite)	Backhoe	KOM PC200LC-8	5	6	6	5	5	5	5	3
Dozing	Dozer	CAT D6R	6	7	7	6	6	6	8	5
Hauling (Pit)	Dump Truck	SINOTRUCK HOWO370	209	226	226	237	237	237	265	142
Hauling (Shipment)	Dump Truck	SINOTRUCK HOWO370	102	93	93	90	90	90	87	53
Compacting	Compactor	BOMAG-BW211D-40	5	5	5	5	5	5	5	3
Grading	Grader	CAT-12H	5	5	5	5	5	5	5	3
Dust Suppression	Water Truck 12,000L	Isuzu - Converted	23	23	23	24	24	24	26	14
Trans Shipment	Barge/LCT	2000T Cap	18	16	16	17	17	17	17	10
Fuel Truck	Fuel Truck 6,000L	Isuzu - Converted	2	2	2	2	2	2	2	2
Support Equipment (Maint.)	Tool Carrier	Isuzu - Converted	2	2	2	2	2	2	2	2
Service Vehicles	4x4 Pickup	Toyota	26	26	26	26	26	26	26	26
Personnel Carrier	Shuttle Bus	Hino-Assembled	10	10	10	10	10	10	10	10
Logistics/Warehousing	4x2 Pickup	Isuzu Elf	24	24	24	24	24	24	24	24
Power Generation	24KV Diesel Genset	Komatsu	4	4	4	4	4	4	4	4
Rock Breaking	Breaker Assembly	Furukawa F19-XP	1	1	1	1	1	1	1	1
Flood Lights	Flood lights (Mobile)	1,000V - Diesel Genset	4	4	4	4	4	4	4	4
Total			475	486	486	494	494	494	526	328

11.5.1.8. Mine Development Plans and Schedule

The plans relating to the exploration and mine development schedule of the project are shown in **Figures 119to 120**. All major facilities that are needed to implement the plan are already in place and others needs to be upgraded as follows:

- In-fill and extension drilling of CAGA4, CAGA1, CAGA5 deposits to upgrade further the confidence of the block model and possibly increase the mineral resource;
- Grass roots exploration of CAGA6 and CAGA7 to further increase the mineral resource;
- Causeway 2 expansion by 50 meters to the east and west to accommodate 14 LCTs at any one time as well as pier head concreting of the two (2) causeways;
- Construction of Block 41 to PY3 road to shorten the distance of mining CAGA4 Block 41;
- Construction of Block 42 to PY2 road to gain access at a much shorter distance CAGA4 Block 42;
- Construction of CAGA1 main access road to connect to PY5 to connect the existing stockyards to CAGA1 pit;
- Construction of CAGA3 to PY4 main access road to connect the existing stockyards to CAGA3 pit;
- Construction of CAGA5 to PY4 main access road to connect the existing stockyards to CAGA5 pit;

Please refer to **Table 82** for the details of the mine production of all the five (5) deposits.

Figure 119. Mine Development Plan of PGMC

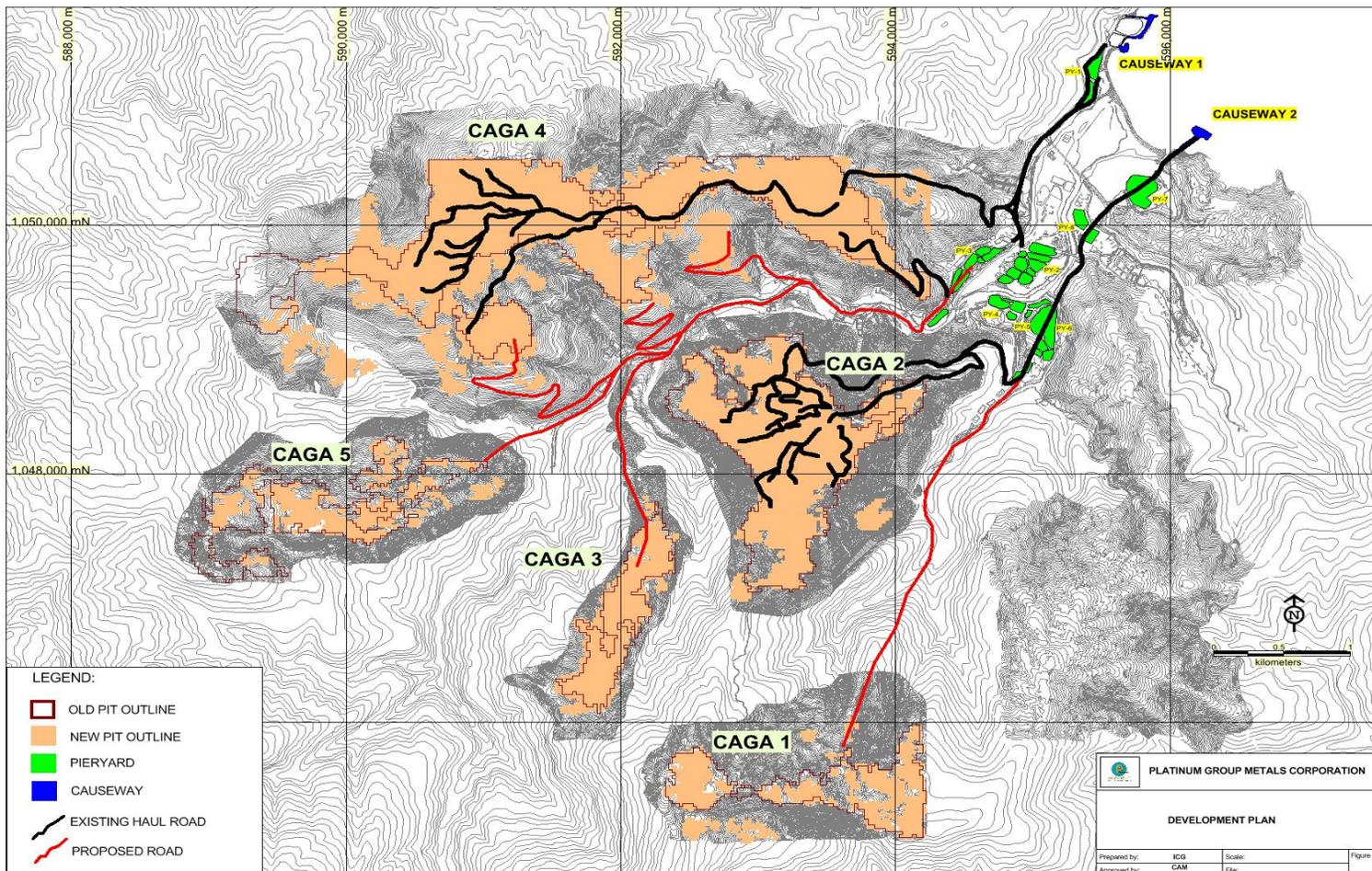


Figure 120. Additional exploration program for the Year 2017-2018

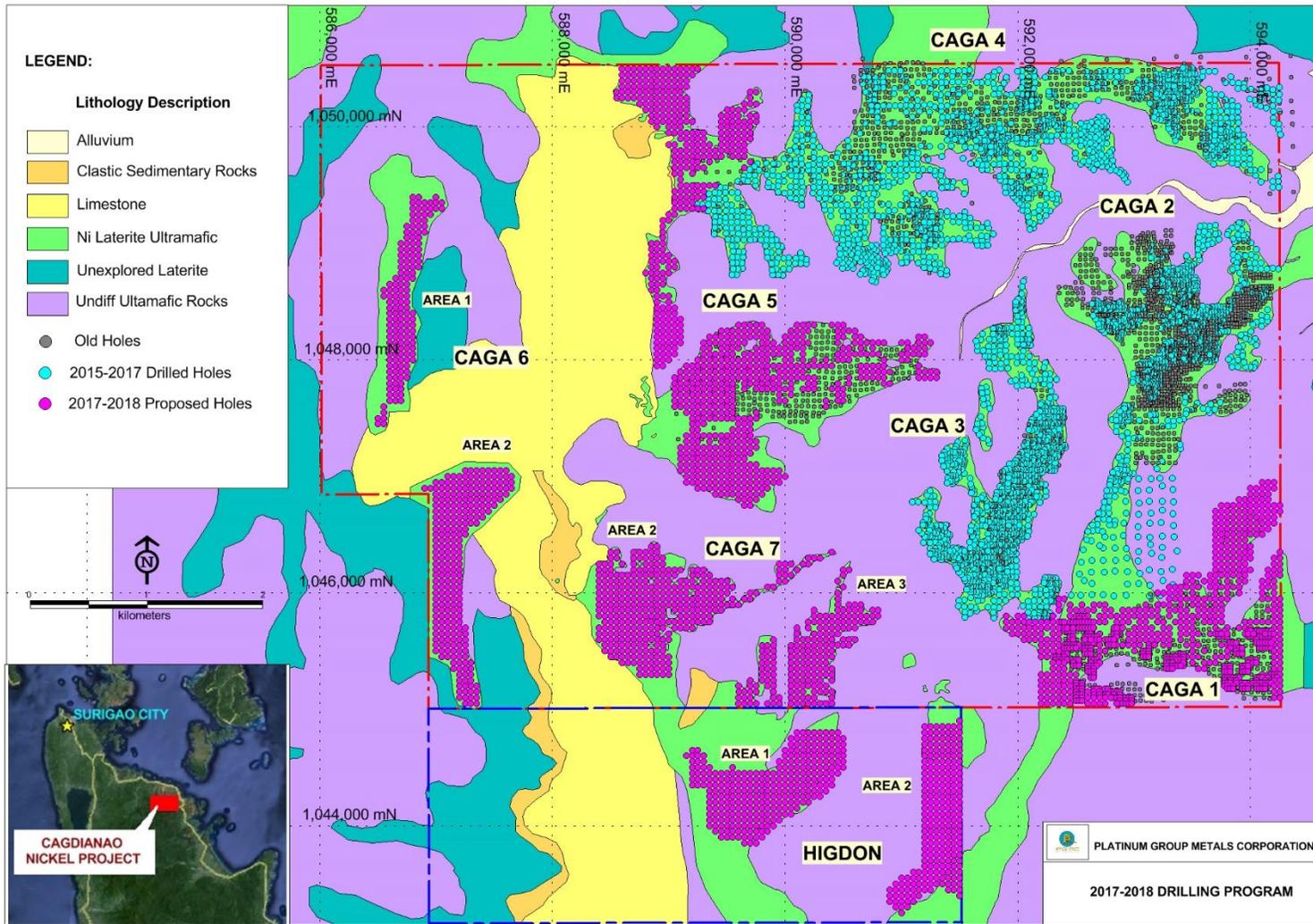


Table 82. Material mine production schedule per pit

Deposit	Material	WMT	Ni	Fe	2017	2018	2019	2020	2021	2022	2023	2024	Total	
CAGA 1	LGHF	2,942,325	0.86	48.81			450,468	450,468	450,468	450,468	450,468	689,983	2,942,325	
	LGMF	78,342	1.21	44.09			11,994	11,994	11,994	11,994	11,994	18,371	78,342	
	LGLF	37,110	1.29	19.20			5,681	5,681	5,681	5,681	5,681	8,702	37,110	
	MGMF	0		0.00			0						0	
	MGLF	156,621	1.47	17.00			23,979	23,979	23,979	23,979	23,979	36,728	156,621	
	HG	51,453	1.84	15.38			7,877	7,877	7,877	7,877	7,877	12,066	51,453	
	ORE	3,265,851	0.92	46.31	0	0	500,000	500,000	500,000	500,000	500,000	500,000	765,851	3,265,851
	Waste	1,084,075					165,971	165,971	165,971	165,971	165,971	165,971	254,219	1,084,075
CAGA 2	LGHF	2,811,178	0.93	49.17	299,040	364,240	364,240	364,240	364,240	364,240	364,240	326,699	2,811,178	
	LGMF	432,274	1.23	46.42	45,980	56,009	56,009	56,009	56,009	56,009	56,009	50,236	432,271	
	LGLF	1,809,035	1.27	12.56	192,440	234,394	234,394	234,394	234,394	234,394	234,394	210,236	1,809,038	
	MGMF	51,131	1.43	41.79	5,440	6,625	6,625	6,625	6,625	6,625	6,625	5,942	51,132	
	MGLF	2,024,665	1.47	11.67	215,380	262,333	262,333	262,333	262,333	262,333	262,333	235,295	2,024,670	
	HG	589,649	1.80	11.91	62,720	76,400	76,400	76,400	76,400	76,400	76,400	68,526	589,645	
	ORE	7,717,934	1.24	27.70	821,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	896,934	7,717,934
	Waste	2,086,243			221,925	270,311	270,311	270,311	270,311	270,311	270,311	270,311	242,451	2,086,243
CAGA 3	LGHF	3,132,665	0.9	48.5		33,4764	334,764	502,146	502,146	502,146	733,208	223,490	3,132,665	
	LGMF	566,961	1.2	45.8		60,586	60,587	90,880	90,880	90,880	132,698	40,448	566,961	
	LGLF	2,048,790	1.3	14.1		218,938	218,939	328,408	328,408	328,408	479,524	146,164	2,048,790	
	MGMF	55,811	1.4	43.1		5,964	5,964	8,946	8,946	8,946	13,063	3,982	55,811	
	MGLF	2,757,216	1.5	14.4		294,642	294,643	441,964	441,964	441,964	645,333	196,704	2,757,216	
	HG	796,380	1.8	15.5		85,103	85,103	127,655	127,655	127,655	186,395	56,815	796,380	
	ORE	9,357,823	1.25	27.91	0	1,000,000	1,000,000	1,500,000	1,500,000	1,500,000	2,190,220	667,603	9,357,823	
	Waste	3,727,357			0	398,315	398,315	597,472	597,472	597,472	872,397	265,916	3,727,357	
CAGA 4	LGHF	6,140,839	0.9	49.4	999,410	1,204,103	1,003,419	802,736	802,736	802,736	525,703	0	6,140,843	
	LGMF	1,751,012	1.2	46.7	284,970	343,341	286,117	228,894	228,894	228,894	149,900	0	1,751,009	
	LGLF	1,742,251	1.3	13.0	283,550	341,623	284,686	227,749	227,749	227,749	149,150	0	1,742,254	
	MGMF	521,491	1.4	42.9	84,870	102,255	85,212	68,170	68,170	68,170	44,644	0	521,489	
	MGLF	2,730,526	1.5	11.6	444,390	535,405	446,171	356,937	356,937	356,937	233,754	0	2,730,530	
	HG	2,413,662	1.9	12.8	392,820	473,274	394,395	315,516	315,516	315,516	206,628	0	2,413,665	
	ORE	15,299,780	1.27	32.19	2,490,010	3,000,000	2,500,000	2,000,000	2,000,000	2,000,000	1,309,780	0	15,299,790	
	Waste	16,865,405			2,744,813	3,306,990	2,755,825	2,204,660	2,204,660	2,204,660	1,443,809	0	16,865,416	
CAGA 5	LGHF	616,233	0.9	49.2								616,233	616,233	
	LGMF	15,757	1.3	47.8								15,757	15,757	
	LGLF	2,152	1.2	19.0								2,152	2,152	
	MGMF	55,308	1.4	46.1								55,308	55,308	
	MGLF	11,834	1.4	21.1								11,834	11,834	
	HG	0	0.0	0.0								0	0	
	ORE	701,283	0.95	48.33	0	0	0	0	0	0	0	0	701,283	701,283
	Waste	621,370			0	0	0	0	0	0	0	0	621,370	621,370

PGMC Economic Assessment and Ore Reserve Estimation (PMRC-CP EM Technical Report)

Total	LGHF	15,643,240	0.92	49.1	1,298,450	1,903,107	2,152,892	2,119,590	2,119,590	2,119,590	2,073,619	1,856,405	15,643,243
	LGMF	2,844,346	1.23	46.4	330,950	459,936	414,707	387,777	387,777	387,777	350,602	124,813	2,844,340
	LGLF	5,639,337	1.26	13.3	475,990	794,955	743,699	796,232	796,232	796,232	868,749	367,254	5,639,343
	MGMF	683,741	1.44	43.1	90,310	114,844	97,801	83,741	83,741	83,741	64,331	65,232	683,741
	MGLF	7,680,862	1.48	12.7	659,770	1,092,380	1,027,125	1,085,212	1,085,212	1,085,212	1,165,398	480,561	7,680,871
	HG	3,851,145	1.83	13.2	455,540	634,777	563,775	527,448	527,448	527,448	477,300	137,407	3,851,143
	ORE	36,342,670	1.22	31.72	3,311,010	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	3,031,670	36,342,680
	Waste	24,384,451			2,966,738	3,975,615	3,590,422	3,238,414	3,238,414	3,238,414	2,752,488	1,383,956	24,384,462
	Total	60,727,122			6,277,748	8,975,615	8,590,422	8,238,414	8,238,414	8,238,414	7,752,488	4,415,626	60,727,143
	W:O	0.67			0.90	0.80	0.72	0.65	0.65	0.65	0.55	0.46	

The sequence of pit development and the mine production schedule based on **Table 73** are summarized as follows:

- CAGA1 – The road development will commence on Year 2018. Clearing and grubbing will initially be done on a 10-hectare block followed by the start of mining from Year 2019 up to the end of mine life;
- CAGA2 – This pit will continue to contribute significantly to the mine production at around 1.0 Million WMT of the total production from Year 2017 until it will be mined-out on Year 2023;
- CAGA3 – The road development will commence from the fourth quarter of the Year 2017 to the first quarter of the Year 2018 with block development and production to follow on the 2nd Quarter of Year 2018. This pit will contribute at least 1.0 Million WMT of ore annually;
- CAGA4 – This pit will continue to contribute significantly to the mine production at an average of 2.0 Million WMT of the total annual production from Year 2017 to Year 2023;
- CAGA5- This pit will be the last to be developed with road development works to commence in Year 2023 and mining to start in Year 2024.

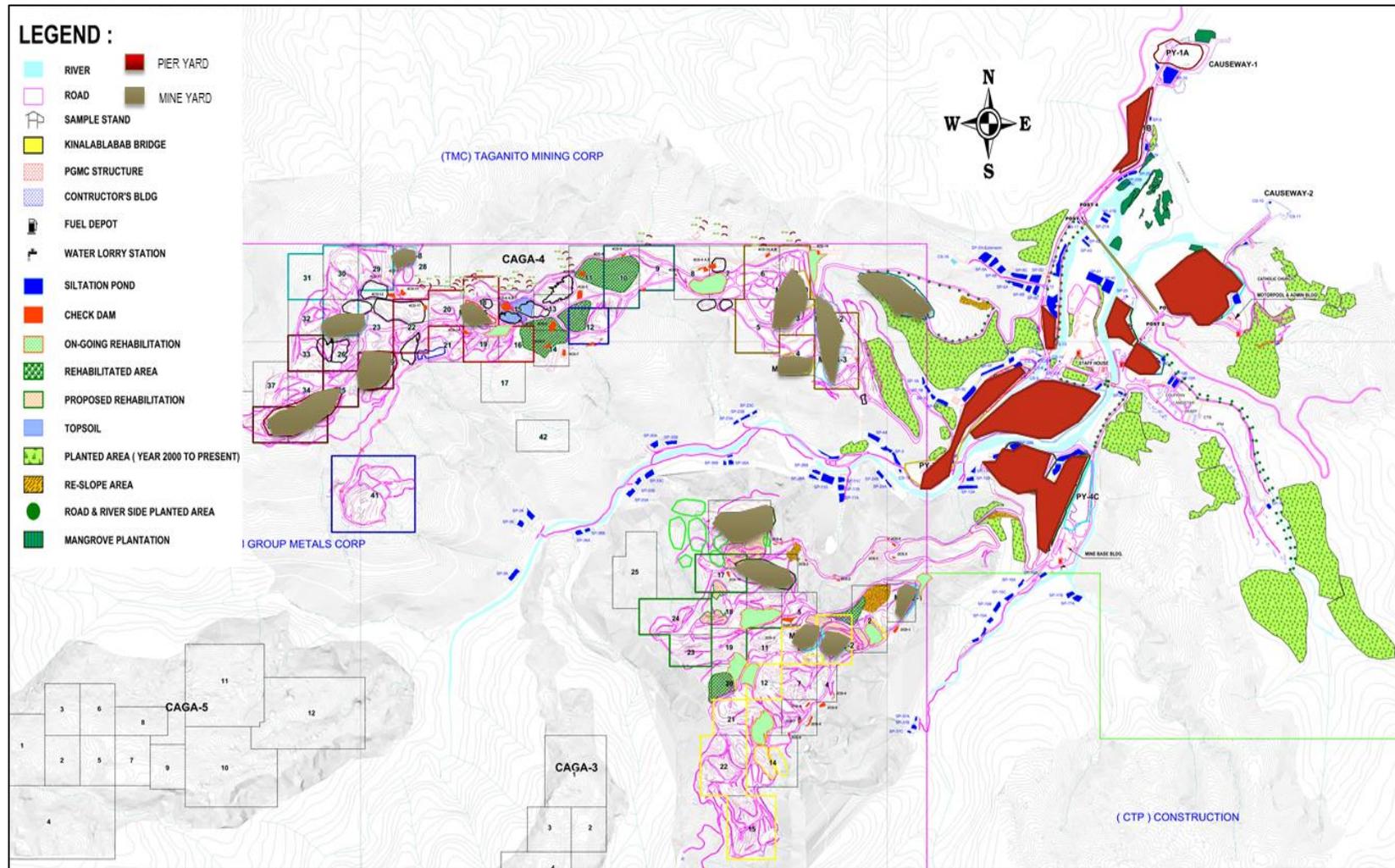
11.5.7.2. Existing Major Mine Facilities

The existing major facilities (**Figure 121**) of PGMC are as follows:

- Administrative Office – This is a 1,615 sqm facility where the office of the VPO, administration and finance department, security and the motorpool departments (**Figure 122**) are stationed;
- Mine Base Office – This is a 35 sqm building where the mine engineering and the grade control departments are based (**Figure 123**);

- Assay Laboratory – This facility covers an area of 750 sqm (**Figure 124**);
- HSE Building – This is a 230 sqm building where the environmental, health and safety department hold their office (**Figure 125**);
- Causeways – The mine operations has three (3) causeways namely Causeway 1, 1A and 2 with a total capacity to accommodate 22 LCTs at any given time (**Figures 126 to 127**);
- Mine Camp Facilities – An approximately 1.0 hectare compound which consists of mess halls, kioks, VIP rooms and staff houses (**Figure 128**);
- Mine Yards – These are stockyards which serves as a dumping area of pre-pile stockpiles of run-of-mine ore with a total area of 37 hectares located within CAGA2 and CAGA4 pits and has the capacity to accommodate approximately 350,000 WMT of ore (**Figure 129**);
- Pier Yards – These are stockyards which serves as a dumping area of composite stockpiles of ore which were directly sourced from the pit of transferred from the mine yards. The total area of the pier yards is 63 hectares which has the capacity to accommodate approximately 1,000,000 WMT of ore (**Figure 130**);
- Port Operations Office – This is a 145 sqm building for the working staff that handles all shipment related activities (**Figure 131**);
- Nursery – This is a 1.3 hectares seedling, environmental warehouse, carbonization and vermi-composting area (**Figure 132**);
- Contractors area – A designated area for the mining contractors of the company that covers 12 hectares located beside the Tandawa creek (**Figure 133**);
- Main Haul Roads – a 15-meter wide main access roads covering approximately 20 hectares have been constructed (**Figure 134**);
- Active mining areas – Currently approximately 135 hectares of CAGA4 and 122 hectares of CAGA2 are actively being mined (**Figures 135 and 136**);
- Aggregate Crushing Plant – This aggregate plant has the capacity to produce between 80 to 100 WMT per day. The average annual aggregate production from year 2012 to 2016 was approximately 120,000 cum. (**Figure 137**).

Figure 121. General Mine Layout of PGMC



(Source: PGMC)

Figure 122. Existing Administration Office



Figure 123. Mine Base Office



Figure 124. Assay Laboratory



Figure 125. HSE Building



Figure 126. Causeway 1 and 1A



Figure 127. Causeway 2



Figure 128. Mine Camp Facilities



Figure 129. Mine Yards



Figure 130. Existing Pier Yards (PY 7)



Figure 131. Port Operations Office



Figure 132. Nursery Facility at Platinum Heights



Figure 133. Contractors Area



Figure 134. Existing Mine Roads



Figure 135. Block 6 at CAGA2 pit



Figure 136. Area 1 of CAGA4 pit



Figure 137. Aggregate Crushing Plant



11.5.3. Mine Support Services

11.5.3.1. Power Source / Power Generation Plant

The mine site is situated in Barangays Cagdianao and Hayanggabon whose power requirements are supplied by the local electric company/cooperative SURNECO.

The mine power requirement will be used for mine lighting, offices and shops, mine camp and other logistical requirement. The local electric cooperative SURNECO is currently supplying most of the power needed for the operation of the mine. Based on actual records, the average power consumption and cost per month of PGMC is approximately 74,000 kwh at a cost of PhP 435,000.

In case of power outages, diesel-powered generator sets will be on standby to provide emergency power at the site. The company has existing diesel generator sets distributed throughout the mine:

- Assay Laboratory – 2 units 200 KVA where one (1) unit is put on standby for use during peak hours;
- Mine Camp and Office Facilities – 1 unit 200 KVA diesel generator set;
- Administration Office and Motorpool Shop – 1 unit 500 KVA diesel generator sets;
- Crusher Facility – 1 unit 350KVA diesel generator set and 1 unit 45 KVA backup generator;

11.5.3.2. Mechanical Shop

The company has an existing 500 square meters (sqm) -mechanical shop located adjacent to Pier Yard 7 Stockyard.

11.5.3.3. Assay Laboratory

The company has an existing 750 sqm-assay laboratory and sample preparation facilities capable of analyzing 800 samples a day using an Xray- Fluorescence (XRF) equipment, as well as a EDTA (wet) titration method.

11.5.3.4. Industrial Water Supply

The company has a water source that can be used as an industrial water supply to be used for road dust control, equipment washing and supply of water to the LCTs/Barges and Vessels. Monthly industrial water consumption for the offices averaged 250 cum. Dust control using water trucks also consumes an average of 1.28 million liters per day.

11.5.3.5. Availability of Alternative Sources of Mine Support Services

Whenever the company requires and does not have the resources to do the required activities, it can source other mine support services from its existing mine contractors on a rental basis and the river desilting from local contractors within the Municipality of Claver.

11.5.4. Environmental Protection and Management Plan

The environmental management of PGMC is governed by the environmental provisions of DAO 2010-21 which was previously DAO 96-40. Since the start of its operation, the company have spent **PhP738 Million** which is more than its committed **PhP660 Million** under its approved Environmental Protection and Enhancement Program (EPEP). **Table 83** shows the details of the annual EPEP expenditures.

Table 83. EPEP actual expenditures vs budget

Year	Planned (Budget)	Actual Cost
2007	1,648,050	3,542,868
2008	5,628,000	5,571,720
2009	9,742,319	11,531,615
2010	12,008,405	17,287,217
2011	24,400,000	17,287,217
2012	48,160,032	228,606,235
2013	121,006,902	104,531,464
2014	70,801,733	88,503,407
2015	130,064,600	110,404,456
2016	111,497,960	101,884,000
Jun-17	125,480,760	49,020,898
Total	660,438,761	738,171,097

The company has engaged the consultancy services of BMP Environment and Community Care Inc. to prepare the amended Environmental Protection and Enhancement Program (EPEP) which covers the CAGA1, CAGA2, CAGA3, CAGA4 and CAGA5 operations based on the latest exploration results. The succeeding paragraphs are excerpts from the EPEP document.

11.5.4.1. Environmental Impacts

The identified environmental impacts of the project are as follows:

A. Caga 1, Caga 2, Caga 3, Caga 4, and Caga 5 mining areas:

Identified Activity:

- Clearing and grubbing
- Topsoil recovery
- Overburden stripping (China ore)
- Mining of medium and high-grade ore

Affected Areas:

- Lands, slopes, and gullies surrounding and downslope of the mining areas
- Unnamed creek in between the Caga 4 mine main road, Cantoguis Creek, western and eastern segments of the Hinadladan River

- Hinadkaban Bay

Potential Impacts:

Land Resources

1. Loss of vegetation and wildlife habitats in the mining areas
2. Physical instability of pit slopes and peripheries against erosion and mass wasting
3. Sedimentation of mine drainage channels
4. Change in landform, *i.e.*, slopes and slope lengths, of the mining areas
5. Non-usability and degraded condition of the mining areas after mining.

Water Resources

1. Sedimentation and turbidity of the Cantoguis Creek, unnamed creek, western and eastern segments of Hinadladan River, and Hinadkaban Bay
2. Burial of sessile aquatic flora and fauna and reduction of suitable habitats
3. For fish in the coastal waters, the deleterious effects are interference by the sediment with the gill function and impairment of fish vision, degradation of the quality of substrata for egg laying, effects on fish growth and survival, and migration of fish farther seaward
4. Demise of algae and the symbiotic polyps which exude the calcareous skeleton that forms the coral reefs near the coast.

B. Stockyards PY1, PY2, PY3, PY4, PY5, PY6, PY7 and PY8:

Identified Activity:

- Rehabilitation of PY2, PY2-Ext, PY3, and PY4
- Operation and maintenance of all eight stockyards

Affected Areas:

- PY1, PY2, PY3, PY4, PY5, PY6, PY7 and PY8 at the Hinadladan River floodplain and Hinadkaban Bay coastline
- Western and eastern segments of the Hinadladan River
- Hinadkaban Bay
- Purok Baybay and Sitio Palawan residents
- PGMC's and contractor's accommodation areas

Potential Impacts:

Land Resources

1. Physical instability of stockpiles against erosion
2. Non-usability of the mine yards and pier yards after mining.

Water Resources

1. Sedimentation and turbidity of the western and eastern segments of Hinadladan River along the floodplain.

Noise and Air Quality

1. Excessive noise and dust emissions of Project equipment at Purok 4 Baybay, Sitio Palawan, PGMC's and contractors' accommodations areas, and National Highway

C. Access Roads:

Identified Activity:

- Construction of mine main haul roads that connect Caga 1, Caga 3, and Caga 5 to the stockyards and causeways
- Construction of mine satellite roads within Caga 1, Caga 3, and Caga 5
- Operation and maintenance of the main access roads, mine main roads, and mine satellite roads

Affected Areas:

- Alignments of the mine main haul roads
- Lands, slopes, and gullies downslope of the roads
- Unnamed creek in between the Caga 4 mine main road, Cantoguis Creek, western and eastern segments of the Hinadladan River
- Hinadkaban Bay

Potential Impacts:

Land Resources

1. Loss of vegetation and wildlife habitats along the road alignment and eroded sediment path
2. Generation of spoils from the road construction
3. Change in landform, *i.e.*, slopes and slope lengths, of the access roads
4. Physical instability of road fill against erosion and mass wasting and sedimentation along gullies and drainage channels.

Water Resources

1. Sedimentation and turbidity of the western and eastern segments of Hinadladan River
2. Stream flow alteration of the eastern segment of Hinadladan River by the concrete culvert water crossing.

Noise and Air Quality

1. Excessive noise and dust emissions of Project equipment using the roads

D. Buildings and Structures:

Identified Activity:

- Construction of Platinum Heights, Shipment Maintenance Office, and Bridge Culvert Crossing,
- Use and maintenance of buildings and structures

Affected Areas:

- Building and structure sites at the Hinadladan River floodplain
- Western and eastern segments of Hinadladan River at the floodplain
- Tandawa Creek
- Hinadkaban Bay

Potential Impacts:

Land Resources

1. Limited loss of vegetation and wildlife habitats in the building and structure sites
2. Physical instability of stockpiles against erosion
3. Change in landform, *i.e.*, slopes and slope lengths, of the mine yards and pier yards
4. Non-usability of the mine yards and pier yards after mining.

Water Resources

1. Domestic and industrial wastes of the Project leading to elevated coliforms, BOD5, and oil and grease.

E. Causeway 1, 1A and 2:

Identified Activity:

- Rehabilitation of Causeways 1 and 1A and expansion of Causeway 2
- Operation and maintenance of the three causeways

Affected Areas:

- Hinadkaban Bay

Potential Impacts:

Water Resources

1. Sedimentation and turbidity especially during rehabilitation or expansion
2. Damage to critical resources such as mangroves, corals, and seagrasses
3. Domestic and industrial waste from ships including bilge water

11.5.4.2. Environmental Mitigating Measures

The identified mitigating measures based on the environmental impacts of the projects are:

A. Caga 1, Caga 2, Caga 3, Caga 4, and Caga 5 mining areas:

Mitigating Measures:

Land and Water Resources

1. Minimize ground clearings
2. Schedule the mining area development during the early part of the less wet season, *i.e.*, May to June
3. Recover the topsoil of the mining areas and deposit it on the buffer zone along the road sides and pit peripheries
4. Install and maintain a stormwater and runoff system consisting of rock lined drainage channels, check dams, cross culverts, off-take ditches, and drop structures or energy dissipators
5. Flatten soil-covered slopes and reduce slope lengths by brush layers, palisades, live check dams, fascines, or terrace channeling
6. Cover disturbed slopes and areas with Aksam vines, Vetiver grass, cut foliage, geotextile, and rocks
7. Progressively rehabilitate as soon as the ultimate pit limit of a mining area is reached. Plant Agoho del Monte (*Gymnostoma rhumpianium*) and Batino (*Alstonia macrophylla*) at the concave slopes, swales along the slopes, and surface depressions and Aksam and Vetiver at the convex slopes, crests and interfluvial areas
8. Upgrade the sediment traps along the drainageways and other points of discharge from disturbed areas at Caga 4 and Caga 2 including the lining of spillway weir inlets and outlets with well graded stone and provision of drop structures
9. Upgrade the settling ponds at the flat areas downslope of Caga 4 and Caga 2 and immediately upslope of Hinadladan River. The pond length is 3 to 5 times the width; pond water surface is about 10% of the watershed area; inlet and outlet are widely spaced and protected against scouring by riprap; underwater dams or deeper sediment trapping forebays are placed near the pond inlet to decrease the required dredging areas; at least 1 m of permanent standing water to protect the impounded sediment from scouring, additional depth for sediment storage between cleanout, live storage for water, and adequate emergency spillway above the live storage area are provided.
10. Build additional settling ponds for the new mining areas and sediment traps along the drainage channels for the new mine haul roads.
11. Inspect the erosion and sediment controls and stormwater management facilities once a week and immediately after a major storm. Implement site stabilization and repair works

12. Unload the sediment traps and settling ponds of sediment as soon as they become half-full
13. To minimize sediment brought by Project vehicles to the National Highway, install a rock stabilized pad of coarse aggregates 300 mm thick and 15 m long immediately before the Highway. Residual sediment on the Highway should be removed by shoveling or sweeping. Street washing follows sediment removal.
14. Stabilize the riverbank through a mix of vegetative and structural measures
15. Do enrichment planting of the mangroves along Hinadlan River and Tandawa Creek.

B. Stockyards PY1, PY2, PY3, PY4, PY5, PY6, PY7 and PY8:

Mitigating Measures:

Land and Water Resources

1. Minimize ground clearings
2. Plant along the perimeter of the stockyard areas Agoho (*Casuarina equisetifolia*) and Sayapo (*Trichospermum eriopodum*)
3. Maintain the ore stockpiles at the designated height of 2 m with a buffer of 10 to 20 m from the stockyard edge. Provide tarpaulin cover once the desired moisture content is achieved.
4. Maintain a grade for drainage of the stockyard surface to prevent ponding or flooding during heavy rains
5. At the end of mine life, rehabilitate the stockyards to the land use agreed upon with the community.

6. Noise and Air Quality
7. In collaboration with the Municipal Government of Claver, relocate settlements at Purok Baybay, under the bridge, and along Tandawa Creek away from the Project facilities
8. Establish vegetated buffer zones around the Project offices, workshops, accommodations, roads, stockyards, and mining areas. For the critical areas, engineered noise barriers should be installed
9. Regulation of vehicle speeds or suspension of heavy noise-emitting works at night
10. Ballasting of the main access roads with 300-mm thick crushed rocks. This will be supported by regular road maintenance works to be discussed subsequently.
11. Regular water spraying of the road during dry days.

C. Access Roads:

Mitigating Measures:

Land and Water Resources

1. Schedule the road construction during the less wet months
2. Reduce ground clearings to the minimum needed for construction
3. Recover and immediately use the topsoil for the buffer zone plantations
4. Do not tip spoils from the road construction down the slope

5. Grade and crown the road surface to shed water and minimize water ponding. Install drainage ditches along the road and culverts on water crossings
6. Place 150-mm thick well-graded gravel with particle size evenly distributed between clay size and 25-mm stones on the mine main roads. As discussed previously, the ballast on the main access roads is 300 mm thick. Maintain drainage by regular inspection, clean out of blocked ditches and culverts, grading to remove ruts, and crowning of the road and pads to shed water.
7. During grading operations, bring back loose materials to the center of the roadway to prevent the creation of berms that channel the runoff down the road and erode the fill slopes
8. Implement remedial works for the long and steep slopes of highly erodible materials deposited along some sections of the Caga 4 and Caga 2 mine main roads
9. Evaluate the best use of the access road at the end of Project life.

Noise and Air Quality

1. Establish vegetated buffer zones along the roadsides. For the critical areas, engineered noise barriers should be installed
2. Regulation of vehicle speeds
3. Ballasting of the main access roads with 300-mm thick crushed rocks. This will be supported by regular road maintenance works to be discussed subsequently.
4. Regular water spraying of the road during dry days.

D. Buildings and Structures:

Mitigating Measures:

Land Resources

1. Establish buffer zone plantations on the perimeters of new buildings
2. Consult with the community and the MPSA holder TMC on the most desired use of the buildings and structures and building site at the end of mine life.

Water Resources

1. For the domestic and industrial wastes, regular training of all workers on proper waste management, provision of suitable waste containment and treatment facilities at key areas, regular collection of wastes from the facilities, and strict enforcement of PGMC's Environment Policy
2. Collection and disposal of non-recyclable and non-biodegradable domestic waste into Brgy. Cagdianao's waste storage site
3. Collection and storage of recyclables and hazardous wastes for collection by recyclers and accredited waste transporters and treaters
4. Composting of biodegradable waste for use in revegetation.

E. Causeway 1, 1A and 2:

Mitigating Measures:

Water Resources

1. Use only clean boulders for building the causeway. To contain residual sediment, install a floating silt barrier or silt curtain around the causeway construction site
2. Contracting only of ships flagged under countries which are signatories to MARPOL.
3. Purchase of a motorized banca and assignment of crew to monitor the ships and barges during ore shipout.

11.5.4.3. Environmental Infrastructures

The environmental structures that will be put in place during the operational and decommissioning phase of the project are:

- Sedimentation Ponds – PGMC has constructed more than 30 units of sedimentation ponds some of which are located within the pit, lowest elevation of gullies and beside rivers and creeks to prevent siltation of water bodies (**Figure 138**);
- Settling Ponds – more than 80 settling ponds are in place. Large settling ponds are installed along Cantugis, beside Kinalablaba river and Tandawa creeks (**Figure 139**);
- Silt fences – these structures are used to contain small amount of silts in slopes (**Figure 140**);
- Gabions – These structures are constructed along river banks to prevent slope degradation and erosion. Most are fitted with geotextiles to contain the silt (**Figure 141**);
- Rock (check) dams and sediment basins/traps – installed along drainage ways and road sides to minimize silt and lower velocity of run-off water (**Figure 142**);
- Coconets, Coco Coirs and Coco logs– are used in slope stabilization as well as to silt containment along slopes (**Figure 143**);
- Bioengineering structures – these are composed of fascines, log dams and log fences taken from the cut trees and shrubs within the mining areas used to support revegetation particularly along cut and natural slopes (**Figure 144**);
- Solid waste management structures – garbage bins used to separate different types of waste (**Figure 145**);
- Nursery operations center – this infrastructure is currently operational and supplies seedlings for the re vegetation program of PGMC (**Figure 146**).

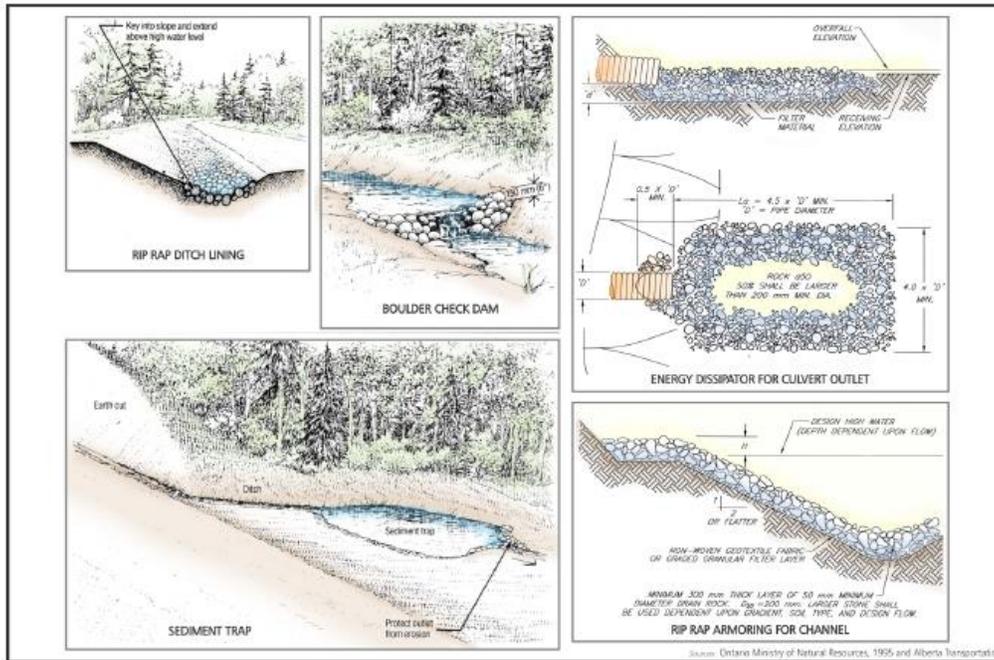
Figure 138. Sedimentation ponds



Figure 139. Main Settling ponds at Kantugis



Figure 140. Environmental control measures for small creeks and waterways



(Source: BMP)

Figure 141. Gabion structures as river bank protection



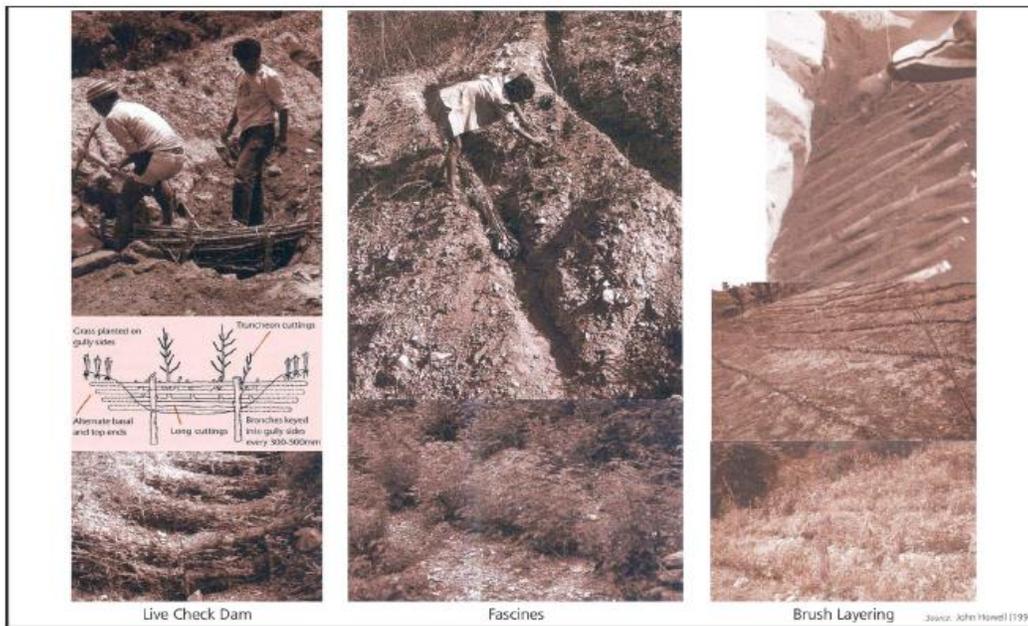
Figure 142. Silt traps and fences with geotextile



Figure 143. Coco Nets for slope stabilization



Figure 144. Bio engineering techniques for erosion control



(Source: BMP)

Figure 145. Solid waste management program of PGMC



(Source: PGMC data)

Figure 146. Nursery operations center of PGMC



11.5.4.4. Cost of Environmental Protection (EPEP)

The total estimated cost for the implementation of the EPEP is **PhP 1.0 Billion** as reflected in **Table 84** or an average annual cost of **PhP 126 Million**. Based on DENR Administrative Order 2010-21, the EPEP should range between 3-5% of the Direct Mining and Milling Cost.

PGMC Economic Assessment and Ore Reserve Estimation (PMRC-CP EM Technical Report)

Table 84. Estimated annual cost of EPEP

EPEP Cost Item	Unit	Unit Cost	Total	2017	2018	2019	2020	2021	2022	2023	2024
Reforestation											
- Buffer zone plantation	Has.	100,000	8,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
- Mangrove enrichment	Has.	60,000	960,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
- Plantation maintenance, Has.	Has.		256	32	32	32	32	32	32	32	32
		30,000	7,680,000	960,000	960,000	960,000	960,000	960,000	960,000	960,000	960,000
Cost											
- Nursery operation		1,500,000	12,000,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Stormwater and Sediment control											
- Maintenance of structures	cum.	130	8,174,400	1,021,800	1,021,800	1,021,800	1,021,800	1,021,800	1,021,800	1,021,800	1,021,800
- unloading of sediment											
- Sediment traps	cum.	360	86,400,000	10,800,000	10,800,000	10,800,000	10,800,000	10,800,000	10,800,000	10,800,000	10,800,000
- Settling ponds	cum.	360	326,772,000	40,846,500	40,846,500	40,846,500	40,846,500	40,846,500	40,846,500	40,846,500	40,846,500
- Ground cover measures	Has.	250,000	10,000,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Road Gravelling	Km/yr	1,500,000	120,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Road water sprays (@ 200 days)	trips/day	2,000	56,000,000	5,250,000	7,250,000	7,250,000	7,250,000	7,250,000	7,250,000	7,250,000	7,250,000
Waste management	p.a.	500,000	4,000,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Marine fish sanctuary	p.a.	200,000	1,600,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Environmental Training Program	p.a.	200,000	1,600,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Environmental Monitoring											
- Water quality	quarterly	50,000	1,600,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
- Air quality	yearly	50,000	400,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
- Shiploading	yearly	500,000	4,000,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
- Terrestrial flora and wildlife	yearly	50,000	400,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
- Freshwater and marine biology	Once every 2 years	400,000	2,000,000		400,000		400,000		400,000		400,000
- MMT Fund	quarterly	50,000	1,600,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Rehabilitation of Mine-out areas											
Mining Area	Has.	617	520.00	20.00	40.00	55.00	55.00	80.00	70.00	90.00	110.00
Volume Backfilled	cum		4,100,000	200,000	400,000	550,000	550,000	800,000	700,000	900,000	1,100,000
Backfill Cost	PhP	58	239,166,667	11,666,667	23,333,333	32,083,333	32,083,333	46,666,667	40,833,333	52,500,000	64,166,667
Revegetation Cost	PhP	100,000	52,000,000	2,000,000	4,000,000	5,500,000	5,500,000	8,000,000	7,000,000	9,000,000	11,000,000
Total Cost (Backfill + Revegetation)			280,166,667	13,666,667	27,333,333	37,583,333	37,583,333	54,666,667	47,833,333	61,500,000	75,166,667
TOTAL EPEP COST	PhP		1,008,521,000	93,315,000	109,382,000	119,232,000	119,632,000	136,315,000	129,882,000	143,548,000	157,215,000

11.5.4.5. Mine Closure Plan

The company have completed the schedule of deposits of its FMRDP Fund amounting to **PHP 74 Million** as of the Year 2016 covering the CAGA 2 and CAGA4 areas. An amended FMRDP was sighted by the Author which is due to be submitted by the company to the MGB Central Office. A brief discussion of the mine closure plan (FMRDP) is presented below.

PGMC is preparing for three (3) possible scenarios for closure, these are:

- Planned closure occurs when the Project attained its programmed life due to expiration of permits or attainment of useful life. In this scenario, the FMRDP that has been developed and updated over the life of the Project will be implemented. This FMRDP proposes a project life of ten (10) years or similar to the maximum allowable term of the blocked reserve as validated by MGB.
- Temporary Closure (Care and Maintenance) occurs when project operations temporarily ceases due to predictable economic or operational constraints. Temporary closure is normally planned. The company will immediate prepare and implement a Care and Maintenance Program (CMP) with considerations the possible reopening of the project in the future. If temporary closure is imminent, PGMC will notify all stakeholders three (3) months prior to temporary closure.
- The Sudden or Unplanned Closure occurs when the project suddenly ceases due to financial constraints (or similar economic imperatives) or if the operation is instructed to close due to nonconformance/s with regulatory requirements.

The following are the goals and objectives of the rehabilitation under the FMRDP:

- Rehabilitate/re-vegetate all the disturbed areas within the MPSA areas affected by mining operations by reshaping/re-contouring affected areas prior to re-vegetation;
- Minimize the long-term visual impacts caused by mining through application of innovative measures creating landforms and vegetation compatible with the surrounding landscape;
- Manage and control off-site contamination, including water pollution, siltation and erosion by defining drainage systems, fortifying environmental control structures and enhancing slope stabilization;
- Remove all unnecessary mine facilities and equipment used in operations and rehabilitate the areas prior to abandonment; and
- Conduct post rehabilitation monitoring and implement improvement and enhancement programs.

The company is aiming for a post land use similar or close to the pre-mining state. Hence, re-vegetation thru progressive rehabilitation of the affected areas is proposed and the focus of this FMRDP. Minimum standard includes a stable and revegetated mine area. The provisions by law for the periodic review of the FMRDP every two (2) years will provide the necessary tool to ensure the success of progressive rehabilitation.

Most of the equipment used for the Project are mobile and provided by a contractor/s. Decommissioning of the equipment will be the responsibility of the contractor/s subject to PGMC's safety rules and policies.

The proposed final land uses for each project component will determine the rehabilitation of the Project. The area disturbed area will be cleared and revegetated. Involvement of the host community will be the prime strategy to ensure the success of rehabilitation.

The preparation of the area will be done using heavy equipment such as dump trucks, loaders, bulldozers, etc. The final land configuration will incorporate road network to make as many areas accessible as possible with provisions for drainage system.

The parameters considered in the rehabilitation plan to control erosion and sedimentation prior to revegetation are the following:

- i. Stabilization of the mine pit slope areas.
- ii. Spreading of top soil on the affected areas.
- iii. Introduction of self-sustaining vegetation.
- iv. Construction/maintenance of drainage system.
- v. Maintenance of nursery to meet the rehabilitation requirements.

The material for backfilling will be sources from the stockpiled topsoil during operation. Seedlings will be source from the company nursery and the community. The financial requirement will be provided by the company thru the Final Mine Rehabilitation Fund.

Withdrawal from the FMRDF shall be based on a work and financial plan approved by the MRF Committee.

For the social aspects, PGMC will provide a retrenchment package will be given to company personnel. The enumerations will be based, at the very least, on provisions of law and may be increased depending on the financial considerations of the PGMC during the time of closure. PGMC will soften the impact of closure to company personnel by providing a broad range of placement services. This will assist the employees to make the transition to alternative jobs or in becoming self-employed. These services can be thru Job Search, Skills Training and Education Programs, Enterprise Awareness, and Counseling.

The transfer of social assets and services will depend on the outcome of the consultation with the stakeholders in the future. Facilities such as staff house, parking area, laundry, water tank, Motorpool area, powerhouse, and nursery can be transferred to the host Barangay after the life of the MPSA.

During the implementation of the FMRDP, the PGMC Closure Team will oversee the implementation of the maintenance and monitoring plans. It will be guided by the closure criteria and performance standards discussed in the previous paragraphs. The environmental, community relations, safety and health personnel of PGMC will spearhead the maintenance and monitoring.

This will be in addition to the monitoring and/or audit conducted by the Mine Rehabilitation Fund Committee (MRFC) through the Multi-partite Monitoring Team (MMT) and the Contingent Liability Rehabilitation Fund Steering Committee and the Mines and Geosciences Bureau (MGB).

At the end of the FMRDP implementation and based on the assessment of PGMC that the objectives of project closure, as contained in the approved FMRDP have been achieved, PGMC will prepare and submit a Final Rehabilitation Report with third party Environmental Audit (FRR with EA) for pre-evaluation by the MRF Committee and final approval by the CLRF Steering Committee.

If residual care is still needed, PGMC will submit a Site Management Plan detailing how the identified residual rehabilitation commitments are to be managed along with the corresponding funding requirement.

The long term management and maintenance of project site will be passed to the Government after the issuance of Certificate of Final Relinquishment.

The schedule of deposition for the FMRDP Fund is shown in **Table 85**. The total cost for the implementation of the FMRDP is **PhP 440.5 Million** as reflected in **Table 86**.

Table 85. Deposit schedule of FMRDP Fund

Year	% Payment per DENR AO7, S 2005	FMRDP Fund, US\$	FMRDP Fund, PhP	Cumulative, PhP
2017		0	0	0
2018	36.7%	3,943,818	161,696,530	161,696,530
2019	30.0%	3,223,829	132,177,000	293,873,530
2020	18.0%	1,934,298	79,306,200	373,179,730
2021	12.3%	1,321,770	54,192,570	427,372,300
2022	3.0%	322,383	13,217,700	440,590,000
Total	100.0%	10,746,098	440,590,000	

Table 86. FMRDP cost breakdown

Cost Center	Activity	Total Cost
Mining Area	Rehab/Backfill	111,550,000
Port Stockpile Yards	Rehab/Backfill	17,250,000
Siltation Ponds	Rehab/Backfill	57,500,000
Haul Roads	Rehab/Backfill	12,075,000
Motorpool Area	Disassembly and Rehab	230,000
Drainages	Maintenance/Rehab	2,300,000
Fuel Oil Facilities	Disassembly and Rehab	184,000
Water Tank Facilities	Disassembly and Rehab	115,000
Mine Camp and Offices	Care and Maint./Turnover	575,000
Water and Power lines	Care and Maint./Turnover	575,000
Nursery Area	Rehab/Backfill	2,300,000
Technical Services	Monitoring and Mgt.	12,600,000
Social Preparation	IEC and Training/Seminars	315,000
Retrenchment	Cost Allocation	32,760,000
Mine Camp and Offices	Dismantling/Rehab	4,600,000
Causeway	Maintenance/Rehab	1,911,000
National Greening Program	Tree Planting and Maint.	183,750,000
Total Cost		440,590,000

11.5.5. Mine Safety and Health Plans

The Safety and Health Program of PGMC aims to prevent accidents and occupational related diseases that PGMC personnel may be exposed to arising from the workplace. In addition, the Annual Safety and Health Program is designed to meet the statutory requirement as mandated under Section 144 of DENR Administrative Order No. 96-40, as amended, the Implementing Rules and Regulations of R. A. 7942, otherwise known as the Philippine Mining Act of 1995.

Safety and Health Policy

PGMC promotes a policy that promotes safety and health in the workplace as its foremost concern to conduct mining.

PGMC is committed to:

- Provide appropriate information and/or training to PGMC personnel on occupational safety and health to encourage safe working practices in the workplace;
- Ensure that all facilities shall be maintained and operated safely and adhere to the norms being widely practice in the mineral industry;
- Introduce continual improvements in policies; and
- Exercise the principle of full accountability on all managers and supervisors to ensure that the promotion of safety and health.

Elements of the Safety and Health Program

Leadership and Administration

PGMC believes that an effective management's leadership and administration is the cornerstone to the success of the program. The following will be implemented to attain this goal.

- A written policy statement that reflects PGMC's positive attitude and commitment to safety and health. The policy statement shall, be posted conspicuously in all areas where employees usually congregate.
- Establishment of a safety and health office which is independent to other offices and shall be directly under the Mine Manager. The manager shall appoint a safety and health officer and provide sufficient personnel to ensure that the statutory requirements shall be met for the effective implementation of the program.
- In compliance with Rule 27 of DENR Administrative Order No. 2000-98, a Central Safety and Health Committee (CSHC) will be created within a month after the start of the operation. The composition of the committee members shall be the department heads. In addition, a company nurse will be hired to man the clinic to administer minor emergency medical care to employees.

Organizational Rules and Procedures

The first task of the CSHC will be the preparation of rules and standard operating procedures covering every facet of mining operations to ensure that PGMC personnel could perform their individual tasks safely and effectively so as not to compromise the safety and health of fellow employees. The rules and regulations will be based on DENR Administrative Order No. 2000-98 and shall be reinforced with rules and standard operating procedures reflective of the mining operations. PGMC will post bulletin boards signages and tags in strategic areas within the project premises to communicate critical rules and regulations to employees or to assists employees in complying with the safety rules and regulations. Lastly, PGMC will comply with statutory reportorial requirements religiously.

Meetings

- Central Safety and Health Committee (CSHC) Meeting
Monthly Central Safety and Health Committee meeting will be held to discuss the progress of the implementation of the Annual Safety and Health Program. Other safety and health concerns that encountered in the mining operations shall also be discussed during the meeting to formulate solutions to reduce or eliminate the identified risks. The Mines and Geosciences Bureau shall be furnished with the minutes of the CSHC meetings.
- Department/Section Meeting

All departments/sections managers/supervisors shall be required to conduct meetings after every Central Safety and Health Committee meeting to disseminate strategies arrived at. This will also serve as an opportunity to gather feedback from employees to ensure the success of the program.

- **Tool Box/Pep Talk Meeting**

All employees shall be required to attend tool box meetings/pep talks before they are dispatched to their respective work assignments to remind them of the safety practices to be observed while working.

Management and Employees Training

Department managers, supervisors and employees shall be required to undergo safety and health trainings to equip them the necessary knowledge and skills to recognize, evaluate and introduce remedial measures to any safety and health risks that may arise in their respective areas of responsibility. The knowledge and skills to be learned by the employees will create positive attitudes in instilling a culture of safety. The following trainings shall be administered by PGMC or sourced out from other safety training providers:

- Orientation and reorientation of newly hired or old employees;
- Basic occupational safety and health seminar;
- First aid and emergency care seminar; and
- Fire Fighting.

Good Housekeeping

Good housekeeping shall be practiced at all times in the PGMC premises. The Safety and Health Officers in collaboration with the PGMC nurse shall conduct regular inspections to maintain proper hygiene and sanitation in all workplaces. This will also ensure that diseases carrying species will be limited, if not eliminated. Proper segregation of both non-biodegradable and biodegradable waste shall be maintained at all times in the PGMC premises.

Planned Inspection

Planned safety inspection shall ensure that all work practices and standard working conditions are properly observed on the ground thereby reducing and/or controlling potential loss, property damage and physical injury. The safety and health office personnel shall conduct daily inspection of all workplaces.

Accident/Incident Investigation

PGMC will require employees to report all injuries, related illnesses, and property damage including near misses to their respective superiors for proper investigation.

Line supervisors shall be required to conduct the investigation in collaboration with the Safety and Health Office. The investigation team shall identify the underlying causes including misconducts or substandard conditions to come up with remedial measures to prevent the occurrence of accidents.

PGMC will comply with the statutory requirements wherein accident resulting to death or serious physical injuries shall be reported to the Mines and Geosciences Bureau within 24 hours.

Accident/Incident Analysis

All accidents and incident cases including occupational related diseases shall be recorded/collated and analyzed by the Safety and Health Office. The accident statistics shall be furnished to all departments and the Central Safety and Health Committee for proper dissemination and discussion during its meetings.

Health Control and Services

PGMC shall provide medical care to employees who have suffered occupational related injuries/illnesses.

PGMC shall provide the following:

- Pre-placement physical examination to applicants
- Annual medical examination to employees
- Return to work medical examination for employees who have met an accident

Personal Protective Equipment

PGMC shall eliminate the identified occupational hazards through the introduction of hierarchy control measures whereby the use of personal protective equipment shall only be the last recourse if everything fails. PGMC shall comply, as provided for under the existing Safety and Health Standards, to provide employees free of charge personal protective equipment to ensure that their physical well-being are amply protected while performing their assigned tasks. Employee shall be issued personal protective equipment in accordance with the type of occupational hazards that they may likely be continuously exposed to as determined by the Safety and Health Office.

Environmental Risk Management Including Emergency Response and Preparedness Program

To comply with Rule 637 of DENR Administrative Order 2000-98, PGMC shall prepare an Emergency Response and Preparedness Program (ERPP) covering its area of operations.

The coverage of the program shall initially cover identified risk inherent to the operation. Scenarios shall be prioritized in its likelihood to occur as well as the mitigation to be introduced to counter it. The persistency of any scenario despite of the mitigating measures to be incorporated shall be the subject of emergency response and preparedness drills that shall be conducted by PGMC in accordance with the existing statutory requirements.

The ERPP Program shall include the following:

1. Organization of crisis management group.
2. Purchase of appropriate logistics/equipment.

3. Provision for alarm/warning system.
4. Formulation of procedures or protocols to address the perceived threats/scenarios.
5. Selection and training of response teams in emergency procedures.
6. Conduct of emergency response and preparedness drills.

Safety and Health Incentives/Promotions

Incentives shall be given to employees who consistently demonstrated exemplary safety and health practices while performing their jobs.

The safety incentives shall be given which are as follows:

- a. Promotion of employees who have been consistently exhibited commitments in the promotion of safety and health
- b. Certificate of recognition - Safety promotions thru the conduct of safety contest/slogan shall be vigorously pursued by PGMC.

Monitoring and Reporting

Evaluation and monitoring of the progress of the implementation of the Annual Safety and Health Program shall be taken up during the Central Safety and Health Committee meeting. The Safety and Health Office and concerned Department Managers shall be asked to report their accomplishments in the execution of the said program. Likewise, the Mines and Geosciences Bureau shall be informed of the accomplishment of PGMC through the minutes of meeting of the Central Safety and Health Committee.

Community Consultation

Consistent with PGMC's commitment towards corporate social responsibility, PGMC shall conduct consultation with the Local Government Units (LGU) and community on safety and health concerns and issues that may arise in its mining operations.

Safety and Health Program Budget

The annual cost of **PhP 4.10 Million** is allocated for the Safety and Health Program. The summary and budget of the SHP is shown below.

Table 87. Annual safety and health program cost breakdown

<i>Item</i>	Amount
Safety Programs	
Safety Trainings	615,500
Personnel Protective Equipment	1,231,000
Mine Rescue and Fire Fighting	100,000
Safety Meetings and Conferences	100,000
Emergency Preparedness Program	100,000
Community Safety Consultations	50,000
Safety Investigations and Inspections	50,000
Safety Promotions and Signages	50,000
Total Cost for Safety Program	2,296,500
Health Programs	
Annual Medical Check up	1,231,000
Medical Mission	100,000
Medical Supplies and Equipment	100,000
Total Cost for Health Programs	1,431,000
Contingency (10%)	372,750
Annual Safety and Health Cost	4,100,000

11.6. Financial Aspects

11.6.3. Total Project Cost Estimates and Assumptions

11.6.3.1. Engineering Study Cost

Engineering study cost for the ore reserve estimation was PhP1.50 Million.

11.6.3.2. Exploration/Development Cost

Exploration cost for the extension drilling at CAGA1 to CAGA5 periphery and grass roots drilling of CAGA6, CAGA7 and HIGDON are approximately **PhP 101.1 Million**.

Table 88. Exploration cost for CAGA1 to CAGA7

Priority	AREA	DHs	Meterage	Schedule	Amount (P)	Year 2017	Year 2018
1	CAGA-3	681	10,215	5.0 months	21,159,000	21,159,000	
2A	HIGDON	535	8,025	4.0 months	20,161,000		20,161,000
2B	CAGA-7	502	7,530	4.0 months	16,981,000		16,981,000
3	CAGA-1	270	4,050	3.0 months	8,449,000		8,449,000
4	CAGA-5	536	8,040	4.0 months	16,333,000		16,333,000
5	CAGA-6	581	8,715	4.0 months	18,066,000		18,066,000
TOTAL		3,105	46,575	24 months	101,149,000	21,159,000	79,990,000

11.6.3.3. Pre-Operating Overhead

Although the mine is already operational, the pre-operating expenses would mean the start-up preparations or the working capital which is approximately **PhP 238.1 Million**.

Table 89. Pre-operating expenses overhead

Cost Item	Amount
Contract Hire	100,031,000
Assay Laboratory	4,558,000
Mine Geology and Grade Control	828,000
Port Operations	2,521,000
Shipment	25,729,000
Business Taxes and Fees	60,688,000
Insurances	57,000
Mine Site G&A Expenses	27,137,000
Makati Overhead	4,730,000
Environmental Management (EPEP)	7,776,000
Social Development Management (SDMP)	3,750,000
Safety and Health Program (SHP)	342,000
TOTAL	238,147,000

11.6.3.4. Capital Equipment and Machinery

The capital equipment and machinery cost is **PhP 155.7 Million** which is broken down as follows:

Table 90. Capital expenses for equipment and machinery

Equipment	Amount
Backhoe KOM PC200-8	24,000,000
Bulldozer CATD6R	28,000,000
Road Grader CAT 140K	36,000,000
Compactor VOLVO SD110	20,000,000
Tool Carrier (Isuzu)	3,600,000
Flood Lights	3,000,000
Mine Survey Equipment (DGPS)	3,300,000
Grade Control Equipment (GPS)	1,800,000
I.T. Equipment (set)	4,000,000
Mining Equipment and Software	18,000,000
Assay Laboratory (set)	8,000,000
Logistical Tools and Facilities	6,000,000
Totals	155,700,000

11.6.3.5. Allied Mine Facilities and Infrastructures

The facilities vital to the operations are already in place. The remaining facilities that are yet to be constructed cost **PHP 770.1 Million**.

Table 91. Mine facilities and infrastructures cost

Cost Center	Amount
Buildings and Structures	132,543,600
Road Networks	207,280,000
Development and Stripping	259,800,000
Stockyards	80,000,000
Pier Upgrades	90,500,000
Total	770,123,600

11.6.3.6. Environmental Equipment and Facilities

The additional environmental works needed to support the development of new areas such as CAGA1, 3 and 5 will cost **PhP 115.96 Million**.

Table 92. Environmental works capital cost

Cost Item	Total
Construction and Upgrade of Stormwater drainages, Sediment Traps and Settling Ponds	
	CAGA 1 6,000,000
	CAGA 3 7,000,000
	CAGA 4 3,000,000
	CAGA 5 5,000,000
Kinalablaban River Bank Stabilization	24,000,000
Safety Berm Construction and Maintenance	3,500,000
Drainage Channel Construction and Maintenance	5,600,000
Pavement of main road with aggregates	40,000,000
Waste Rock for Stockyard Stabilization	13,125,000
Environmental Monitoring Equipment	3,000,000
Acquisition of water pumps for dust suppression	1,650,000
Acquisition of motorized boats for monitoring of shiploading operations	600,000
Oil and water separators	400,000
Upgrade of Floral Nursery	200,000
Buffer zone plantation works	480,000
Provision of Personal Protective Equipment (PPEs)	2,400,000
Total, PhP	115,955,000

11.6.3.7. Interest During Construction

The funding to support the developments and construction works will come from advances to buyers.

11.6.3.8. Working Capital

As mentioned earlier, the working capital to cover the three (3) months start-up operations will be **PhP 238.1 Million**.

11.6.3.9. Contingencies

A 10% contingency allowance for each item was provided.

11.6.4. List of Capital Equipment and Works

Table 93. Capital equipment lists

Equipment	Quantity
Backhoe KOM PC200-8	4
Bulldozer CATD6R	4
Road Grader CAT 140K	4
Compactor VOLVO SD110	4
Tool Carrier (Isuzu)	2
Flood Lights	2
Mine Survey Equipment (DGPS)	2
Grade Control Equipment (GPS)	30
I.T. Equipment (set)	2
Mining Equipment and Software	1
Assay Laboratory (set)	1
Logistical Tools and Facilities	2
Totals	58

11.6.5. Financial Plans/Sources of Funds

The company's financing plan for the project will be thru owner's equity and financial advances from buyers after lock-in of the volume commitments.

11.6.6. Production Cost Estimates and Assumptions

11.6.6.1. Mining Cost

As the operation of the mine is fully contractor operated, the scope of the contractors included the mining block development works, waste stripping, ore mining, stockpiling and barge. The total 8-year cost of the mine is **PhP 10.0 Billion**. The total unit cost of the contractor-operated mining to barge loading is PhP 321/WMT or US\$ 6.42/WMT.

Table 94. Mining to barge loading cost using contractors

Cost Center	Unit Cost, US\$/t	Amount (in Million PhP)
CAGA 2	6.08	742
CAGA4	7.64	5,842
CAGA 1,3,5	5.22	3,477
Total/Ave.	6.42	10,061

11.6.6.2. Marketing Cost

The marketing cost consist of ship loading and port operations cost which is PhP 79.5/WMT or US\$ 1.59/WMT.

11.6.6.3. Mine Overhead Cost

The mine overhead cost covers the mine management and departmental costs which is PhP 114.5/WMT or US\$ 2.29/WMT

11.6.6.4. Environmental Cost

The environmental cost covers the implementation of the conditions stipulated under the Environmental Protection and Enhancement Program (EPEP) which requires mining companies to roughly spend an equivalent of 3-5% of their direct mining and ore preparation cost. The estimate unit cost is PhP 27.75/WMT or US\$ 0.56/WMT. An annual budget of PhP 121.6 Million is estimated to be allocated for the implementation of the Annual EPEP.

11.6.6.5. Community Development Cost

The community development cost covers the Social Development Management Program (SDMP) which requires the company to allocate roughly 1.50% of their total operating costs. This cost is approximately PhP 14.12/WMT or 0.28/WMT. An annual cost of round PhP 67.4 Million will be allocated for the project.

Table 95. SDMP cost allocation

<i>Cost Center</i>	Total
Social, Mining Technology and Geosciences Development	51,300,000
ICE Program	76,950,000
Community Development	384,750,000
Total	513,000,000

11.6.6.6. Excise Tax

The excise tax is 2% of the gross sales. The average annual excise tax payments that will be made by the project is estimated at PhP 108.3 Million or a unit cost equivalent of PhP 23.85/WMT or US\$ 0.48/WMT.

11.6.6.7. Head Office Overhead Cost

The head (Makati) office average annual overhead cost is estimated at PhP 86 Million or an equivalent unit cost of PhP 19.0/WMT or US\$ 0.38/WMT.

11.6.6.8. Royalty

The project pays royalty to the Government (mineral reservation) as well as to the claim owners and Indigenous Peoples (IP) which is 12% of the Gross Sales.

11.6.7. Government Financial Incentives, if any

The project has a BOI incentive for developing the area within the mineral reservation but has expired effective on the Year 2014.

11.6.8. Basis of Revenue Calculation

11.6.8.1. Selling Price

The selling price assumptions used in the economic assessment is based on the mainstream price from Year 2012 to 2017 of nieba.cn monitoring. The Author believes that this price reflects the average price covering the period of this assessment.

Table 96. Ore pricing used in the economic assessment

Ore Type	Grade Specifications	Ave. Price, US\$/t FOB
Low Grade Nickel- High Iron Ore (LGHF)	<1.20% Ni and >=48% Fe	18
Low Grade Nickel-Medium Iron Ore (LGMF)	>=1.20% Ni to <1.40% Ni and >=40% Fe	20
Low Grade Nickel- Low Grade Iron Ore (LGLF)	>=1.20% Ni to <1.40% Ni and <40% Fe	22
Medium Grade Nickel- Medium Iron Ore (MGMF)	>=1.40% Ni to <1.70% Ni and >=30% Fe	29
Medium Grade Nickel- Low Iron Ore (MGLF)	>=1.40% Ni to <1.70% Ni and <30% Fe	29
High Grade Nickel Ore (HG)	>=1.70% Ni and regardless % Fe	42

11.6.8.2. Exchange Rate

The foreign exchange rate assumption used in this report is PhP 50/1US\$.

11.6.8.3. Smelters/Freight/Treatment Charge Bonuses and Penalties

The bonus penalty for the marketed ore varies on a spot contract basis but is usually focused on the nickel and iron grades as well as the moisture content.

11.6.8.4. Percentage of LME Price Payable

The ore spot pricing does not follow the LME but on the Shanghai Metals Market (SMM), China. The pricing at the SMM is in terms of CFR. The negotiated FOB price is determined by deducting the freight cost which ranges between US\$ 7 to 9/WMT at an average of US\$8/WMT

11.6.9. Proforma Financial Statements

11.6.9.1. Balance Sheet

Table 97. Projected Balance Sheet

PERIOD	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024
ASSETS								
Net Cash	(1,467,718,585.83)	930,349,504.24	1,148,036,122.62	1,230,053,472.05	1,279,737,913.05	1,267,440,422.05	1,393,811,836.63	768,533,215.81
Equipment	50,900,000.00	58,150,000.00	10,250,000.00	16,850,000.00	12,200,000.00	2,850,000.00	2,250,000.00	2,250,000.00
Civil Works	32,421,350.00	106,906,250.00	45,180,000.00	29,933,000.00	21,200,000.00	29,933,000.00	53,050,000.00	21,200,000.00
Exploration Drilling	261,387,833.37	79,990,000.00	-	-	-	-	-	-
Development and Stripping	14,000,000.00	118,050,000.00	67,450,000.00	72,200,000.00	41,000,000.00	89,600,000.00	14,000,000.00	14,000,000.00
Environmental, Safety and Health Works	15,460,000.00	25,235,000.00	19,410,000.00	12,410,000.00	13,210,000.00	11,410,000.00	10,410,000.00	8,410,000.00
Book Value (CAPEX 2017)	1,779,938,155.75	-	-	-	-	-	-	-
Working Capital	238,147,000.00	-	-	-	-	-	-	-
Accum. Depreciation	(258,522,719.47)	(258,522,719.47)	(258,522,719.47)	(258,522,719.47)	(258,522,719.47)	(258,522,719.47)	(258,522,719.47)	(258,522,719.47)
Accum. Amortization	(166,632,479.17)	(166,632,479.17)	(166,632,479.17)	(166,632,479.17)	(166,632,479.17)	(166,632,479.17)	(166,632,479.17)	(166,632,479.17)
	499,380,554.65	893,525,555.60	865,170,923.98	936,291,273.41	942,192,714.41	976,078,223.41	1,048,366,637.99	389,238,017.17
EQUITY								
Retained Earnings (NPAT)	499,380,554.65	893,525,555.60	865,170,923.98	936,291,273.41	942,192,714.41	976,078,223.41	1,048,366,637.99	389,238,017.17
	499,380,554.65	893,525,555.60	865,170,923.98	936,291,273.41	942,192,714.41	976,078,223.41	1,048,366,637.99	389,238,017.17

11.6.9.2. Profit and Loss

Table 98. Projected Income Statement

COST DISTRIBUTION	Unit Cost (US\$/WMT)	TOTAL (PHP)	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024
Shipment, wmt		36,342,680	3,311,010	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	3,031,670
GROSS REVENUE	23.85	43,342,622,905	4,067,394,000	6,130,690,198	5,985,450,438	5,973,885,825	5,973,885,825	5,973,885,825	5,957,921,564	3,279,509,228
LESS:										
DIRECT OPERATING COST (MINE-SITE)										
Contract Hire (Ore Mining)	5.63	10,238,548,785	1,026,821,115	1,487,003,968	1,432,276,828	1,396,974,855	1,396,974,855	1,396,974,855	1,348,242,578	753,279,729
Waste Stripping	0.79	1,426,491,048	173,554,172	232,573,505	210,039,679	189,447,229	189,447,229	189,447,229	161,020,575	80,961,430
Assay Laboratory	0.33	591,567,242	54,695,055	81,264,000	80,626,450	79,706,600	79,706,600	79,706,600	84,669,350	51,192,587
Mine Geology and Grade Control	0.06	109,028,041	9,933,030	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	9,095,011
Port Operations	0.18	332,039,943	30,250,591	45,681,818	45,681,818	45,681,818	45,681,818	45,681,818	45,681,818	27,698,442
Shipment	1.41	2,556,500,000	308,750,000	324,000,000	344,250,000	344,250,000	344,250,000	344,250,000	324,000,000	222,750,000
Business Taxes and Fees	4.67	8,478,079,096	793,337,892	1,196,041,615	1,170,178,518	1,168,342,478	1,168,342,478	1,168,342,478	1,165,807,934	647,685,704
Insurances	0.00	5,453,472	681,684	681,684	681,684	681,684	681,684	681,684	681,684	681,684
Mine Site G&A Expenses	2.29	4,159,678,402	325,641,470	602,743,800	602,743,800	602,743,800	602,743,800	602,743,800	602,743,800	217,574,132
Environmental Management (EPEP)	0.56	1,008,521,000	93,315,000	109,382,000	119,232,000	119,632,000	136,315,000	129,882,000	143,548,000	157,215,000
Social Development Management (SDMP)	0.28	513,000,000	51,000,000	73,000,000	72,000,000	70,000,000	70,000,000	69,000,000	67,000,000	41,000,000
Mine Decommissioning (FMRDP)	0.24	440,590,000	0	161,696,530	132,177,000	79,306,200	54,192,570	13,217,700	0	0
Safety and Health Program (SHP)	0.02	32,800,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000
Total Direct Operating Cost	16.45	29,892,297,029	2,872,080,009	4,333,168,920	4,228,987,777	4,115,866,665	4,107,436,035	4,059,028,165	3,962,495,740	2,213,233,719
<i>Unit Cost, US\$/t</i>		<i>16.45</i>	<i>17.35</i>	<i>17.33</i>	<i>16.92</i>	<i>16.46</i>	<i>16.43</i>	<i>16.24</i>	<i>15.85</i>	<i>14.60</i>
IN-DIRECT OPERATING COST										
Makati Overhead (Indirect Cost)	0.38	691,593,000	56,758,000	95,901,000	95,349,000	95,305,000	95,305,000	95,305,000	72,604,000	85,066,000
TOTAL CASH COST	16.83	30,583,890,029	2,928,838,009	4,429,069,920	4,324,336,777	4,211,171,665	4,202,741,035	4,154,333,165	4,035,099,740	2,298,299,719
<i>Unit Cost, US\$/t</i>		<i>16.83</i>	<i>17.69</i>	<i>17.72</i>	<i>17.30</i>	<i>16.84</i>	<i>16.81</i>	<i>16.62</i>	<i>16.14</i>	<i>15.16</i>
NON-CASH COST										
Depreciation	1.14	2,068,181,756	258,522,719	258,522,719	258,522,719	258,522,719	258,522,719	258,522,719	258,522,719	258,522,719
Amortization	0.73	1,333,059,833	166,632,479	166,632,479	166,632,479	166,632,479	166,632,479	166,632,479	166,632,479	166,632,479
TOTAL OPERATING COST	18.70	33,985,131,618	3,353,993,208	4,854,225,119	4,749,491,975	4,636,326,863	4,627,896,233	4,579,488,363	4,460,254,938	2,723,454,918

PGMC Economic Assessment and Ore Reserve Estimation (PMRC-CP EM Technical Report)

Unit Cost/WMT Ore (, PhP/wmt)		935	1,013	971	950	927	926	916	892	898
(, US\$/wmt)		18.70	20.26	19.42	19.00	18.55	18.51	18.32	17.84	17.97
NET INCOME BEFORE TAX	5.15	9,357,491,287	713,400,792	1,276,465,079	1,235,958,463	1,337,558,962	1,345,989,592	1,394,397,462	1,497,666,626	556,054,310
INCOME TAX @ 30%	1.54	2,807,247,386	214,020,238	382,939,524	370,787,539	401,267,689	403,796,878	418,319,239	449,299,988	166,816,293
NET INCOME AFTER TAX	3.60	6,550,243,901	499,380,555	893,525,556	865,170,924	936,291,273	942,192,714	976,078,223	1,048,366,638	389,238,017

11.6.9.3. Cash Flow

Table 99. Projected Cashflow

COST DISTRIBUTION	TOTAL (PHP)	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024
Net Income After Tax	6,550,243,901	499,380,555	893,525,556	865,170,924	936,291,273	942,192,714	976,078,223	1,048,366,638	389,238,017
ADD:									
NON-CASH COST									
<i>Depreciation</i>	2,068,181,756	258,522,719	258,522,719	258,522,719	258,522,719	258,522,719	258,522,719	258,522,719	258,522,719
<i>Amortization</i>	1,333,059,833	166,632,479	166,632,479	166,632,479	166,632,479	166,632,479	166,632,479	166,632,479	166,632,479
LESS:									
CAPITAL EXPENSES	3,401,241,589	2,392,254,339	388,331,250	142,290,000	131,393,000	87,610,000	133,793,000	79,710,000	45,860,000
<i>Net CashFlow</i>	6,550,243,901	-1,467,718,586	930,349,504	1,148,036,123	1,230,053,472	1,279,737,913	1,267,440,422	1,393,811,837	768,533,216
<i>Cumulative CashFlow</i>		-1,467,718,586	-537,369,082	610,667,041	1,840,720,513	3,120,458,426	4,387,898,848	5,781,710,685	6,550,243,901

11.6.9.4. Breakeven Analysis

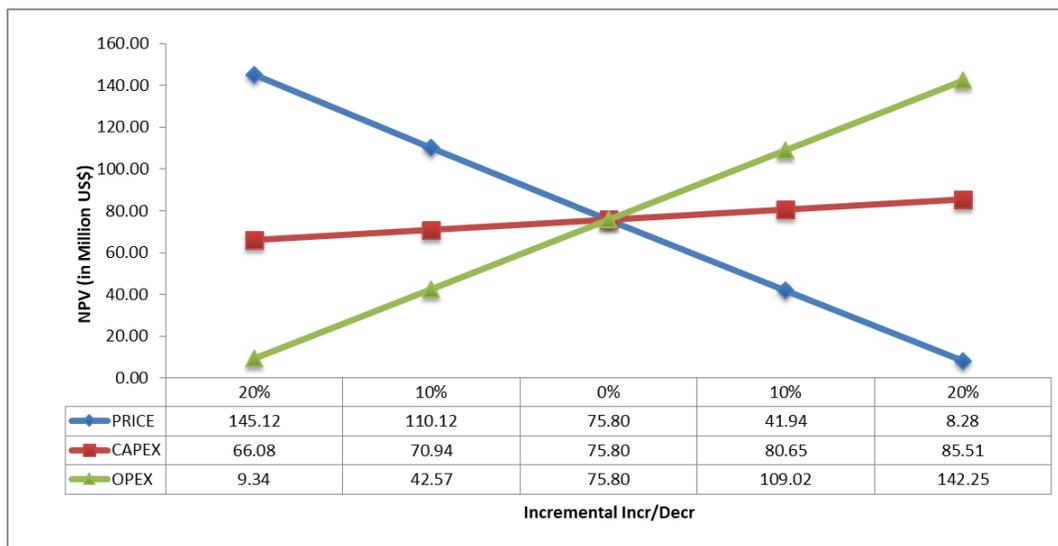
The identified major economic risk for the project is price, operating expenses and capital expense. The breakeven analysis results are as follows:

- Ore Price – **US\$ 18.60/WMT**;
- Operating expenses – **US\$ 22.90/WMT**;
- Capital expenses – **US\$ 172.8 Million**

11.6.9.5. Sensitivity Analysis

The project is most sensitive to the ore price which only a lowering of 22% will set the project to breakeven.

Figure 147. Sensitivity analysis of the project



11.6.9.6. Profitability Analysis

The result of the profitability analysis at 12% Discount Factor is:

- Net Present Value (NPV) – **PhP 3.74 Billion or US\$ 74.8 Million**;
- Internal Rate of Return (IRR) – **72%**
- Payback Period (discounted) – **4.5 Years**

11.7. Socio-Economic Aspects

11.7.3. Employment/management

11.7.3.1. Number, nationality, Position and Annual Payroll

The employment plan for the Cagdianao Nickel Expansion Project is formed by a number of criteria, such as:

- The laws and regulations of the Republic of the Philippines and the local government of Surigao and Claver where the Project is located;
- PGMC policies, such as ‘All Philippine workforce’ and ‘local first policy’ with the following order of priority:
 - Local people or those living in the impact barangays;
 - Residents of other barangays in the nearby Municipality;
 - Residents of Surigao; and
 - Other Philippine Nationals.
- Scale of Philippine’s mining industry; and
- International mining operating standards.

The project is projected to create employment opportunity not less than 1,231 employees both regular and contractual. This does not include the employees of the existing contractors of PGMC. Therefore, as part of the company’s agreement with the contractor, the company shall require the contractor to give priority on the hiring of qualified local applicants from Claver. The permanent workforce for the Project is as follows:

Table 100. Project workforce

Position	Level	No. of personnel
Mine Manager	SS2	1
Department Head	SS1	13
Section Head	JS3	21
Sr. Supervisor	JS2	40
Jr. Supervisor	JS1	45
Keymen, Foreman	KM	37
Jr. Foreman, Operators	TS3	21
Sr. Leadman	TS2	17
Jr. Leadman, Drivers	TS1	96
Sr Skilled Labor	RF3	245
Jr Skilled Labor	RF2	212
Unskilled Labor	RF1	483
Total		1,231

The salaries and wages of the above are tabulated in **Table 101**. The company has formulated an occupational health and safety procedure for the safety of workers. An emergency response plan has also been formulated and implemented.

A roster cycle of 30 days on and 10 days have been employed in the field. Contractor personnel will work the rosters scheduled by their respective employers.

Extended rosters may also be necessary from time to time. Extended roster will be offset by a shorter roster. Experienced personnel in each department at the site could cover absences, due to leave, illness, etc., e.g. the mining superintendent can cover for a mine shift supervisor.

Field operations will have a working schedule of one shift per day, six days per week. This schedule has been selected to ensure that sufficient operating costs are allowed. The total number of shifts per day could vary according to the area of activity:

- Mining and hauling activities will take place over 2 shifts
- The assay laboratory will work on a 3 shift basis because of the need for rapid turnaround of grade results from pit sampling, and truck sampling during barge loading
- Barge loading and trans-shipment will be a 24-hour operation to ensure the ships are loaded in their allocated time and demurrage costs are not incurred
- Rehabilitation and nursery maintenance will work on a single shift basis

Personnel at the main office follow the normal working hours. Normal working hours, according to the Labor Code of the Philippines, of any employee shall not exceed eight (8) hours a day. Work may be performed beyond eight (8) hours provided that the employee is paid for the overtime work.

Table 101. Salary scale of mine personnel

Position	Category	No. Personnel	Monthly Salary / Rate (PhP)	Monthly Payroll
Mine Manager	SS2	1	102,000	102,000
Department Head	SS1	13	61,000	793,000
Section Head	JS3	21	34,000	714,000
Sr. Supervisor	JS2	40	30,000	1,200,000
Jr. Supervisor	JS1	45	26,000	1,170,000
Keymen, Foreman	KM	37	23,000	851,000
Jr. Foreman, Operators	TS3	21	29,000	609,000
Sr. Leadman	TS2	17	25,000	425,000
Jr. Leadman, Drivers	TS1	96	22,000	2,112,000
Sr Skilled Labor	RF3	245	19,000	4,655,000
Jr Skilled Labor	RF2	212	16,000	3,392,000
Unskilled Labor	RF1	483	15,000	7,245,000
Total		1,231		23,268,000

11.7.3.2. List of Key personnel and their Qualification

PGMC has a pool of experienced and well-trained personnel in the field of the minerals industry. The list of key personnel includes the following:

- **Engr. Carlo A. Matilac, BSEM**

Senior Vice President for Operations

Has over 20 years of experience in surface mining specifically chromite, nickel, gold, copper and coal. Currently oversees the strategic mine management of the whole operation of the Cagdianao, Acoje and Ipilan projects. He previously worked at Verum Terra Geoscience Inc. as Vice President for Operations, LIDD Konstruk Inc. as President, BHPBilliton-Queensland Nickel Pty. Ltd. (Surigao Integrated Resources Corporation) as Technical Services Manager then Sr. Technical Support Engineer-Asia Pacific Region, Manila Mining Corporation as Mine Engineering Superintendent, Mines and Geosciences Bureau as Engineer IV – Head of the Mining Rights and Licensing as well as the Mine Feasibility Evaluation Sections.

- **Engr. Corsino L. Odtojan, BSEM**

Vice President for Operations – Resident Mine Manager

Has over 15 years of experience in surface mining specifically nickel, gold and copper mining in Surigao. Currently oversees the management of the whole operation. He previously worked at MRL Gold Phils. Inc. and FRASEC Development Corporation as a Project Manager.

- **Engr. Richard C. Gimenez, BSEM**

Mine Operations, Health and Safety Management Manager

Has over 20 years of experience in surface mining specifically nickel mining in Surigao. Has sufficient experience in nickel mining operations and previously worked at Taganito Mining Corporation for more than 7 years as the Mine Production Supervisor. With extensive exposures on administrative works, manual and computerized mine planning, production, quality control and was also an engineer for the Mines and Geosciences Bureau in Region 12. He has been in PGMC for 8 years. Current work involves overseeing the activities in the implementation of the health and safety program of the company in addition to managing the mine operations.

- **Engr. Gil S. Longakit, BSEM**

Port Operations Manager

Has over 15 years of experience in surface mining specifically nickel mining in Surigao. Has sufficient experience in nickel mining operations and previously worked at Taganito Mining Corporation for 7 years as the Mine and Geology Supervisor. Current work involves overseeing the activities in the Port operations of Causeway, 1, 1A and 2 of PGMC.

- **Engr. Hilario A. Sale Jr., BSEM**

Grade Control Manager-CAGA4

Has over 20 years of experience in surface mining and underground mining specifically coal, nickel, gold and copper mining in the entire Philippines. Currently oversees the management of the whole grade control operation of CAGA4 to ensure that the market specifications are attained. He was previously appointed as the OIC Resident Mine Manager of the Ipilan Nickel Corporation's INC project in Brooke's Point, Palawan. He previously worked at DMCI as underground mine superintendent, Manila Mining Corporation as Grade Control Engineer, Hinatuan Mining Corporation as Mine Operations Superintendent, Carmen Copper Corporation as mine superintendent, Citinickel Mines Development Corporation as the Grade Control Manager, Filminera Mining Corporation - Leighton Contractors as Blasting Engineer. He also worked as mine consultant for numerous nickel laterite mines in the Philippines and Indonesia.

- **Engr. Ramon Nicolas D. Dubduban, BSEM**

Mine Engineering and Technical Services Manager

Has over 5 years of experience in surface mining strategic and tactical mine planning being trained well in the use of Geological and Mining Software Geovia Surpac Whittle and Minesched specifically customized for nickel laterite mining. He is responsible for the successful attainment of the mine production of PGMC since the Year 2012 up to Year 2017. He currently manages the mine engineering, survey, road maintenance, civil works and mine billing/statistics. He reports directly to the Vice President for Operations.

- **Engr. May Elaine C. Amora, BSEM**

Mine Technical Services Engineer - Corporate

Has over 8 years of experience in underground and surface mining strategic and tactical mine planning being trained well in the use of Geological and Mining Software Geovia Surpac Whittle and Minesched specifically customized for nickel laterite mining. Prior to joining PGMC, she was previously employed and handled key positions in Carmen Copper Corporation, Department of Energy, Philsaga Mining Corporation and served as an instructor in the mining engineering department of St. Paul University, Surigao. Currently handles all long range mine planning of all the projects of GFNI including feasibility studies, ISO 14001-2015 of INC and other government regulatory requirement compliance.

11.7.3.3. Personnel Policies re Pay Scale

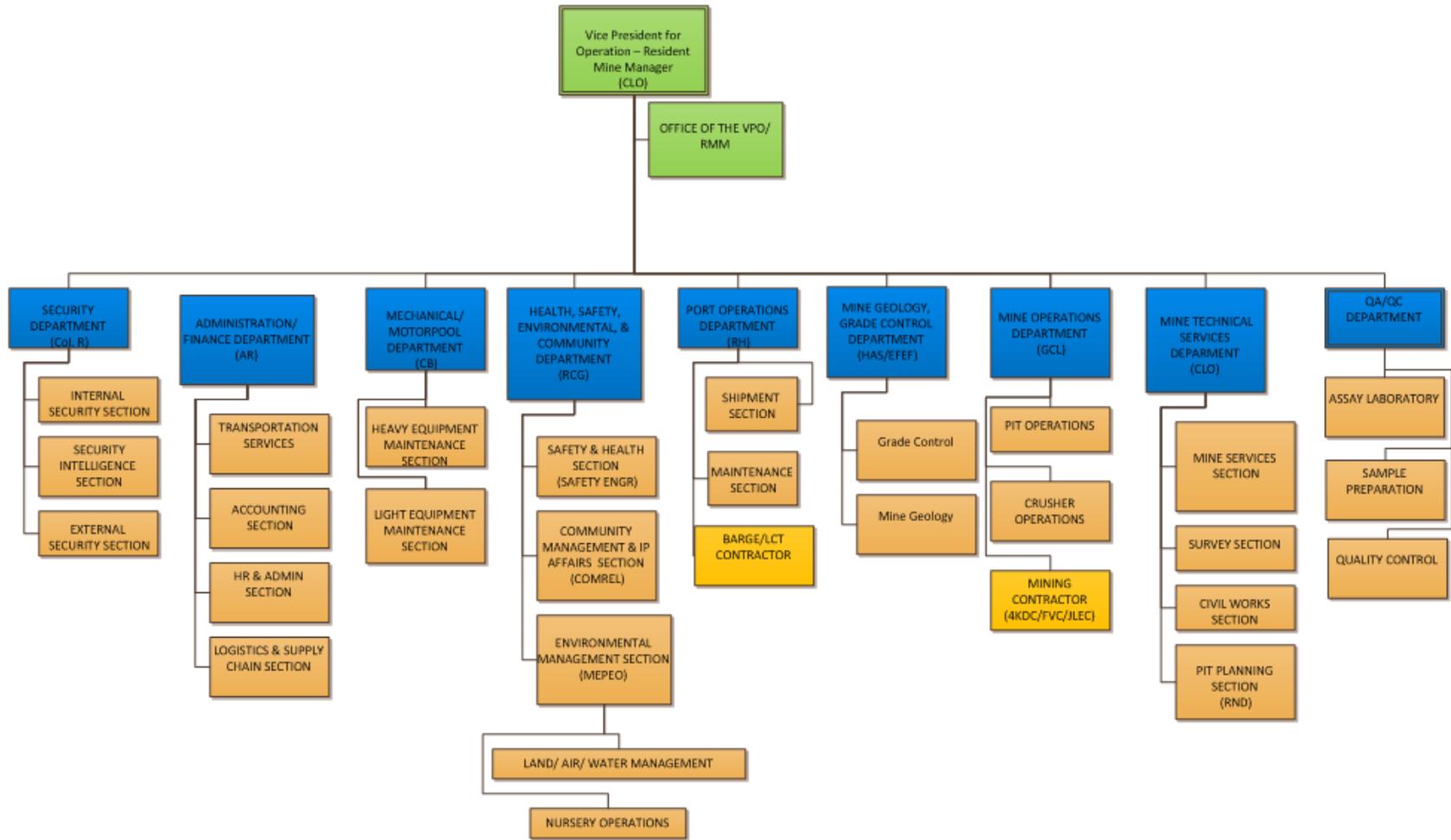
The management grants the following employee benefits and allowances:

1. 13th month pay;
2. Retirement benefits equivalent to one (1/2) month for every year of service
3. Medical and dental benefits.
4. Vacation leave of 15 days and sick leave of 15 days every year;
5. Compensatory day-off system;

6. Social insurance to take care of state social security and healthcare; and
7. Other welfare and benefits

11.7.3.4. Table of Organization

Figure 148. Simplified table of Organization



11.7.3.5. Availability of Technical and Skilled Labor

Technical and skilled workers are scarce in the town of Claver. The needed technical and skilled workers which will not be available at the host communities will have to be hired from the nearby towns and from other parts of the country.

The project is a typical open-pit mining operation that requires a small number of highly specialized manpower. There are sufficient available mining engineers and geologists in the country that can be tapped for manpower requirements. Running the laboratory is not a problem as there are superbly trained chemists within the company to perform the laboratory analysis.

The number of needed technical and skilled workers is reduced by the fact that there is no mill or processing plant. Beneficiation is limited to manage crushing-sun drying-sampling operations which require strict supervision of equipment operators. The majority of the work requires few skills. Most of the rank and file positions can be filled up if available locally. There are also available trained heavy equipment operators and truck drivers in the locality. Local laborers may be trained to supply the required skilled labor needed in ore sampling, ore segregation and upgrading, survey and mining pit operation. Reliable and experienced laterite ore mining and earthmoving contractors are available in Surigao and in the country, which will be tapped to augment the production force requirement of the operation.

11.7.3.6. Township/Housing

The company has an existing camp and guest house facilities located within the project site. This can accommodate all the PGMC employees. A contractor camp area has also been provided by the company which is located in the Tandawa area near the national highway.

11.7.4. Community Development Plan

As mandated by the Mining Act of 1995 and DAO No. 2000-99 or the Guidelines for the Social Development and Management Program (SDMP) as amended under the DAO No. 2010-21, PGMC shall spend for the development of the host and neighboring communities which are the Barangay of Cagdianao and Hayanggabon. In accordance thereto, an amount equivalent to 1.5% of the total operating costs or an annual average amount of approximately **PhP 67.4 Million** will be allotted for this purpose. Projects for this purpose may include assistance to education, peace and order, medical and dental, livelihood, capability building, infrastructures, etc. The company, in coordination with the community, the local government units, and national government agencies have formulated and identified priority projects and activities for the SDMP. The company has an approved annual SDMP program for the Year 2017 but will be conducting a new Social Impact Assessment (SIA) in preparation for the formulation of its 3rd 5-Year SDMP. As of this 2nd Quarter of 2017, the company have spent approximately **PhP 200 Million** as reflected **Figure 149**. **Figure 150** also shows that the bulk of the expenses were focused on public utilities, livelihood and education programs.

11.7.5. Socio-economic Contributions

The project of PGMC has significantly contributed to the socio-economic development of the local communities as well as to the national government by the implementation of its Social Development Management Program, Environmental Protection and Enhancement Program aside from the payment of taxes and fees:

Figure 149. PGMC Annual SDMP accomplishment (Y2007-2017)

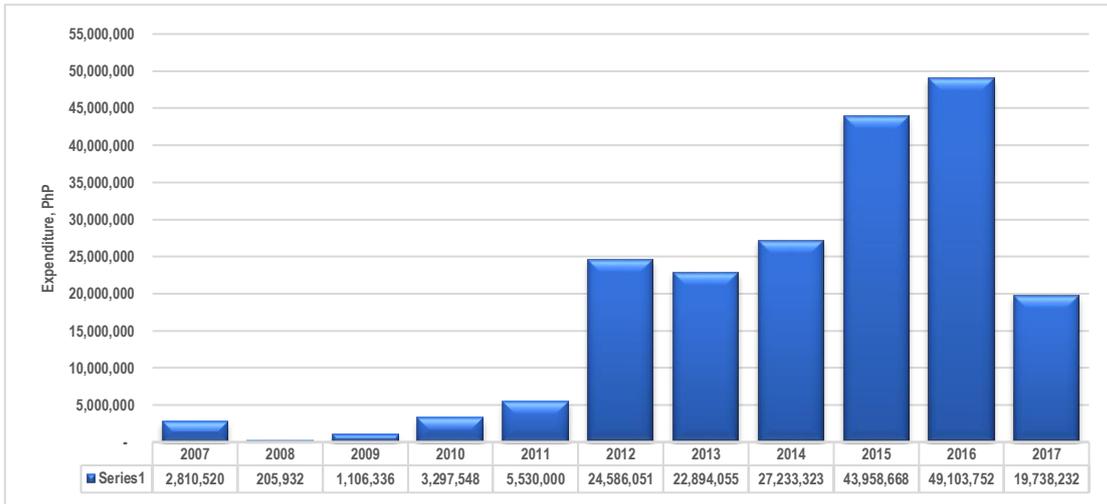
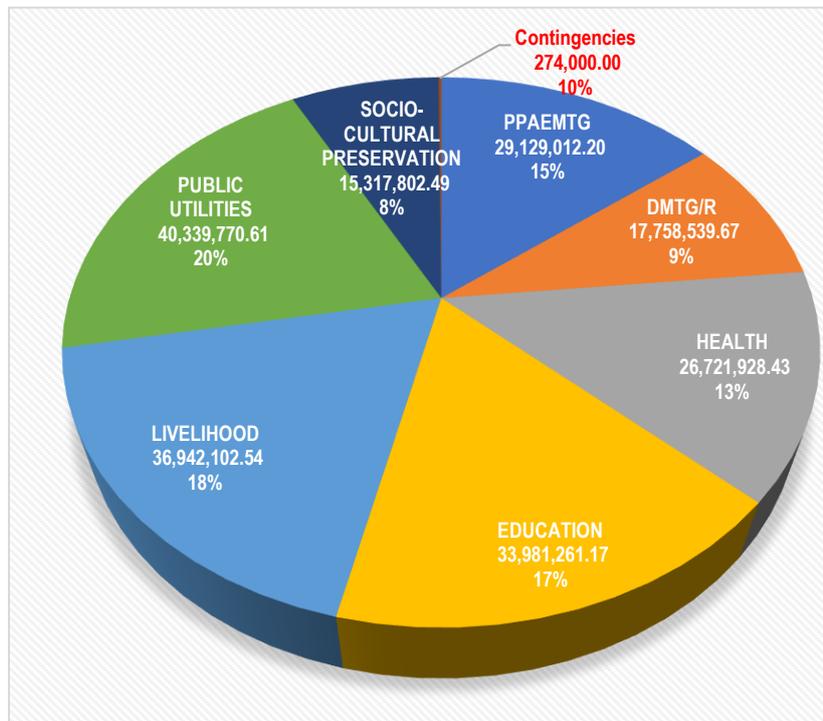


Figure 150. Distribution of the SDMP expenditures (2007-2017)



11.8. Project Schedule

Figure 151. Project Time Table

Activities	Remarks	Y2017	Y2018	Y2019	Y2020	Y2021	Y2022	Y2023	Y2024	Y2025-2035
Exploration	CAGA1,3,5,6,7, Higdon									
Mine Pit Development	CAGA1									
	CAGA2									
	CAGA3									
	CAGA4									
	CAGA5									
Mine Stripping and Production	CAGA1									
	CAGA2									
	CAGA3									
	CAGA4									
	CAGA5									
Mine Rehabilitation	CAGA1									
	CAGA2									
	CAGA3									
	CAGA4									
	CAGA5									
Road Construction	CAGA1,3,4,5									
Pier Upgrade	CW 2									
Stockyard Development	PY 1-8 ext									
Building Construction										
Environmental Works	CAGA1,3,5									
Decommissioning										

11.8.3. EPCM Contract

Not Applicable.

11.8.4. Construction Schedule

The mine is already operational. Please refer to **Figure 151** as indicated above.

12.0 ORE RESERVES ESTIMATION

12.1 Database Used

The database used in the ore reserves estimation consist of five (5) separate Geovia Surpac format block models, which was provided by the Geologist-CP Edgardo G. Garcia with the following files:

- 170623_c1_update.mdl – Generated Block model of CAGA1 deposit that was constructed last June 2013;
- 170623_c2_update.mdl – Generated Block model of CAGA2 deposit that was updated last April 2017;
- 170623_c3_update.mdl – Generated Block model of CAGA3 deposit that was updated last May 2017;
- 170623_c4_update.mdl – Generated Block model of CAGA4 deposit that was updated last June 2016; and
- 170623_c5_update.mdl – Generated Block model of CAGA5 that was constructed last June 2013

The block model geometry and attributes are also tabulated below:

Table 102. Block Model Attributes

Attributes	Description
ni	Ordinary Kriging (OK) and Inverse Distance Weighing (IDW) estimated nickel grade in %
fe	Ordinary Kriging (OK) and Inverse Distance Weighing (IDW) estimated iron grade in %
co	Ordinary Kriging (OK) and Inverse Distance Weighing (IDW) estimated cobalt grade in %
num_ni	number of nickel samples used to estimate block grade
num_fe	number of iron samples used to estimate block grade
num_co	number of cobalt samples used to estimate block grade
lithology	lithology (L for Limonite, S for Saprolite and B for Bedrock)
material	Shippable material classification (LGHF, LGMF, LGLF, MGMF, MGLF,HG, W, OT)
classification	PMRC classification of mineral resource (mes - measured, ind - indicated and inf - inferred)
sg	dry bulk density of different lithology (in dry tonnes/cum)
block_vol	volume of a cell in a block model in cubic meter
mass	weight in dry tonnes of a cell in a block model
pass	Interpolation routine number (1 - first pass, 2 - 2nd pass, 3 - 3rd pass, etc.)
grid	drilling grid pattern (25x25m, 50x50m, 100x100m and 200x200m grid)

Table 103. Block Model Geometry

	CAGA 1	CAGA 2	CAGA 3	CAGA 4	CAGA 5
Minimum Coordinates					
Y	1044750	1045755	1045500.00	1048500	1047150.00
X	591950	594464	591000.00	589000	588750.00
Z	451.5	-9.2	100	1.50	181.50
Maximum Coordinates					
Y	1046550	1049405	1048800.00	1050800	1048550.00
X	594650	594464	592500.00	594600	591550.00
Z	1021.5	950.8	952	712.50	691.50
User Block Size	10x10x3	25x25x3	25x25x3	25x25x3	10x10x3
Minimum Block Size	5x5x1.5	6.25x6.25x0.75	6.25x6.25x0.75	6.25x6.25x0.75	5x5x1.5
Total Number of Blocks	768,725	1,421,297	798,159	4,246,046	1,109,052

The upper surface topography used are the surveyed points with pit updates for CAGA2 and CAGA4 as of 23 June 2017 and the exploration survey shots conducted by the PGMC survey team during the drilling campaign of CAGA1, CAGA3 and CAGA5.

12.2 Integrity of the Database

The integrity of the database was carefully scrutinized and was deemed to be in order based on the Geologist-CP report. The Author also conducted a first pass checking of the integrity of the database thru the following:

- Generation of vertical sections and level plans thru the block model with the drillhole data as overlay. The block model grades and lithological domains seem to correlate well with the drillhole assays and logs;
- Random trend analysis of the plans and sections of the block model as against the drillhole assay results. There is a slight smoothing of block model grades as against the drillhole assays but would be immaterial to the resource estimate and ore reserves estimation as these are located at the periphery of the block model;
- Constraining of the block model to the surface topography and plotting against the drillhole runs. The drillhole collar seems to coincide with the surface topography intersections. The block model boundary at the upper limits matched that of the surface topography.
- The block model and the surveyed topography all used the geographical projection Philippine Transverse Mercator Zone V in meters. This geographical projection is still the standard projection used in the area. Plotting of the drillholes, topographic surface and block models in a standard NAMRIA database generated by digitizing of the 1:50,000m scale contours fairly matched the location.

- PGMC also maintains a system of archiving of its data including the Geologist-CP data. Only the mine planning and GIS team of PGMC has access to these data. The block models are currently being used by the mine planning section of PGMC in their short and long range mine planning.

12.3 Data Verification and Validation

During the exploration of CAGA2 and CAGA3, the senior geologist of PGMC conducted verification of around 39 drillhole locations using a portable GPS GARMIN MAP 76C resulting to an average variance of 15.1m N by 10.8m E by 15m Level. The senior geologist concluded that the variance are within expectations. The Author believes that this is true as handheld GPS have an accuracy of not less than 10 meters. Also, the topographic plots of the drillholes have minimal variance as against the elevation of the topographic surface. Hence, no revalidation by the Author was necessary.

12.4 Ore Reserves Estimation Methodology

12.4.1 Ore Reserve Assumptions

Assumptions used in arriving at the appropriate recoverable ore reserves are as follows:

- Dry Bulk Density - The Geologist-CP report identified different dry bulk densities for the five deposits CAGA1 to CAGA5. The assumed dry bulk densities are deemed appropriate for the subject type of laterite deposit and are consistent with other deposits located adjacent to PGMC. A total of 9,425 new measurements for bulk densities were conducted by BOHRER Mining Consultants Services covering the CAGA2, CAGA3 and CAGA4 deposits from Years 2015 to 2017. Tabulated below are the updated densities as adapted from the Geologist-CP report.

Table 104. Dry Bulk Densities for CAGA1 to CAGA5

Deposit	CAGA1			CAGA2			CAGA3			CAGA4			CAGA5		
	LIM	SAP	BR												
DB Density	1.20	1.10	2.40	1.35	1.34	1.87	1.20	1.15	2.40	1.01	1.16	2.04	1.20	1.20	2.00

- Ore Loss – A mine reconciliation study was conducted by PGMC for CAGA2 and CAGA4 deposits in June 2016 with the results tabulated in Table 102. The CAGA 1, 3 and 5 deposits were assumed at 10% which is deemed acceptable for surface mining operations of nickel laterites.

The formula for the computation of Recovery is therefore:

- Ore Recovery = In-Situ Ore Reserve x (Ore Loss/100);

- Dilution – 3% for nickel only based on actual PGMC mine reconciliation results. No dilution were applied for iron as based on the reconciliation study conducted

by PGMC, the block grades seem to be even lower than the actual shipped grades for iron.

The formula for the factored grade is therefore:

- Recoverable Grade = In-Situ Grade Nickel x (1-Dilution/100);
- Moisture – 36% based on the recommendation of the client taking into consideration historical shipments made by PGMC from Year 2007 to June 2017 which suggest a range of moisture between 35-37%. This is deemed applicable to these types of laterite deposit within the Claver domain.
The formula in the conversion of dry bulk density to wet bulk density is therefore:
 - Wet Bulk Density = Dry Bulk Density / (1-moisture/100)

Table 105. Ore Loss, Dilution and Moisture Factors for CAGA 1 to CAGA 5

Recovery Factors	CAGA 1	CAGA 2	CAGA 3	CAGA 4	CAGA 5
Ore Loss	10%	15%	10%	5%	10%
Dilution Ni	3%	3%	3%	3%	3%
Moisture	36%	36%	36%	36%	36%

- Mineral Resource Classification – Measured and Indicated Mineral Resource blocks are the only once considered in the ore reserves estimation following the PMRC guidelines in the reporting of ore reserves;
- Mining Plan – Based on the PGMC updated mine production plan covering the periods July 2017 up to the end of mine life as prepared by their Technical Services Engineer.

12.4.2 Price Assumptions

The Author has sited existing PGMC spot contracts covering July 2016 to June 2017. These contracts are negotiated and does not reflect the true prices in the market. The price assumptions used in the pit optimization were based on the actual price movements of ore from the Philippines as shipped to various Chinese and Japanese Ports. The historical price analysis using a combination of PGMC spot contract prices and monitoring taken from the www.nieba.cn, shows in **Table 106** and **Figure 151** the price movements from Year 2012 to ending June 2017. The High grade nickel ore (>1.7%Ni) has slightly increased its prices ranging from US\$49 to US\$52/ton FOB followed by the Medium grade nickel ore also at its low side at an average of US\$31/ton FOB. The Low nickel-high iron ore further slowed down its pace to an average of only US\$17/ton FOB down from US\$20/ton FOB as compared to June 2016 prices.

The Author considered the low price trends for each material specification in the Whittle pit optimization to ensure low sensitivity of the pit to changing economic conditions such as:

- High and Medium Grade Nickel Ore – Still a positive short term outlook is anticipated for these type of ore even as the Indonesian export ban on unprocessed

minerals/metals have been partially lifted as, currently, they have only been able to export less than 2.0 Million wet metric tonnes. The Philippines is still the only major supplier to the Chinese and Japanese smelters/refineries. A stronger demand for these types of ore will be for Nickel Pig Iron (NPI) industry which uses the Rotary Kiln Electric Arc Furnace (RKEF) as the cost of production is much lower as against the BF and EAF. Price assumptions will therefore be put on the low average side of US\$30/ton and US\$45/ton for the medium and high grade ores;

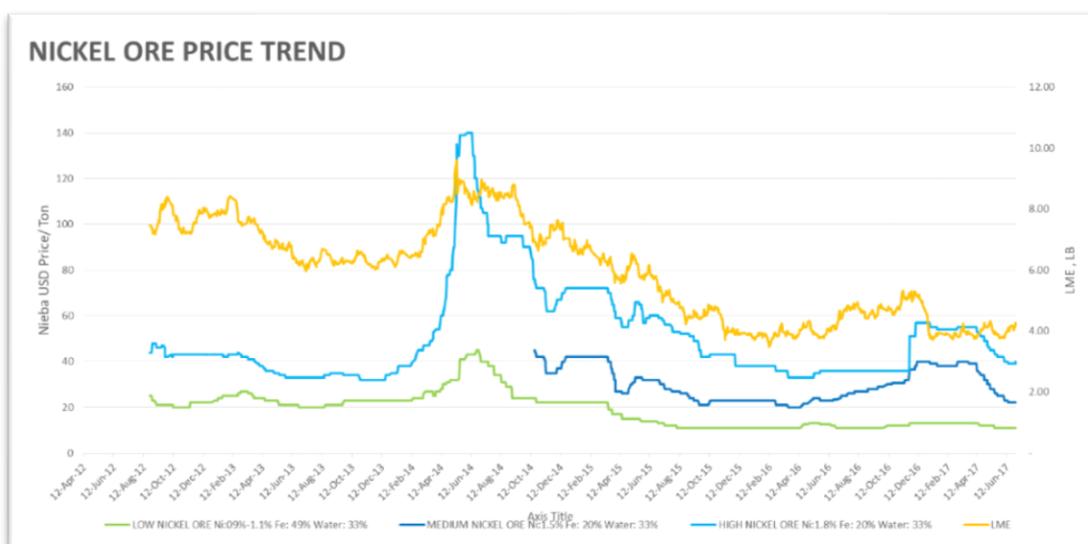
- Low Grade Nickel-High Iron Ore – A negative short to medium term outlook is anticipated for these types of ore as the Carbon Steel industry will lower down its demand due to low iron ore prices. Price assumptions will therefore be put on the low average side of US\$17/ton.

Table 106. Year 2012 to ending June 2017 Nickel Ore Prices

Period	Specification	Ave. Floor Price	Ave. Highest Price	Ave. Mainstream Price
2012-2015	Ni: 0.6 ~ 0.8%; Fe: 49%; water: 33%	15.1	18.3	15.9
2013-2016	Ni: 0.6 ~ 0.8%; Fe: 50%; water: 33%	17.4	19.8	18.5
2012-2017	Ni: 0.9 ~ 1.1%; Fe: 48%; water: 33%	16.4	19.0	17.6
2012-2017	Ni: 0.9 ~ 1.1%; Fe: 49%; water: 33%	17.3	20.0	18.7
2014-2017	Ni: 0.9 ~ 1.1%; Fe: 50%; water: 33%	14.7	17.6	16.3
2014-2017	Ni: 1.5%; Fe: <20%; water: 33%	30.9	33.7	32.3
2013-2017	Ni: 1.6%; Fe: <20%; water: 33%	31.9	35.3	34.0
2012-2017	Ni: 1.8%; Fe: <20%; water: 33%	49.1	52.5	50.5

(Source: PGMC Data and nieba.cn)

Figure 152. Nieba Vs LME Prices



(Source: nieba.cn)

The Author has also identified six (6) marketable ore products based on the current market demand in China that will be subject to pit optimization based on material blends with ranges as follows:

Table 107. Marketable Ore and Waste Specifications

Ore Type	Grade Specifications
Low Grade Nickel- High Iron Ore (LGHF)	<1.20% Ni and >=48% Fe
Low Grade Nickel-Medium Iron Ore (LGMF)	>=1.20% Ni to <1.40% Ni and >=40% Fe
Low Grade Nickel- Low Grade Iron Ore (LGLF)	>=1.20% Ni to <1.40% Ni and <40% Fe
Medium Grade Nickel- Medium Iron Ore (MGMF)	>=1.40% Ni to <1.70% Ni and >=30% Fe
Medium Grade Nickel- Low Iron Ore (MGLF)	>=1.40% Ni to <1.70% Ni and <30% Fe
High Grade Nickel Ore (HG)	>=1.70% Ni and regardless % Fe
Waste- Limonite (WL)	>=1.0% Ni to <1.20%Ni and >=30% to <47% Fe
Waste- Saprolite (WS)	<1.0% Ni to <1.20%Ni and <30% Fe
Waste (W)	<1.0% Ni, <30% Fe and all lithology "B"

12.4.3 Cost Model Assumptions

The Author gathered data from the existing mining contracts for the Year 2017 as these are new contracts with a period of one (1) year only, current operations of PGMC both actual and budget costs as well as on the pre-feasibility (project description) study that was submitted to the MGB Regional Office XIII in the year of 2014. The cost model sole purpose is to technically determine the optimum economic pit outline with the highest NPV so that an ore reserve can be estimated.

The cost models were constructed based on the following:

- Contract Hire Cost – Mining contractors for only a one (1) year period were engaged by PGMC to mine areas (mining blocks) of the different deposits of CAGA which were identified as follows:
 - CAGA 4 Pit
 - Best Trucking and Transport Phil. Inc. assigned at Area 1;
 - Pazifik Ventures Trucking Services Inc. assigned at Area 1;
 - Cagdianao Konstruct Development Inc. assigned at Area 1;
 - CTB Engineering Construction assigned at Area 6;
 - Loufran Minerals and Development Corporation assigned at Area 3;
 - Anseca Development Corporation assigned at Area 3 and 5;
 - Aguilo Builders Inc. assigned at Area 5;
 - IPM Construction and Development Corporation assigned at Area 2; and
 - Landstar Earth Moving Corporation assigned at Area 3 and 1.
 - CAGA 2 Pit

- MRMJ Earthmoving Corporation assigned at the upper levels blocks 4,7,8,21,22,14 and 15;
 - NickelBase Corporation assigned at the lower levels blocks 5,6,9 10 and 11; and
 - Cagdianao Konstruct Development Inc. assigned at blocks 24 and 25.
- CAGA 1, 3 and 5 Pits – Development and mining of these deposits will have the same approach as for both the current active pits CAGA2 and CAGA 4.

The scope of works for the contract mining services consisted of the following:

- Clearing and Grubbing
 - Bench Forming and In-pit road Construction
 - Topsoil and Overburden Removal
 - Waste Stripping
 - Ore Loading and Hauling
 - Stockpile Receiving and Sorting
 - Ore Transferring (From Mine Yard to Pier Yard)
 - Barge Loading (From Pier Yard to Barge/LCT)
 - Barge Receiving/Trimming/On-Board
 - Rejected Ore Re-handling and Stockpiling
 - Road, Stockpile and Port Maintenance
 - Stockpile Covering with Tarpaulins at the Mine Yard
 - Assist in Ore Sampling at Sampling Stands
 - Road Spraying
- Barging Cost (inclusive of arrastre, stevedoring customs, PPA and Coast Guard as well as port operations) – This is an in-house operation of PGMC which covers the Causeway 1, 1A and 2. The cost were taken from actual PGMC contract agreements. It was also observed that Landstar Earthmoving Corporation has an existing one (1)-year shipment contract with PGMC in which they will be accountable for the incurred demurrage;
 - Grade Control and Assaying Cost – This covers the sampling (face, truck and shipment), sample preparation and assaying as well as management and supervision. The cost were taken from actual PGMC costs records and operating budget;
 - Taxes and Fees cover the following:
 - Business Taxes and Fees – Covers the mineral reservation taxes (5%) and other business taxes (2%) which is a portion of the Gross Sales;
 - Indigenous People Royalty - 1% of the Gross Sales as provided for under the IPRA law;
 - Claim owner Royalty – variable based on actual royalty agreement which ranges from 3-7% of the Gross Sales (Case Mining Development Corporation and SIRC agreement);
 - Excise Tax – 2% of the Gross Sales as provided for under DENR Administrative Order (DAO) No. 2010-21;

- Mine site departmental costs – covers labor office material and supplies based on actual PGMC costs;
- Makati Overhead – Covers the cost of Management in the Makati Head Office which is based on actual cost;
- Environmental (EPEP) Cost – 3 to 5% of the Direct Mining and Processing Cost. A provision under the DAO No. 2010-21. An EPEP draft from BMP Consultants was sighted but still cannot be used in this report as this is yet to be finalized and fully approved by the CLRF Committee of the DENR;
- Decommissioning (FMRDP) Cost – 10% to 20% of the EPEP Cost. Cost assumption based on actual PGMC cost. An FMRDP draft from BMP Consultants was sighted but still cannot be used in this report as this is yet to be finalized and fully approved by the CLRF Committee of the DENR;
- Safety and Health Cost –Cost assumption based on actual PGMC cost and Annual Mine Safety and Health Program 2017;
- Social Development Management Program (SDMP) Cost – 1.5% of the total operating cost. A provision under DAO No. 2010-21. An updated Five (5)-year SDMP is yet to be drafted by the BMP Consultants;
- Waste Mining – Although already covered under the contract cost. The cost covers the loading, hauling and wastedump maintenance.

Based on the above parameters, a cost model for the different marketable ore products was constructed to determine the net value for each material.

Tabulated below are the cost model for each material.

Table 108. Cost model for CAGA1

Cost Center\Marketable Ore	LGHF	LGMF	LGLF	MGLF	MGHF	HG	OT
Loading (from pit)	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Hauling (ROM to PY)	1.05	1.05	2.10	2.10	2.10	2.63	
Hauling (ROM to Direct Barge)	1.31	1.31					
Hauling (Waste-WD/TSD)							0.70
Receiving/Pre-piling	0.20	0.20	0.40	0.40	0.40	0.40	
Ore transferring				0.35	0.35	0.35	
Subtotal	2.96	2.96	2.90	3.25	3.25	3.78	1.10
Barge Loading	0.46	0.46	0.93	0.93	0.93	0.58	
Receiving/Trimming	0.40	0.40	0.40	0.40	0.40	0.40	
Barging	1.60	1.60	1.60	1.60	1.60	1.60	
Arraste/Stevedoring	0.17	0.17	0.17	0.17	0.17	0.17	
Subtotal	2.63	2.63	3.10	3.10	3.10	2.75	
Grade Control	0.05	0.05	0.05	0.05	0.05	0.05	
Sample Pre/Assaying	0.14	0.14	0.14	0.14	0.14	0.14	
G&A Expenses-Minesite	1.43	1.43	1.43	1.43	1.43	1.43	
Overhead Expenses-Makati	2.06	2.06	2.06	2.06	2.06	2.06	
Environmental	0.29	0.29	0.31	0.33	0.33	0.34	

Safety and Health	0.02	0.02	0.02	0.02	0.02	0.02	
Social Devt	0.06	0.06	0.06	0.06	0.06	0.06	
Mine Decommissioning	0.07	0.07	0.08	0.08	0.08	0.08	
Subtotal	4.12	4.12	4.15	4.17	4.17	4.18	
Royalty and Fees	2.72	2.72	2.72	5.10	5.10	7.65	
Operating Cost (US\$/t)	12.40	12.40	12.90	15.60	15.60	18.30	1.10

Table 109. Cost model for CAGA 2

Cost Center\Marketable Ore	LGHF	LGMF	LGLF	MGLF	MGHF	HG	OT
Loading (from pit)	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Hauling (ROM to PY)	0.53	0.53	1.05	1.05	1.05	1.58	
Hauling (ROM to Direct Barge)	0.79	0.79					
Hauling (Waste-WD/TSD)							0.70
Receiving/Pre-piling	0.20	0.20	0.40	0.40	0.40	0.40	
Ore transferring				0.35	0.35	0.35	
Subtotal	1.91	1.91	1.85	2.20	2.20	2.73	1.10
Barge Loading	0.46	0.46	0.93	0.93	0.93	0.58	
Receiving/Trimming	0.40	0.40	0.40	0.40	0.40	0.40	
Barging	1.60	1.60	1.60	1.60	1.60	1.60	
Arraste/Stevedoring	0.17	0.17	0.17	0.17	0.17	0.17	
Subtotal	2.63	2.63	3.10	3.10	3.10	2.75	
Grade Control	0.05	0.05	0.05	0.05	0.05	0.05	
Sample Pre/Assaying	0.14	0.14	0.14	0.14	0.14	0.14	
G&A Expenses-Minesite	1.43	1.43	1.43	1.43	1.43	1.43	
Overhead Expenses-Makati	2.06	2.06	2.06	2.06	2.06	2.06	
Environmental	0.24	0.24	0.24	0.24	0.24	0.24	
Safety and Health	0.02	0.02	0.02	0.02	0.02	0.02	
Social Devt	0.06	0.06	0.06	0.06	0.06	0.06	
Mine Decommissioning	0.25	0.25	0.25	0.25	0.25	0.25	
Subtotal	4.25	4.25	4.25	4.25	4.25	4.25	
Royalty and Fees	2.72	2.72	2.72	5.10	5.10	7.65	
Operating Cost (US\$/t)	11.50	11.50	11.90	14.60	14.60	17.40	1.10

Table 110. Cost Model for CAGA 3

Cost Center\Marketable Ore	LGHF	LGMF	LGLF	MGLF	MGHF	HG	OT
Loading (from pit)	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Hauling (ROM to PY)	1.05	1.05	2.10	2.10	2.10	2.63	
Hauling (ROM to Direct Barge)	1.31						
Hauling (Waste-WD/TSD)							0.70
Receiving/Pre-piling	0.20	0.20	0.40	0.40	0.40	0.40	

Ore transferring				0.35	0.35	0.35	
Subtotal	2.96	1.65	2.90	3.25	3.25	3.78	1.10
Barge Loading	0.46	0.46	0.93	0.93	0.93	0.58	
Receiving/Trimming	0.40	0.40	0.40	0.40	0.40	0.40	
Barging	1.60	1.60	1.60	1.60	1.60	1.60	
Arraste/Stevedoring	0.16	0.16	0.16	0.16	0.16	0.16	
Subtotal	2.62	2.62	3.09	3.09	3.09	2.74	
Grade Control	0.05	0.05	0.05	0.05	0.05	0.05	
Sample Pre/Assaying	0.14	0.14	0.14	0.14	0.14	0.14	
G&A Expenses-Minesite	1.43	1.43	1.43	1.43	1.43	1.43	
Overhead Expenses-Makati	2.06	2.06	2.06	2.06	2.06	2.06	
Environmental	0.29	0.29	0.31	0.33	0.33	0.34	
Safety and Health	0.02	0.02	0.02	0.02	0.02	0.02	
Social Devt	0.06	0.06	0.06	0.06	0.06	0.06	
Mine Decommissioning	0.07	0.07	0.08	0.08	0.08	0.08	
Subtotal	4.12	4.12	4.15	4.17	4.17	4.18	
Royalty and Fees	2.72	2.72	2.72	5.10	5.10	7.65	
Operating Cost (US\$/t)	12.40	11.10	12.90	15.60	15.60	18.30	1.10

Table 111. Cost Model for CAGA4- Area 1 and Area 2

Cost Center\Marketable Ore	LGHF	LGMF	LGLF	MGLF	MGHF	HG	OT
Loading (from pit)	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Hauling (ROM to PY)	0.53	1.05	1.05	1.05	1.05	1.05	
Hauling (ROM to Direct Barge)	0.53						
Hauling (Waste-WD/TSD)							0.70
Receiving/Pre-piling	0.20	0.40	0.40	0.40	0.40	0.40	
Ore transferring				0.35	0.35	0.35	
Subtotal	1.65	1.85	1.85	2.20	2.20	2.20	1.10
Barge Loading	0.29	0.58	0.58	0.93	0.93	0.93	
Receiving/Trimming	0.40	0.40	0.40	0.40	0.40	0.40	
Barging	1.60	1.60	1.60	1.60	1.60	1.60	
Arraste/Stevedoring	0.16	0.16	0.16	0.16	0.16	0.16	
Subtotal	2.45	2.74	2.74	3.09	3.09	3.09	
Grade Control	0.05	0.05	0.05	0.05	0.05	0.05	
Sample Pre/Assaying	0.14	0.14	0.14	0.14	0.14	0.14	
G&A Expenses-Minesite	1.43	1.43	1.43	1.43	1.43	1.43	
Overhead Expenses-Makati	2.06	2.06	2.06	2.06	2.06	2.06	
Environmental	0.21	0.21	0.21	0.21	0.21	0.21	
Safety and Health	0.02	0.02	0.02	0.02	0.02	0.02	
Social Devt	0.06	0.06	0.06	0.06	0.06	0.06	
Mine Decommissioning	0.05	0.05	0.05	0.05	0.05	0.05	
Subtotal	4.03	4.03	4.03	4.03	4.03	4.03	
Royalty and Fees	2.72	2.72	2.72	5.10	5.10	7.65	
Operating Cost (US\$/t)	10.80	11.30	11.30	14.40	14.40	17.00	1.10

Table 112. Cost Model for CAGA4- Area 3 and Area 4

Cost Center\Marketable Ore	LGHF	LGMF	LGLF	MGLF	MGHF	HG	OT
Loading (from pit)	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Hauling (ROM to PY)	0.96	1.93	1.93	1.58	1.58	1.58	
Hauling (ROM to Direct Barge)	1.05						
Hauling (Waste-WD/TSD)							0.70
Receiving/Pre-piling	0.20	0.40	0.40	0.40	0.40	0.40	
Ore transferring				0.35	0.35	0.35	
Subtotal	2.61	2.73	2.73	2.73	2.73	2.73	1.10
Barge Loading	0.29	0.58	0.58	0.93	0.93	0.93	
Receiving/Trimming	0.40	0.40	0.40	0.40	0.40	0.40	
Barging	1.60	1.60	1.60	1.60	1.60	1.60	
Arraste/Stevedoring	0.16	0.16	0.16	0.16	0.16	0.16	
Subtotal	2.45	2.74	2.74	3.09	3.09	3.09	
Grade Control	0.05	0.05	0.05	0.05	0.05	0.05	
Sample Pre/Assaying	0.14	0.14	0.14	0.14	0.14	0.14	
G&A Expenses-Minesite	1.43	1.43	1.43	1.43	1.43	1.43	
Overhead Expenses-Makati	2.06	2.06	2.06	2.06	2.06	2.06	
Environmental	0.26	0.26	0.26	0.26	0.26	0.26	
Safety and Health	0.02	0.02	0.02	0.02	0.02	0.02	
Social Devt	0.06	0.06	0.06	0.06	0.06	0.06	
Mine Decommissioning	0.07	0.07	0.07	0.07	0.07	0.07	
Subtotal	4.09	4.09	4.09	4.09	4.09	4.09	
Royalty and Fees	2.72	2.72	2.72	5.10	5.10	7.65	
Operating Cost (US\$/t)	11.90	12.30	12.30	15.00	15.00	17.50	1.10

Table 113. Cost Model for CAGA4- Area 5 and Area 6

Cost Center\Marketable Ore	LGHF	LGMF	LGLF	MGLF	MGHF	HG	OT
Loading (from pit)	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Hauling (ROM to PY)	1.05	2.10	2.10	2.10	2.10	2.10	
Hauling (ROM to Direct Barge)	1.05						
Hauling (Waste-WD/TSD)							0.70
Receiving/Pre-piling	0.20	0.40	0.40	0.40	0.40	0.40	
Ore transferring				0.35	0.35	0.35	
Subtotal	2.70	2.90	2.90	3.25	3.25	3.25	1.10
Barge Loading	0.29	0.58	0.58	0.93	0.93	0.93	
Receiving/Trimming	0.40	0.40	0.40	0.40	0.40	0.40	
Barging	1.60	1.60	1.60	1.60	1.60	1.60	
Arraste/Stevedoring	0.16	0.16	0.16	0.16	0.16	0.16	
Subtotal	2.45	2.74	2.74	3.09	3.09	3.09	
Grade Control	0.05	0.05	0.05	0.05	0.05	0.05	
Sample Pre/Assaying	0.14	0.14	0.14	0.14	0.14	0.14	

G&A Expenses-Minesite	1.43	1.43	1.43	1.43	1.43	1.43	
Overhead Expenses-Makati	2.06	2.06	2.06	2.06	2.06	2.06	
Environmental	0.27	0.27	0.27	0.27	0.27	0.27	
Safety and Health	0.02	0.02	0.02	0.02	0.02	0.02	
Social Devt	0.06	0.06	0.06	0.06	0.06	0.06	
Mine Decommissioning	0.07	0.07	0.07	0.07	0.07	0.07	
Subtotal	4.09	4.09	4.09	4.09	4.09	4.09	
Royalty and Fees	2.72	2.72	2.72	5.10	5.10	7.65	
Operating Cost (US\$/t)	12.00	12.40	12.40	15.50	15.50	18.10	1.10

Table 114. Cost Model for CAGA 5

Cost Center\Marketable Ore	LGHF	LGMF	LGLF	MGLF	MGHF	HG	OT
Loading (from pit)	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Hauling (ROM to PY)	1.23	2.45	2.45	2.45	2.45	2.98	
Hauling (ROM to Direct Barge)	1.49						
Hauling (Waste-WD/TSD)							0.70
Receiving/Pre-piling	0.20	0.20	0.40	0.40	0.40	0.40	
Ore transferring				0.35	0.35	0.35	
Subtotal	3.31	3.05	3.25	3.60	3.60	4.13	1.10
Barge Loading	0.61	0.61	0.93	0.93	0.93	0.58	
Receiving/Trimming	0.40	0.40	0.40	0.40	0.40	0.40	
Barging	1.60	1.60	1.60	1.60	1.60	1.60	
Arraste/Stevedoring	0.16	0.16	0.16	0.16	0.16	0.16	
Subtotal	2.77	2.77	3.09	3.09	3.09	2.74	
Grade Control	0.05	0.05	0.05	0.05	0.05	0.05	
Sample Pre/Assaying	0.14	0.14	0.14	0.14	0.14	0.14	
G&A Expenses-Minesite	1.43	1.43	1.43	1.43	1.43	1.43	
Overhead Expenses-Makati	2.06	2.06	2.06	2.06	2.06	2.06	
Environmental	0.31	0.31	0.33	0.34	0.34	0.35	
Safety and Health	0.02	0.02	0.02	0.02	0.02	0.02	
Social Devt	0.06	0.06	0.06	0.06	0.06	0.06	
Mine Decommissioning	0.07	0.07	0.08	0.08	0.08	0.08	
Subtotal	4.15	4.15	4.16	4.19	4.19	4.20	
Royalty and Fees	2.72	2.72	2.72	5.10	5.10	7.65	
Operating Cost (US\$/t)	12.90	12.70	13.20	16.00	16.00	18.70	1.10

12.4.4 Pit Optimization

The pit optimization was conducted using the Geovia Whittle (GW) Optimization Package version 4.5.5.

The parameters that were defined and inputted into the block model prior to exporting into the GW format are as follows:

- All blocks above the surface topography were removed by executing a constraint whereby a surface topography for each deposit was used as the limiting surface;
- An attribute “rock” was added into the block model with assigned values LGHF, LGMF, LGLF, MGMF, MGLF, HG, OT and W. Note that the maximum characters allowable for input into the GW is only four (4). **Figures 153 to 157** shows the blocks with attribute “rock” that was used as the material classification within the GW. The expression used to assign these values are as follows:
 - *iif(material="LGLF","LGLF",iif(material="LGMF","LGMF",iif(material="LGHF","LGHF",iif(material="MGLF","MGLF",iif(material="MGMF","MGMF",iif(material="HG","HG",iif(material="OT","OT","W"))))))))*
- All blocks below the surface topography but outside of the tenement boundary were assigned an attribute “rock” value of “OT”;
- The specific gravity (sg) was converted into wet bulk density under the attribute “sg_moist” by using the expression in Surpac format as follows:
 - *iif(lithology="L",sg/0.65,iif(lithology="B",sg/0.68,iif(lithology="S",sg/0.68,sg/0.65)))*
- Additional attributes needed by GW are pseudo-numbers (having values 1 or 0) of the materials in the rock that will be used for reporting tonnages and grades. These attributes were defined as *rhg*, *rmmf*, *rmlf*, *rllf*, *rlmf*, *rlhf* and *rot*. The expressions used to assign pseudo-numbers for each attributes are as follows:
 - *iif(rock="HG",1,0)* – expression used for the attribute “rhg”;
 - *iif(rock="OT",1,0)* – expression used for the attribute “rot”;
 - *iif(rock="MGMF",1,0)* – expression used for the attribute “rmmf”;
 - *iif(rock="MGLF",1,0)* – expression used for the attribute “rmlf”;
 - *iif(rock="LGHF",1,0)* – expression used for the attribute “rlhf”;
 - *iif(rock="LGMF",1,0)* – expression used for the attribute “rlmf”;
 - *iif(rock="LGLF",1,0)* – expression used for the attribute “rllf”;

All block models were exported successfully into the GW format from Surpac with validation results reflected below as follows:

“ Testing number of exported blocks in all directions...

Validation that number of blocks less than 1000 passed.

Testing each block for validation...

Grade values greater than 0 passed.

Mcaf values greater than 0 passed.

Pcaf values greater than 0 passed.

Rock code is of character or integer type passed.

Rock code names less than 5 characters passed.

Rock code names not null passed.

Rock code names not "rock" or "ROCK" passed.

Sg attribute is of real type passed.

Sg values not negative or null passed.

Air blocks all have a 0 sg value passed.

Zone attribute is of integer type passed.

Zone values are not negative passed.

Grade values are not negative passed

Volume adjustment attribute is of real type passed.

Volume adjustment between 0 and 1 passed.

Validation of block model passed.”

Figure 153. Block model showing attribute “rock” of CAGA1 Deposit

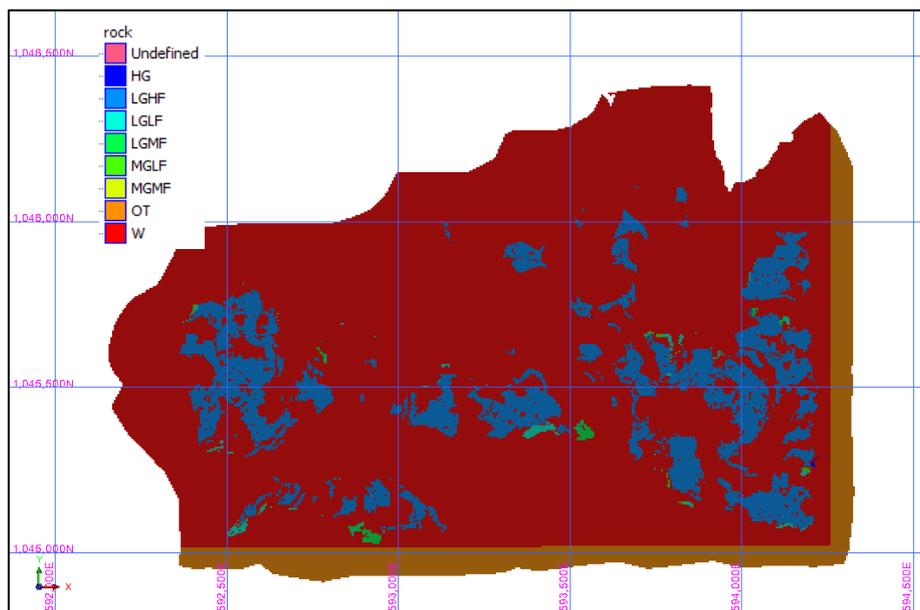


Figure 154. Block model showing attribute “rock” of CAGA2 Deposit

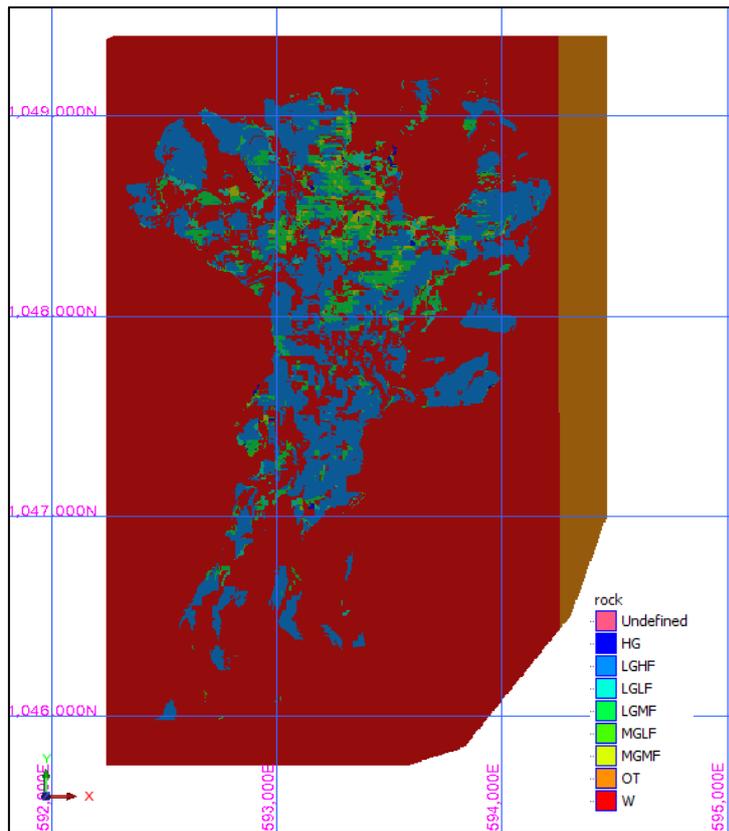


Figure 155. Block model showing attribute “rock” of CAGA3 Deposit

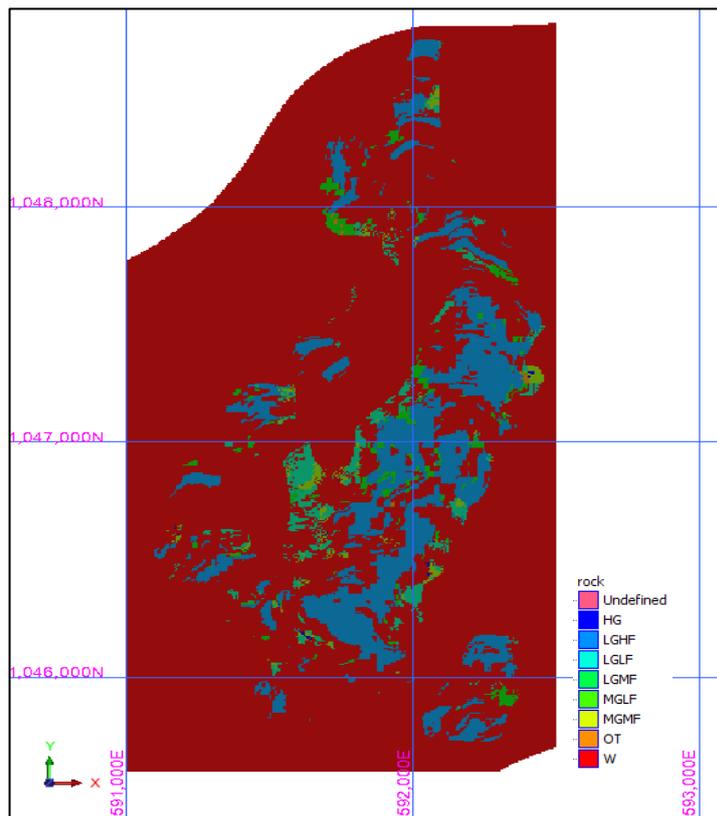


Figure 156. Block model showing attribute “rock” of CAGA4 Deposit

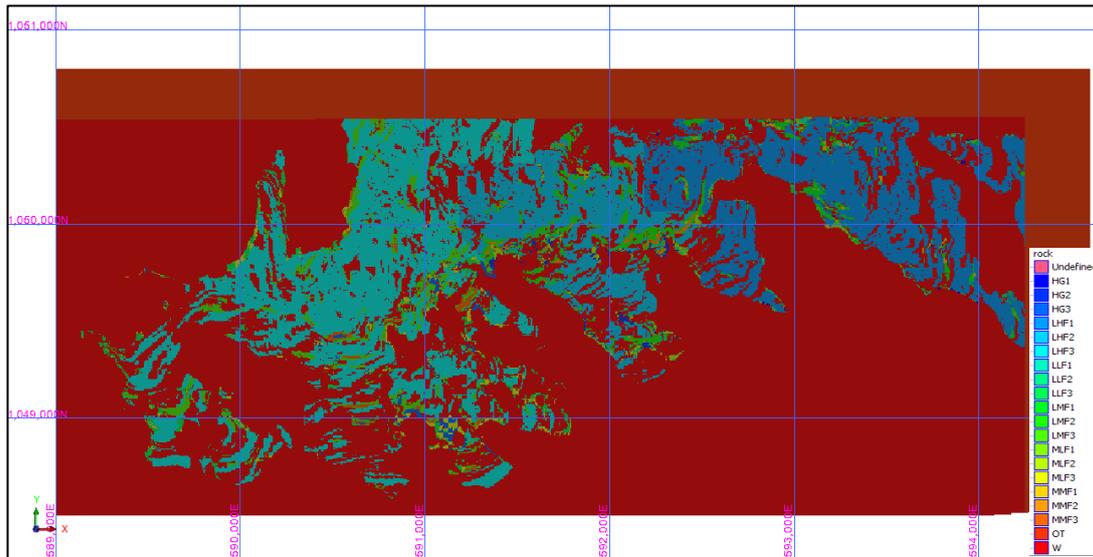
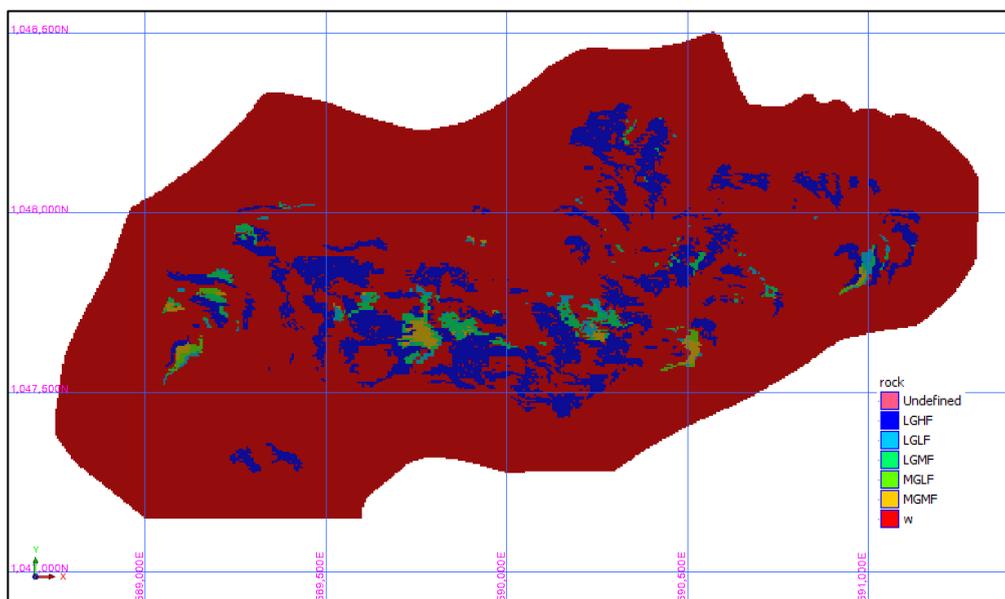


Figure 157. Block model showing attribute “rock” of CAGA5 Deposit



All five (5) projects consisting of all the CAGA1 to 5 deposits (block models) when imported into the GW produced .mod and .par files. These files contain the block model parameters and attributes that was imported into GW. The pit optimization process executed in sequence are as follows:

- Block Model – This branch defined the GW block model (.mod) with specified sizes coincident to the Surpac block model sizes.

- Slope Set – under a slope type of rectangular slope region, a pit slope of 35 degrees was used as a default profile in all directions for the pit shell generation. The average slope error was computed based on trial and error of the number of benches generated in which the range were in between 1.0 to 1.50.
- Pit Shell Generation – Under this branch, nested pits were generated at different prices and production capacity (mine or mill). Please refer to **Tables 115 to 121** for the details of the economic parameter inputs used in the nested pit shell generation. The following parameters were defined:
 - Mining Cost – Different reference mining costs (waste cost/ton + capital cost/ton) for all the deposits were defined based on the cost models. The mining losses and recovery factors were set to 1. No block mining cost adjustment factors were set as these cost will be inputted thru GW;
 - Selling prices – Computed as base price less the taxes and fees (excise, business, royalties, etc.) which is in a range of 16-17% of the base price depending on the marketable ore type;
 - Processing Cost (PCOST) – Computed as sum of the total stockpiling to marketing cost, general administrative cost and ore mining cost net of the waste mining cost;
 - Optimization – No discounting was done with full optimization including the air blocks. The optimization chose to generate nested pit shells so that a marginal analysis can be made to determine the optimal pit. The number of fixed factors (factors applied to the selling prices) were set to 0.10 to 2.0 with an increment of 0.02 which produced more than 80 nested pit shells;
 - User Elements – Parcel revenue element were not used.
- Operational Scenarios – Used to define the time cost and mining or processing limits which are as follows:
 - Time Cost – Implicit time cost was used with the initial capital cost not applied as this was already entered as part of the reference mining cost. The discount factor used was 10% (assumed risk free 5% and LIBOR rates 5%) as per advice by PGMC finance;
 - Limits – The mill, specifically the amount of processing needed up to the shipment of ore, was set as the limiting constraint in the capacity when executing GW. This means that GW will generate a pit shell starting from the lowest to highest price based on the price adjustment factor and specified annual milling capacity for each type of deposit.
- Pit by Pit Graph – Defined various nested pit scenarios (best, worst and specified) based on *Milawa NPV* considering the parameters in the Operational Scenarios. The pit by pit graph will generate different Net Present Values (NPV) under the best, worst and specified case scenarios. Shown in **Figures 158 to 162** are graphs of nested pit NPVs, ore and waste.

Table 115. Economic and volume inputs of CAGA1 to GW

GW Parameters	Unit	LGHF	LGMF	LGLF	MGLF	MGHF	HG	OT
Waste Cost	US\$/t	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Mining Cost	US\$/t	2.76	2.76	2.50	2.50	2.50	3.03	1000.00
PCOST	US\$/t	8.62	8.62	9.04	9.41	9.41	9.60	1000.00
CAPITAL	US\$/t	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Mill Throughput	Wmt/yr	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Ref Mining Cost	US\$/t	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Selling Price	US\$/t	14.28	14.28	14.28	24.9	24.9	37.35	0

Table 116. Economic and volume inputs of CAGA2 to GW

GW Parameters	Unit	LGHF	LGMF	LGLF	MGLF	MGHF	HG	OT
Waste Cost	US\$/t	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Mining Cost	US\$/t	1.71	1.71	1.45	1.45	1.45	1.98	1000.00
PCOST	US\$/t	7.69	7.69	8.09	8.44	8.44	8.62	1000.00
CAPITAL	US\$/t	2.45	2.45	2.45	2.45	2.45	2.45	2.45
Mill Throughput	Wmt/yr	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Ref Mining Cost	US\$/t	3.55	3.55	3.55	3.55	3.55	3.55	3.55
Selling Price	US\$/t	14.28	14.28	14.28	24.9	24.9	37.35	0

Table 117. Economic and volume limit inputs of CAGA3 to GW

GW Parameters	Unit	LGHF	LGMF	LGLF	MGLF	MGHF	HG
Waste Cost	US\$/t	1.10	1.10	1.10	1.10	1.10	1.10
Mining Cost	US\$/t	2.76	1.45	2.50	2.50	2.50	3.03
PCOST	US\$/t	8.61	7.29	9.03	9.40	9.40	9.59
CAPITAL	US\$/t	1.19	1.19	1.19	1.19	1.19	1.19
Mill Throughput	Wmt/yr	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Ref Mining Cost	US\$/t	2.29	2.29	2.29	2.29	2.29	2.29
Selling Price	US\$/t	14.28	14.28	14.28	24.9	24.9	37.35

Table 118. Economic and volume limit inputs of Areas 1 & 2 at CAGA4 to GW

GW Parameters	Unit	LGHF1	LGMF1	LGLF1	MGLF1	MGHF1	HG1	OT
Waste Cost	US\$/t	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Mining Cost	US\$/t	1.45	1.45	1.45	1.45	1.45	1.45	1.10
PCOST	US\$/t	7.03	7.51	7.51	8.21	8.21	8.21	1000.00
CAPITAL	US\$/t	1.92	1.92	1.92	1.92	1.92	1.92	1.92
Mill Throughput	Wmt/yr	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Ref Mining Cost	US\$/t	3.02	3.02	3.02	3.02	3.02	3.02	3.02
Selling Price	US\$/t	14.28	14.28	14.28	24.9	24.9	37.35	0

Table 119. Economic and volume limit inputs of Areas 3 and 4 at CAGA4 to GW

GW Parameters	Unit	LGHF2	LGMF2	LGLF2	MGLF2	MGHF2	HG2	OT
Waste Cost	US\$/t	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Mining Cost	US\$/t	2.41	2.33	2.33	1.98	1.98	1.98	1.10
PCOST	US\$/t	8.05	8.45	8.45	8.80	8.80	8.80	1000.00
CAPITAL	US\$/t	1.92	1.92	1.92	1.92	1.92	1.92	1.92
Mill Throughput	Wmt/yr	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Ref Mining Cost	US\$/t	3.02	3.02	3.02	3.02	3.02	3.02	3.02
Selling Price	US\$/t	14.62	14.62	14.62	25.5	25.5	38.25	0

Table 120. Economic and volume limit inputs of Areas 5 and 6 at CAGA4 to GW

GW Parameters	Unit	LGHF3	LGMF3	LGLF3	MGLF3	MGHF3	HG3	OT
Waste Cost	US\$/t	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Mining Cost	US\$/t	2.50	2.50	2.50	2.50	2.50	2.50	1.10
PCOST	US\$/t	8.14	8.63	8.63	9.33	9.33	9.33	1000
CAPITAL	US\$/t	1.92	1.92	1.92	1.92	1.92	1.92	1.92
Mill Throughput	Wmt/yr	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Ref Mining Cost	US\$/t	3.02	3.02	3.02	3.02	3.02	3.02	3.02
Selling Price	US\$/t	14.62	14.62	14.62	25.5	25.5	38.25	0

Table 121. Economic and volume limit inputs of CAGA5 to GW

GW Parameters	Unit	LGHF	LGMF	LGLF	MGLF	MGHF	HG
Waste Cost	US\$/t	1.10	1.10	1.10	1.10	1.10	1.10
Mining Cost	US\$/t	3.11	2.85	2.85	2.85	2.85	3.38
PCOST	US\$/t	9.13	8.87	9.40	9.77	9.77	9.96
CAPITAL	US\$/t	7.28	7.28	7.28	7.28	7.28	7.28
Mill Throughput	Wmt/yr	250,000	250,000	250,000	250,000	250,000	250,000
Ref Mining Cost	US\$/t	8.38	8.38	8.38	8.38	8.38	8.38
Selling Price	US\$/t	14.28	14.28	14.28	24.9	24.9	37.35

Figure 158. Pit by pit graph of CAGA1 Deposit

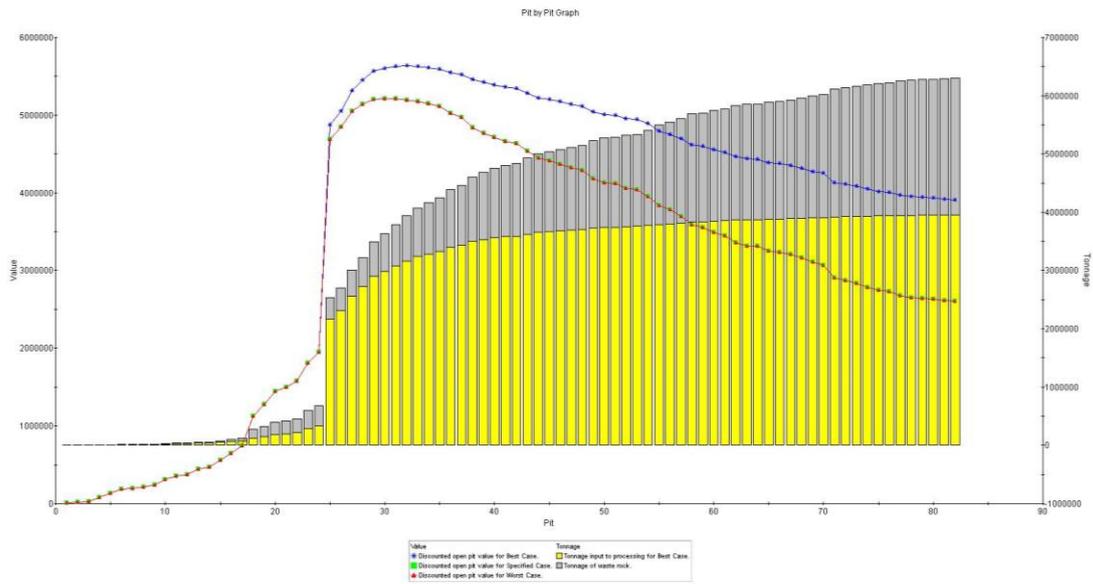


Figure 159. Pit by pit graph of CAGA2 Deposit

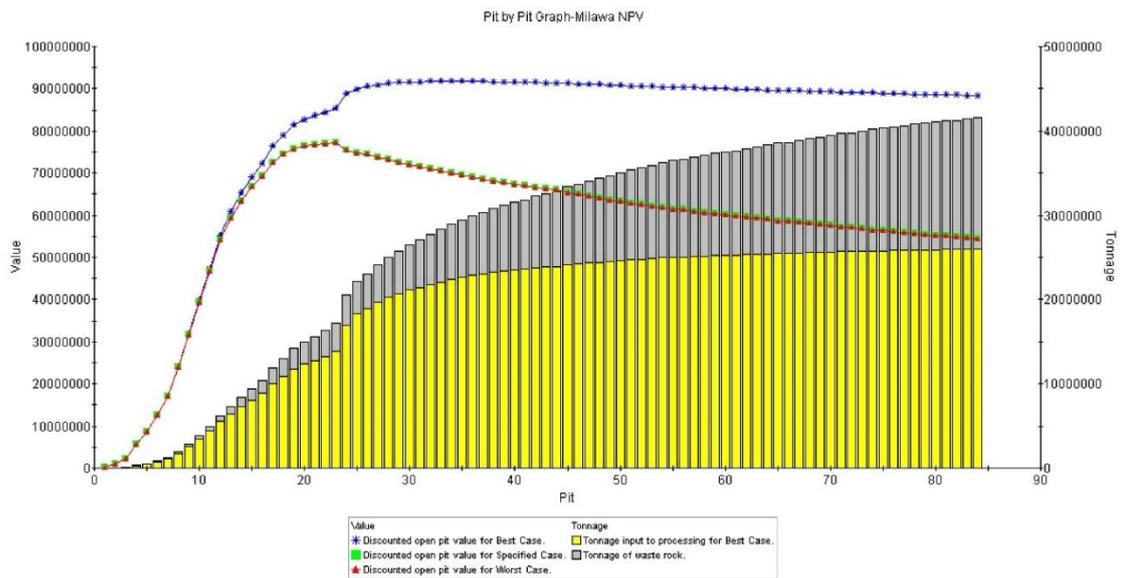


Figure 160. Pit by pit graph of CAGA3 Deposit

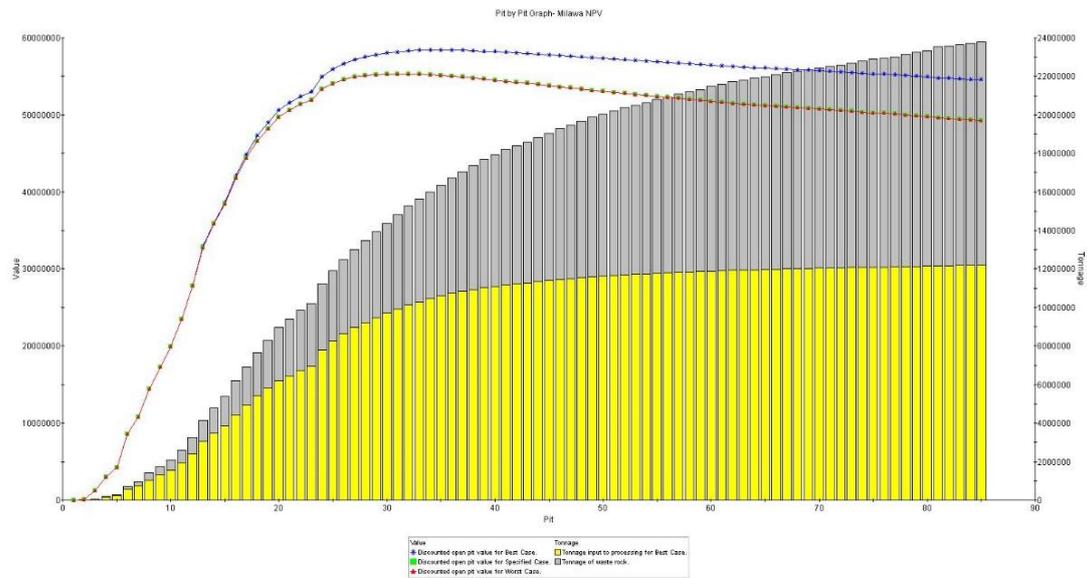


Figure 161. Pit by pit graph of CAGA4 Deposit

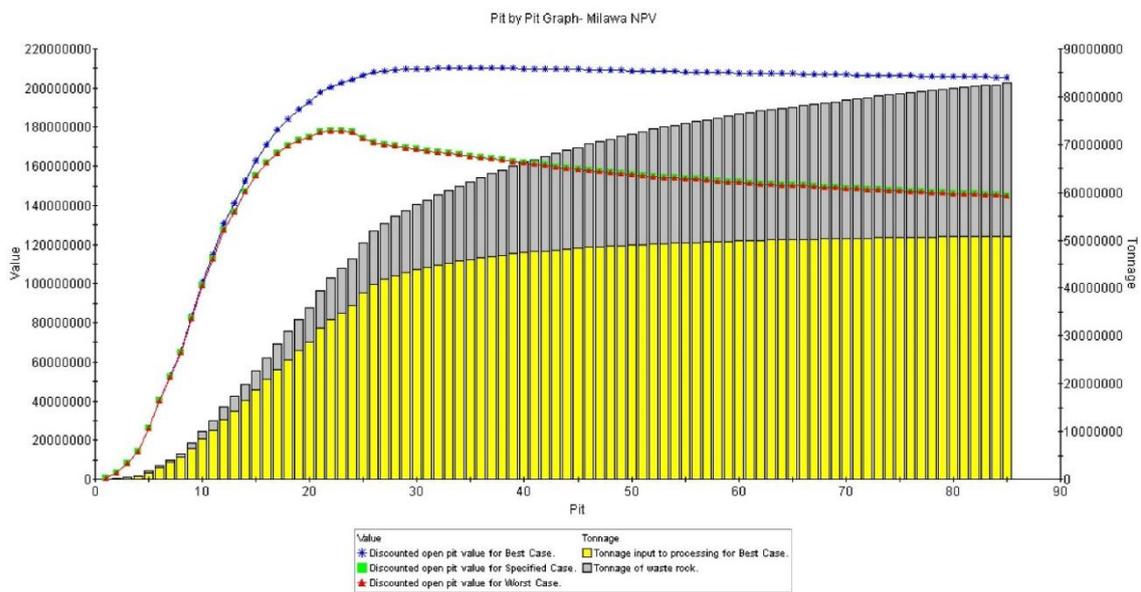
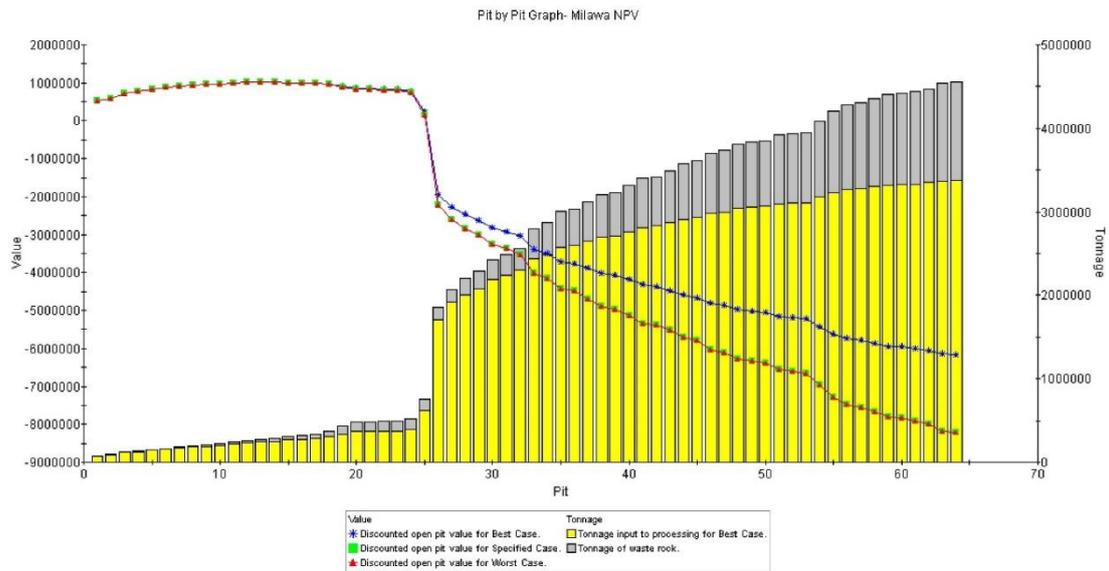


Figure 162. Pit by pit graph of CAGA5 Deposit



The optimal pit shells of the different five (5) CAGA deposits were selected based on the results of the marginal analysis. The marginal analysis generated an incremental cost-benefit per ton of ore. The incremental cost per ton for every generated pit from the smallest pit shell starts at the highest value and decreases until it approaches zero (0) and further goes down to the negative side. This means that as the pit shells increase, their incremental value does not necessarily increase. The optimal value is the intersection of the incremental value that intersected the zero (0) indicating that further increase in size of the pit shell will cause the NPV to decrease. Shown below in **Figures 163 to 168** are the selected optimal pits of CAGA1 to CAGA5.

Figure 163. Optimized pit of CAGA1 Deposit

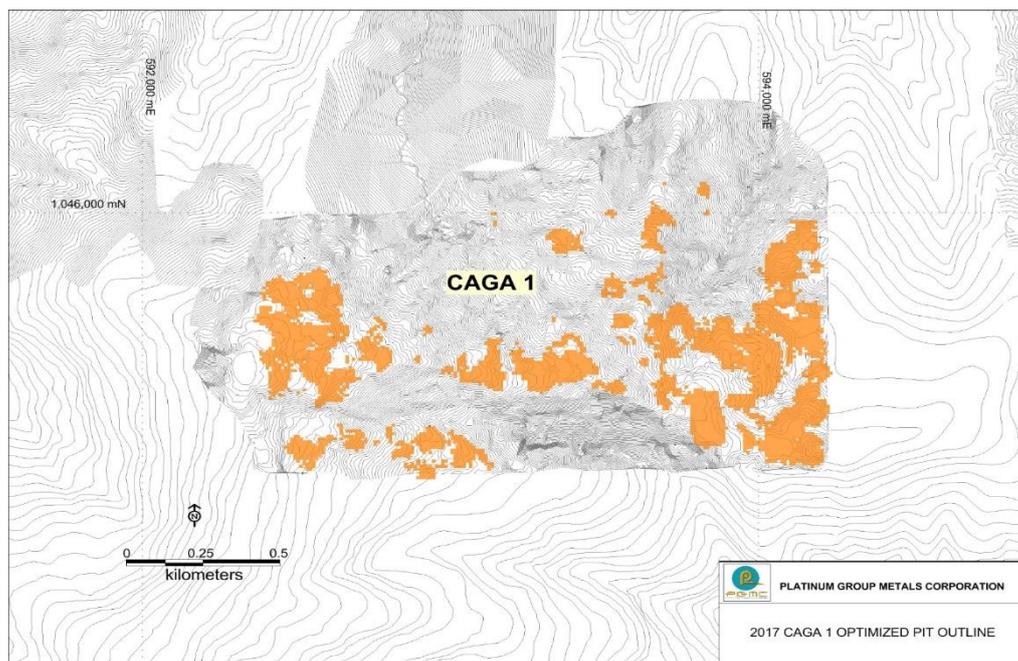


Figure 164. Optimized pit of CAGA2 Deposit

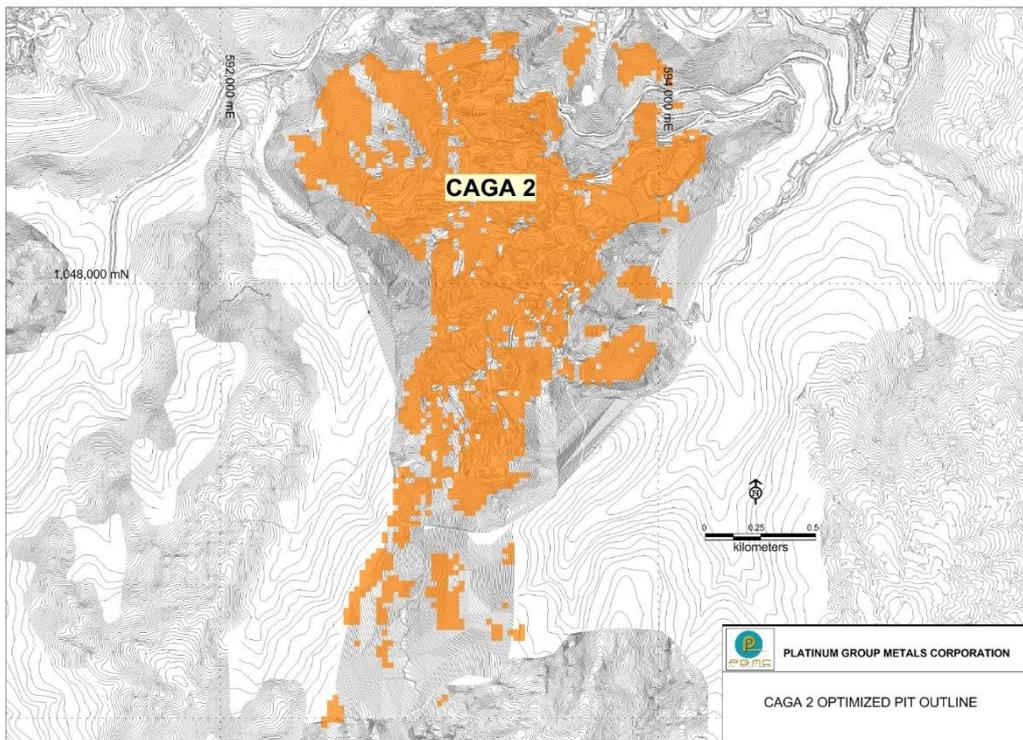


Figure 165. Optimized pit of CAGA3 Deposit

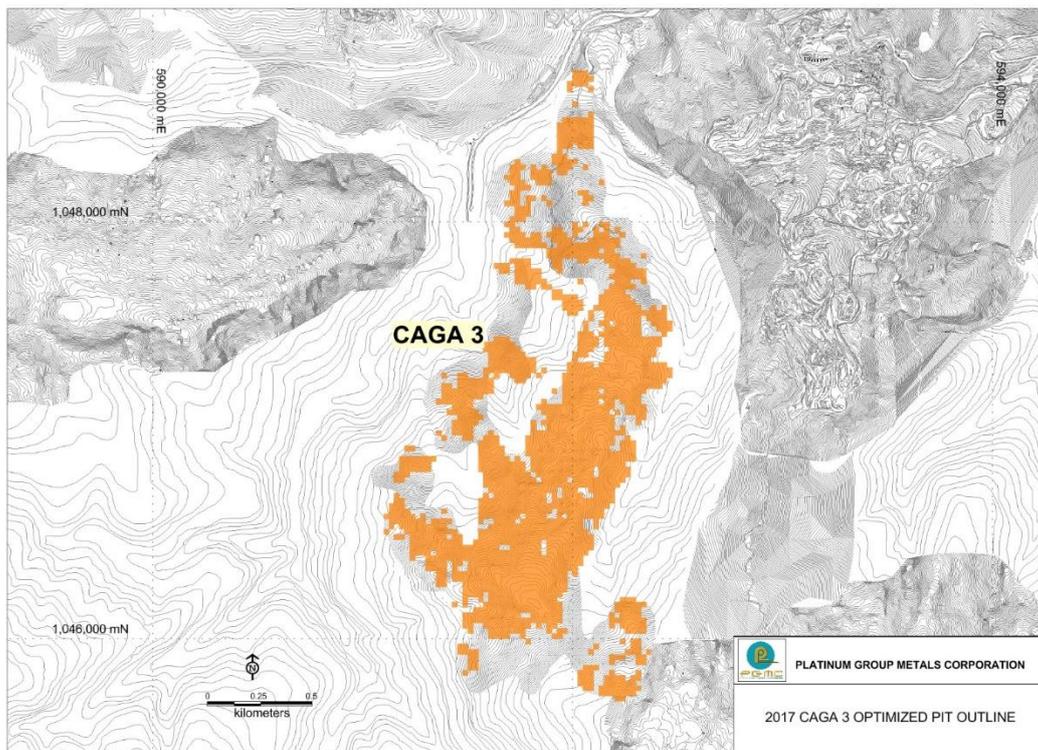


Figure 166. Optimized pit of CAGA4 Deposit

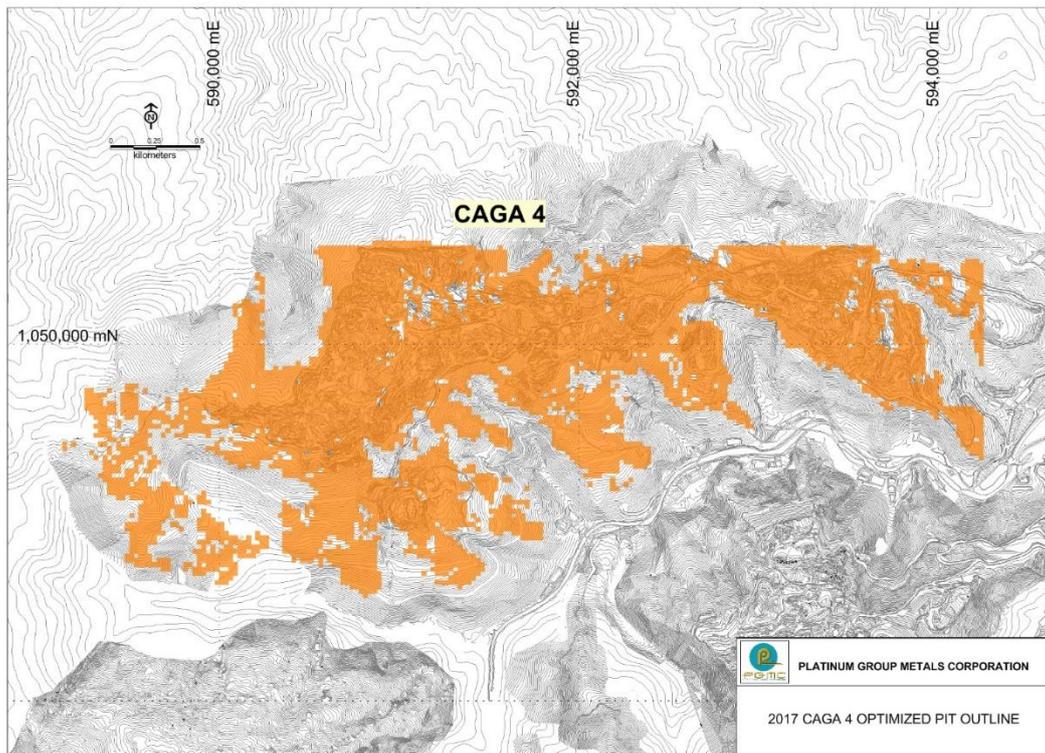


Figure 167. Optimized pit of CAGA5 Deposit

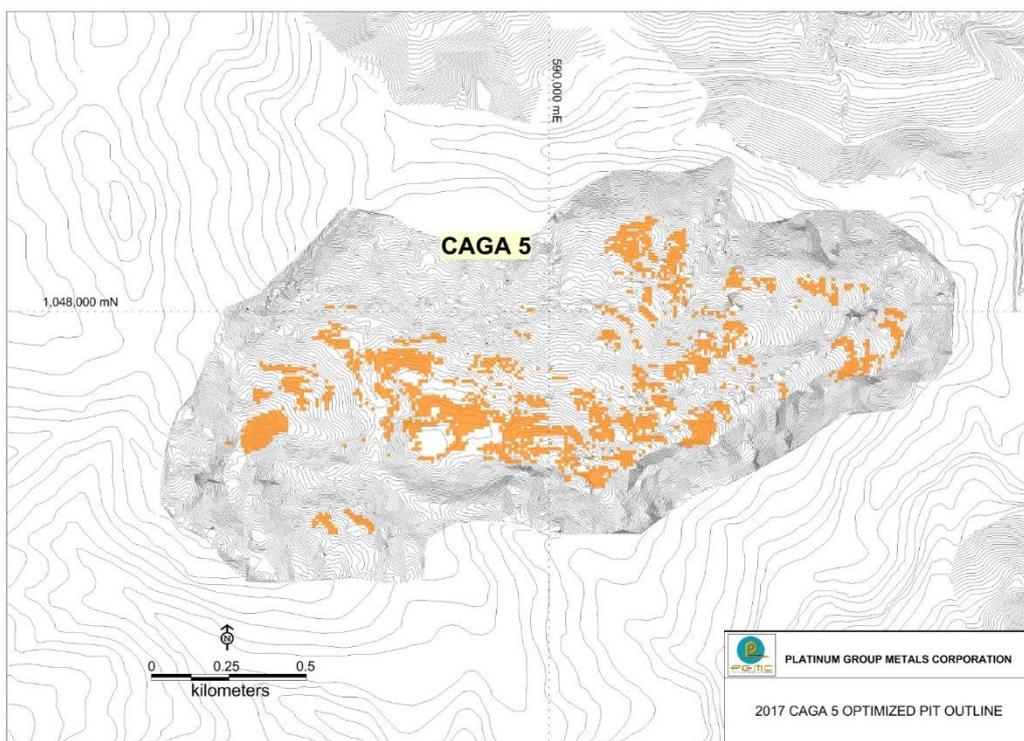
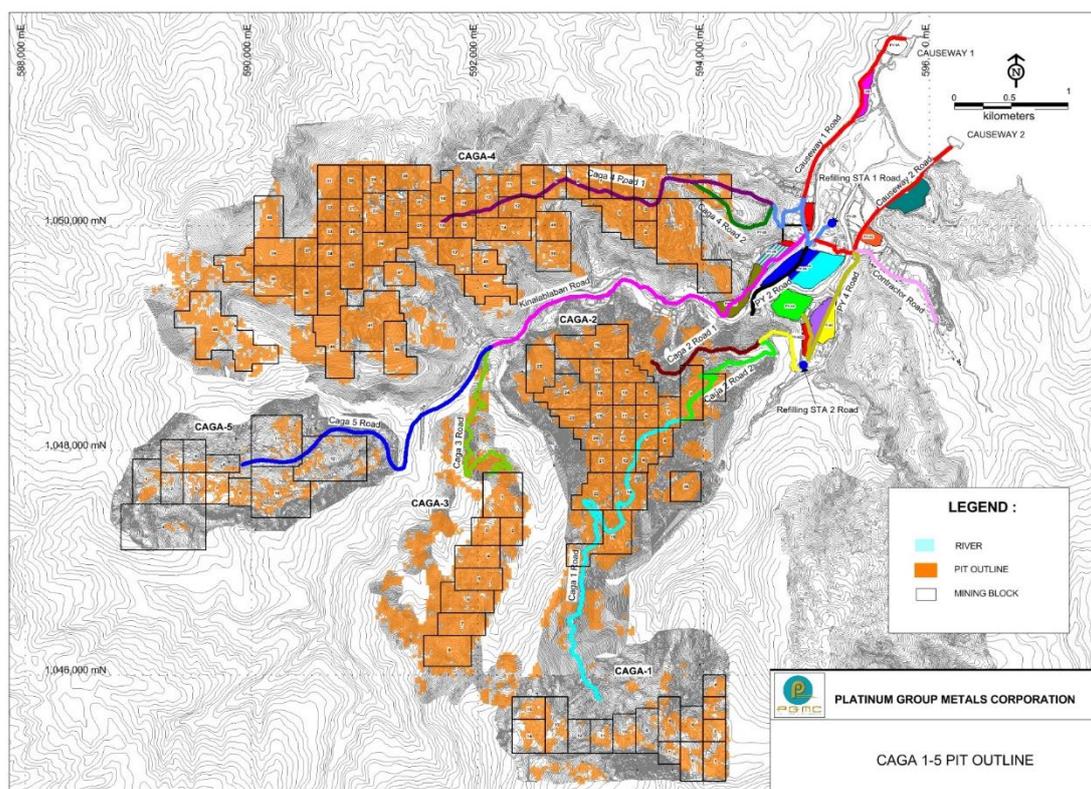


Figure 168. Optimized pits of CAGA1 to CAGA5 Deposits



12.5 Ore Reserves Classification

The ore reserves classification for this particular deposit considering the level of exploration which was conducted by BOHRER Mining Consulting Services for and in behalf of PGMC from October 2016 to March 2017 and mineral resource evaluation conducted by the Geologist-CP covers the following in accordance to the standards set forth under the PMRC Code (2007 Edition):

Under section 3.17 of the PMRC Implementing Rules and Regulations, an **Ore Reserve** is defined as the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments to a minimum of a preliminary feasibility study have been carried out, and include consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. In the case of integrated mining operations, the preliminary feasibility study will have determined an ore treatment plan that is technically and commercially viable and from which the mineral recovery factors are estimated. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

- In this report, an **Ore Reserve** pertains to a block model which was classified as either measured and/or indicated mineral resource by the Geologist-CP in which the block cells are assigned a net value based on a cost model which was constructed from costs estimates based on existing cost data, sound judgment and experience, subjected to pit optimization algorithms, constrained

to within the surface and generated optimized pit shells with ore loss and dilution allowances applied.

Proved ore reserve is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments to a minimum of pre-feasibility study have been carried out, and include consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

- In this report, a Proven Ore Reserve pertains to a block model which was classified as a measured mineral resource by the Geologist-CP in which the block cells are assigned a net value based on a cost model which was constructed from costs estimates based on existing cost data, sound judgment and experience, subjected to pit optimization algorithms, constrained to within the surface and generated economically optimized pit shells with ore loss and dilution allowances applied.

Probable ore reserve is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments to a minimum of preliminary feasibility study have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

- In this report, a Probable Ore Reserve pertains to a block model which was classified as an indicated mineral resource by the Geologist-CP in which the block cells are assigned a net value based on a cost model which was constructed from costs estimates based on existing cost data, sound judgment and experience, subjected to pit optimization algorithms, constrained to within the surface and generated economically optimized pit shells with ore loss and dilution allowances applied.

Further in this report, the inferred mineral resource which was identified by the Geologist-CP in the resource estimation was treated as waste during the pit optimization process and is not reported as ore.

12.6 Statement of Ore Reserves

As of ending **23 June 2017**, the Ore Reserves of PGMC stands at **36.3 Million wet metric tonnes at 1.22 %Ni and 31.72 %Fe** and is further distributed as follows:

Table 122. Statement of Ore Reserves of CAGA1 to CAGA5

Classification	Proven			Probable			Total			
	Material	WMT	Ni	Fe	WMT	Ni	Fe	WMT	Ni	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
Total		25,081,603	1.17	35.46	11,261,068	1.34	23.37	36,342,670	1.22	31.72

Table 123. Statement of Proven and Probable Ore Reserves by Pit

Pit	Classification	Proven			Probable			Total			
		Material	WMT	Ni	Fe	WMT	Ni	Fe	WMT	Ni	Fe
CAGA 1	LGHF		2,408,358	0.87	48.82	533,967	0.84	48.77	2,942,325	0.86	48.81
	LGMF		49,929	1.21	45.06	28,413	1.20	42.40	78,342	1.21	44.09
	LGLF		823	1.20	35.08	36,287	1.29	18.84	37,110	1.29	19.20
	MGMF		-	-	-	-	-	-	-	-	-
	MGLF		-	-	-	156,621	1.47	17.00	156,621	1.47	17.00
	HG		-	-	-	51,453	1.84	15.38	51,453	1.84	15.38
	Total		2,459,109	0.88	48.74	806,742	1.06	38.90	3,265,851	0.92	46.31
CAGA 2	LGHF		1,814,540	0.94	49.34	996,638	0.92	48.85	2,811,178	0.93	49.17
	LGMF		333,427	1.23	46.07	98,847	1.21	47.58	432,274	1.23	46.42
	LGLF		1,295,389	1.27	12.52	513,646	1.25	12.65	1,809,035	1.27	12.56
	MGMF		47,393	1.44	41.66	3,739	1.40	43.38	51,131	1.43	41.79
	MGLF		1,748,989	1.47	11.53	275,676	1.46	12.58	2,024,665	1.47	11.67
	HG		534,817	1.80	11.81	54,832	1.78	12.86	589,649	1.80	11.91
	Total		5,774,556	1.28	25.90	1,943,378	1.13	33.05	7,717,934	1.24	27.70
CAGA 3	LGHF		2,930,420	0.92	48.57	202,245	0.94	48.09	3,132,665	0.92	48.54
	LGMF		526,573	1.21	45.89	40,388	1.21	44.10	566,961	1.21	45.76
	LGLF		1,449,740	1.27	14.41	599,050	1.26	13.24	2,048,790	1.27	14.07
	MGMF		55,112	1.44	43.03	699	1.42	46.81	55,811	1.44	43.08
	MGLF		2,381,581	1.47	14.52	375,635	1.45	13.36	2,757,216	1.47	14.36
	HG		764,407	1.77	15.54	31,974	1.72	13.89	796,380	1.76	15.47
	Total		8,107,833	1.25	29.13	1,249,990	1.27	19.95	9,357,823	1.25	27.91
CAGA 4	LGHF		5,056,702	0.94	49.40	1,084,137	0.96	49.39	6,140,839	0.94	49.40
	LGMF		1,479,307	1.23	46.68	271,704	1.23	46.89	1,751,012	1.23	46.71
	LGLF		345,411	1.25	20.82	1,396,840	1.26	11.06	1,742,251	1.26	12.99
	MGMF		467,115	1.45	42.72	54,376	1.43	44.01	521,491	1.44	42.85
	MGLF		356,906	1.49	11.04	2,373,620	1.48	11.66	2,730,526	1.49	11.58
	HG		477,345	1.89	13.83	1,936,317	1.85	12.50	2,413,662	1.86	12.76
	Total		8,182,786	1.11	43.57	7,116,993	1.45	19.11	15,299,780	1.27	32.19
CAGA 5	LGHF		491,948	0.89	49.25	124,284	0.86	48.89	616,233	0.88	49.18
	LGMF		15,504	1.30	47.83	253	1.24	45.71	15,757	1.30	47.80
	LGLF		-	-	-	2,152	1.22	18.95	2,152	1.22	18.95
	MGMF		49,802	1.43	46.58	5,505	1.45	41.27	55,308	1.43	46.05
	MGLF		63	1.47	-	11,770	1.41	21.20	11,834	1.41	21.08
	HG		-	-	-	-	-	-	-	-	-
	Total		557,318	0.95	48.97	143,965	0.93	45.88	701,283	0.95	48.33

13.0 INTERPRETATIONS AND CONCLUSIONS

The Project is located within a mineral reservation in the Surigao Domain in the northeastern region of Mindanao Island identified as a nickel-iron laterite rich region derived from the weathering of Cretaceous ultramafic rocks of the Bicol-Eastern Mindanao Ophiolite Belt. The Project is covered by MPSA No. 007-92-X granted to Cagdianao Mining and Development Corporation (CMDC) on 13 June 1992 covering an area of 4,376.0 hectares which is valid for 25 years (until 12 June 2017). The MPSA was extended by the DENR Secretary for another 25 years on 21 June 2016 and valid until 20 June 2041.

A PMRC-Competent Person's Technical Report on Mineral Resource evaluation of Platinum Group Metals Corporation – Cagdianao Nickel Project (MPSA 007-92-X) was prepared by CP-Geologist Edgardo G. Garcia which reported measured and indicated mineral resource of **54.16 Million Dry Metric Tonnes at 1.1%Ni and 31.4%Fe** as of end **23 June 2017**.

On 01 October 2017, the Author, in its capacity as an independent consulting Mining Engineer-CP was engaged by PGMC to do an economic assessment and ore reserve evaluation for its Cagdianao Nickel Expansion Project and subsequently prepare a PMRC CP-Technical report for economic assessment and ore reserve evaluation for purposes of submission to the Philippine Stock Exchange.

Based on the 2014 Project Description as prepared by the PGMC mine engineering team, PGMC 2017 operating budget, 2016 to June 2017 actual operating cost data and other relevant data provided by the PGMC team, the project has been determined to be profitable as reflected in the detailed financial model prepared by the Author. Based on the Financial Analysis, the project with an initial investment of **PhP3.4 Billion or US\$68.0 Million**, has **Net Present Value (NPV)** of **PhP3.74 Billion or US\$ 74.8 Million**, **Internal Rate of Return (IRR)** of **72%** and a **Payback (discounted) period of 4.5 years**.

The proven and probable ore reserves estimate for the PGMC Cagdianao Nickel Expansion Project as at **23 June 2017** stands at **36.3 Million WMT at 1.22%Ni and 31.7%Fe**. The ore reserves estimate was proven to be viable based on the results of the economic assessment done by the "Author".

14.0 RECOMMENDATIONS

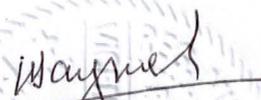
Further exploration work should be done to delineate additional mineral resource with the potential to be converted to ore reserves and extend the life of the mine to beyond its projected eight (8) years mine life at an annual mine production of 5.0 Million WMT. Peripheral drilling on CAGA1, CAGA4, CAGA5 as well as grass roots drilling at CAGA6, CAGA7 and HIGDON areas should be prioritized as a new road will be constructed which will provide easy access to these ore extensions when the exploration results are favorable. Other potential resource commodities such as limestone should also be studied as the SIRC tenement contains a considerable volume located at its western side. Chromite deposits have also long been identified to occur also within the SIRC tenement. Recent geological investigation conducted by PGMC suggests possible economic volume of chromite within the areas of CAGA2 and CAGA7 areas which warrants further detailed investigation.

The viability of putting up a mine-mouth Blast Furnace plant for NPI production to tap the vast low nickel-high iron ore potential within the tenement should be thoroughly studied. This will allow PGMC to further maximize its resource and value of its property thereby strengthening its position in the Philippine nickel mining industry as well as become a more reliable supplier to China and other potential markets.

Strategic mine planning should continue to focus on the long term outlook of the possibility of a Philippines export ban on unprocessed ore and the slow upward movement of prices and demand for carbon steel as against its effect on the ore reserves of PGMC. It should also determine the optimum production of the mine putting into consideration the future demand of nickel particularly the medium and high grade and the risk of slowing down on the low grade nickel-high iron ore exports if the prices of iron ore will not significantly increase. The strategic mine plan should address the question on the effect of the low grade nickel-high iron if it were to become a non-marketable product with the demise in demand of China.

The mine has been aggressively opening up new areas of CAGA2 and CAGA4 which could pose as an environmental risk since the disturbed areas are increasing fast and the implementation of the progressive rehabilitation program cannot cope due to possible cost constraints. In compliance to the EPEP and ECC conditionality, PGMC should continue to conduct progressive rehabilitation consistently to make up for the backlog in the area required for rehabilitation and re-vegetation to which the "Author" believes they can achieve.

The company should also look into acquiring additional tenements with high potential for nickel laterites in identified ultramafic domains particularly in Palawan, MIMAROPA as well as in Dinagat Island and in the southern part of Mindanao.


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APPENDIX- A

EXPLORATION PROTOCOL

(After BHPB- QNI Philippines)

1.0 INTRODUCTION

This document details exploration protocols to be implemented and followed in the conduct of the PGMC Exploration Program.

The protocols have been derived from the AUSIMM Field Geologists' Manual (Monograph 9) and the AUSIMM publication – Mineral Resource and Ore Reserve Estimation (Monograph 23).

The following systematic procedures should be adhered to at all times. If one stage is not followed then the exploration process is incomplete and this will reflect directly on the confidence level that can be applied during the critical resource estimation and reporting stages.

2.0 MAPPING

The general principles will be that mapping:

- Is always done by a geologist.
- Identifies surficial characteristics, bedrock geology, laterite and structure.
- Describes terrain in terms of topography i.e. elevation, slope, "grain", drainage etc
- Is used to create digital base maps.

2.1 Base Map

The scale of the base map will be 1:5000. The following details should be incorporated:

- Geology
- Topography
- Tenement boundaries
- Environmentally prohibited, restricted or sensitive areas
- Environment damage.
- 'Mined-out' areas
- Previous exploration activity (test pits, drill holes, trenches etc.)
- Infrastructure
- Vegetation
- Structure
- Planning (e.g. drill hole sites)

2.2 Geological Mapping

Detailed mapping can be undertaken by the geologist walking each of the grid lines and the map should be updated at *regular* intervals during the drilling program. All existing features such as creeks/tributaries, ridges/spurs, erosional windows/gullies, road-cuttings and trails should be mapped.

Equipment needed for orientation in the field can include aerial photographs, compass and tape and GPS.

In addition it is essential that all saprolite/bedrock outcrops be recorded along with the boundaries of the resource (limonite and saprolite). The topographic map can be used to assist in the mapping process.

2.3 Map Standards

Implementation of standardized formats, including symbols and essential cartographic elements should be done in order to make maps comprehensive and straightforward. The following symbols and colour fills are suggested:

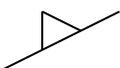
Lithology

Rock Type	Symbol	Colour
Peridotite	L L L L L	Green
Gabbro	┘ ┘ ┘ ┘	Blue
Laterite zone	┘ ┘ ┘ ┘	Yellow

Lithological boundaries

Line Type

Inferred Structures  Observed 

Faults  Joints 

Shoreline

Including major and minor tributaries - Dark blue in color

Archiving of Data

All raw drawings should be stored as DXF files. Final maps can be stored as CDR (Corel Draw File) or DWG (AutoCAD Drawing File). Associated tables can be archived as DBF, ASCII text or Access MDB files.

3.0 SURVEYING

A detailed topographic survey of all deposit areas will be made simultaneous to the implementation of the core drilling program. This survey will include the siting of previous test pits and bore holes. The technical requirements for the detailed survey are described in a separate document, which also incorporates the terms of reference for the survey.

In addition all new drilling sites will be surveyed in at regular intervals by professional surveyors.

The datum and accuracy of the drill collar and surface surveying will be checked by an independent resource consultant.

4.0 DRILLING

Drill holes will initially be sited by local survey teams using compass-measuring tape and GPS using holes/pits excavated during the previous programs as reference points. At regular intervals these sites will be accurately surveyed by professional surveyors.

As for the previous programs, drilling will be carried out using man-portable Koken rigs using NQ drill rods and tungsten carbide bits. Care must be taken to ensure that bedrock has been penetrated, however a *maximum* of three (3) metres into hard rock is suggested to avoid wastage of time and money (more metres drilled = extra cost).

Core recovery will be checked at the drill site after each 'run' and recorded in the core recovery sheet.

It is essential that all drilling be logged by a geologist so that he gains an intimate knowledge of all geological aspects of the deposit.

The following guidelines should be adhered to in the detailed logging of each bore hole:

Logging Codes

The following standard codes for logging have been modified to classify the saprolite according to grit/rock content:

LF	Red-brown limonite (overburden)
LA	Yellow limonite (without Mg staining or veins)
LB	Yellow limonite (with Mg staining or veins)
TM	Transition Material
SAP	Saprolite (gritty clay with <10% boulders of weathered bedrock)
R_SAP	Rocky saprolite (with 10 to 50% boulders of weathered bedrock)
S_ROCK	Saprolitic rock (with 50-90% bedrock)
SD	Serpentinized Dunite
SS	Serpentinite
H _z	Harzburgite

In addition the size of boulders in each sample interval should be recorded as follows to aid in the analysis of rock distribution and screening in the saprolite (and limonite where boulders rarely occur):

Code	Description
1	<20cm (will be acceptable for shipping)
2	20 – 50cm (will be screened at the grizzly)
3	>50cm (will be left in the pit)

Weathering Scale

The standard weathering scale is as follows:

Lithology	Classification	Characteristics
Fresh Rock	0	Black / green / light grey, unweathered, dense & hard
Saprolite	1	Black / brown, slightly weathered, discolored, still hard
	2	Brown / gray
	3	Pink / brown / green
	4	Pink / brown / green, friable, relatively low density with some remnant textures.
	5	Brown, yellow / red, pink / green-gray, very soft, original textures still visible
Limonite	5F	Yellow – red, very soft "soil-like", very low density to compact, mud-like texture
Ferricrete	6	Red-black, hard, includes pisolites

Combinations of the various weathering 'stages' could be used i.e., 2/3, 3/4, 2-5 or 0-3. The first number in double-digit references indicates the predominant weathering stage, but the numbers separated by a hyphen include all intermediate-weathering stages.

Photography

Photograph the core in boxes (three boxes to each exposure) using a digital camera.

To ensure consistent photography all cores should be wet. Each photograph should include a 'header board' showing project name, hole number, box numbers for the hole, and 'from and to' hole depth for the start and end of the boxes.

Field Supervision

Field staff will be required to:

- Supervise drilling for maximized core recovery
- Supervise core handling security in the field, in transit and in sampling
- Undertake core logging

Additional Comments

Other features / characteristics to be taken into consideration when logging core include:

- | | |
|--------------|--------------------|
| - texture | - friability |
| - grain size | - fracturing / RQD |
| - colour | |

Field Logging Sheets

The attached logging sheet (Appendix A) has been designed to conform to the above criteria and to be compatible with the resource database. In addition a core recovery sheet has been designed to reflect the recovery per 'run'.

5.0 SAMPLING

5.1 Sampling Procedure

Sampling of the drill core should preferably be done at one (1) meter intervals down the hole, except at lithological boundaries. Samples lengths across this boundary should stay in a range of $1.0 \pm 0.25\text{m}$ to avoid excessively short or long samples. Whole core sampling will be carried out to avoid any bias that could occur during splitting of the core (especially for saprolite).

5.2 Sample Preparation

Sample preparation on site was identified during the Adlay drilling campaign as a bottleneck between drilling and assaying of the samples.

Sampling will be carried out on site by QNPH who have constructed an appropriate sample preparation house and purchased equipment including a mobile jaw crusher, pulverizer and drying oven.

The sample preparation procedure is shown in Appendix C.

A strict record of duplicate samples must be kept as per attached Appendix D (sample submission sheet). These sheets are to be filed and are not to be distributed to the assaying laboratory.

5.3 Wet Density Determination

There are several alternative methods of measuring density, ranging from laboratory tests on small-scale samples to estimates based on bulk sampling.

It is proposed to follow a modified procedure used successfully at CAGA-4 i.e.

- Density determinations will depend on the thickness of limonite and saprolite in each borehole as follows:

	0 – 5m	6 – 10m	11 – 15m	16 – 20m
Limonite & Saprolite	1	1	1	1
Bedrock	One sample for every 5 boreholes			

- Use 10-15cm of 'representative' core.
- Care should be taken, especially in saprolite, not to bias the sample by including unrepresentative hard rock portions, or vice versa. If in doubt, do not sample.
- Weigh first in air and then immersed in water for 10 minutes so that voids are filled.
- Calculate SG using the following formula:

$$SG = \frac{\text{Weight in air}}{\text{Weight in air} - \text{Weight in water}}$$

In situ bulk densities will be measured if mini pits or small shafts are excavated, using standard geotechnical procedures (Appendix I).

5.4 Moisture Content Determination

Moisture content measurements will be obtained using the same frequency protocol as for the density determinations and according to the following method:

- Individual samples will be weighed prior to drying, and as soon as possible after transport from drilling sites to avoid water loss due to evaporation.
- The sample will then be weighed after drying but before sample crushing.
- The formula used for calculating the moisture percentage is:

$$MC\% = \frac{\text{Weight of wet sample} - \text{Weight of dry sample}}{\text{Weight of wet sample}} \times 100$$

After sample preparation 150-200gm pulp samples will be sent to McPhar Geoservices Laboratories in Manila for analysis. The freighting will be organized under strict supervision of QNI field staff.

It is recommended that batches of approximately 250-300 samples be submitted to enable consistent assessment of laboratory performance through insertion of standard samples with each batch.

Security of samples in respect of consistent numbering and transport supervision is essential.

6.0 ASSAYING

6.1 Method

Each sample will be analyzed at McPhar Laboratory in Manila for Ni, Co, Fe, Mg, Si and Al.

Instructions will be given on the standard sample submission sheet (see Appendix E) The analytical method is as follows:

- Ni, Co, Fe, Mg and Al will be assayed by dissolving a 25g charge with a two acid digest (using hydrochloric and nitric acid), and reading the results by Atomic Absorption Spectroscopy (AAS).
- Si analysis for the Feasibility drilling program by a gravimetric process.

6.2 Assay Data Quality Analysis

The objective of quality control of assays is to check the precision of sample preparation, consistent performance of the laboratory and accuracy of the laboratories' analytical results.

This can be achieved as follows:

Duplicate Samples

Duplicate samples will total about 5% of all samples (1 in 20) after preparation.

These samples will be selected subjectively by the Project Geologist to systematically cover the full range of lithologies. Each sample will have a unique number, which is different from the original and can be selected during the 'pulp to storage' stage of the sample preparation process (Appendix C).

For reference purposes all samples submitted for preparation should be accompanied by the sample submission sheet (Appendix D).

In this way a check can be made on the field homogenization process as well as a check on McPhar's analysis.

Standard Samples

A set of standard (reference) samples has been prepared by Intertek Testing Services (ITS) in Jakarta. These control samples consist of one high-grade limonite and one low-grade limonite (blank) taken from Mini Pit 237 at inner 1b on Adlay. They will be prepared, homogenized and placed in approximately 250 separate sample bags (100g each).

Separate batches of the prepared samples will be sent to Ostrea and independent laboratories in Australia for analysis (in order to calculate accepted average or benchmark values for each standard). Analysis will be for all six (6) relevant elements.

One of each standard sample is to be included with each 250 pulp sample batch that is to be freighted to McPhar in Manila.

The purpose of standard sampling is to monitor the accuracy of the assay process on a batch by batch basis. For example problems such as a change in instrument calibration or change in assay protocol can be detected and rectified.

Check Samples

Approximately 2% of the total sample reject pulps from McPhar's laboratory should be sent to at least one independent and internationally accredited laboratory. This equates to about 1 in 50 samples.

Samples should be taken across a broad spectrum of lithologies and sent at appropriate times *during* the program so a constant check on McPhar's analyses is maintained.

The recommended laboratory is Ultra Trace in Perth.

Note: Assay results should be transmitted initially in electronic format for ease of transcription into the data base, and finally in signed hard copies, which can be used for verification purposes.

7.0 GEOTECHNICAL

Geotechnical activities will be carried out during the entire exploration program.

While it is envisioned that a geotechnical program will be conducted by an independent geotechnical consulting contractor, it is essential that the geologist be acquainted with guidelines/procedures related to the geotechnical activities. The geologist may be needed to assist in the performance of these activities and at the same time he has to check/validate the consultant's work.

It should be noted that the designated geotechnical consultant will prepare the final geotechnical program, in coordination with PGMC.

Geotechnical activities that would require standards include:

- Geotechnical site investigations – with particular reference on soil and rock description during geotechnical logging.
- Geotechnical drilling – with emphasis on drilling and sampling equipment, standard penetration tests (SPT), piezometers, etc.
- Geotechnical testing – determination of the field density of a soil by the sand-cone method.

Geotechnical Site Investigation

This procedure describes the basic system used in describing soil and rock during geotechnical logging.

The terms used in this procedure are consistent with the Australian Standard for geotechnical site investigations (AS1726-1993).

Geotechnical Drilling

It is important that this procedure be discussed thoroughly with the drilling contractor prior to commencement of activity. Sampling of required samples at designated depths is essential otherwise re-drilling would be necessary, which is costly and time consuming.

Planning and execution of geotechnical drilling program must be done in close coordination between PGMC, the geotechnical consultant and drilling contractor.

Geotechnical Testing

Determination of field density of soils by the sand-replacement method using a sand-cone pouring apparatus is given on the standard – AS1289.5.3.1 – 1993.

Field tests using mini-pits may be considered for field density of laterites as technique is proven to give good correlation with core density tests.

8.0 DATA

8.1 Data Entry

Data entry and database maintenance will be undertaken in the field office using a Microsoft (MS) Access database, under the supervision of qualified geologists. The contribution of field staff will be as follows:

- Drill hole logging sheets

- Core recovery sheets
- Progressive digital copies of density and moisture content measurements.

The database will have Collar, Sample and Survey data tables.

The Collar Data Table will have borehole ID, surveyed collar locations, hole depth and average drilling recoveries (per borehole).

The Sample Data Table will have borehole and sample ID, sample intervals, Ni, Co, Fe, Si, Mg and Al analyses, density and moisture content measurements, logging information and core recoveries.

The Survey Data Table will have hole ID, depth, azimuth and dip.

The format of the data base is designed to be compatible with MicroLynx resource estimation software.

Assay results will be entered (copied) electronically from digital Excel files transmitted by e-mail from the laboratory on a batch by batch basis. Wait until *final* results have been received (for each batch) to avoid copying errors.

Survey data will also be transferred into the database on a progressive basis.

8.2 Data Verification

An internal validation audit carried out by PGMC technical staff will include:

Testing of physical data

- Verification using Gemcom Surpac/MicroLynx software to establish that duplicate entries were not made.
- Discrepancies or spurious data to be checked against original log sheets or with the responsible field geologist.
- Approximately 20% of original logs and assay sheets to be checked against the database for typographical errors.
- Review digital terrain model
- Where necessary correct surveying of previous and current drilling
- Correct entry of surface drill hole surveys onto the geological logs and into the data base
- Correct entry of sample recoveries into the data base
- Remember that major errors can be introduced through incorrect transcription of physical data.

Testing of analytical data

- Sample number verification
- Data base entry verification
- Quality control

8.3 Data Security

The security of samples and the integrity of the data base from interference and corruption are essential. Measures to be considered include:

- Supervision of core handling at the drill site
- Retaining core and sample rejects in locked storage
- Security measures for transportation of core and samples
- Laboratory security
- Restricted access to electronic and hard data
- Computer security
- Security of final reports
- All files must be backed up weekly onto CD and kept in a secure off-site locality.
- When network facilities are installed files can be backed up regularly onto the designated network drive (G).

9.0 RESOURCE ESTIMATION

All exploration staff must be familiar with the basic principles (JORC code of reporting and Yabulu specifications) and systematic functions of resource and reserve estimations.

Preliminary resource estimation can be done 'in-house' using MicroLynx software and standard polygonal and block modeling methods.

Interpretation of lithological zones for digitizing will be done by a geologist. In addition digitizing of these zones will be supervised and checked by geologists.

Validated digital copies of the database will be supplied to an internationally recognized consultant for an independent block model resource calculation. The consultant will also audit the entire exploration procedure.

10.0 REPORTING

A report reviewing the Geology, Mineralization and Mineral Resources of the Project will be produced with the following suggested format.

TABLE OF CONTENTS

1. Introduction
 - 1.1 Project Description
 - 1.2 Previous Exploration
2. Tenure
 - 2.1 Historical
 - 2.2 Current Status
3. Geology and Mineralization
 - 3.1 Regional Geology
 - 3.2 Prospect Geology
 - 3.3 Structure
4. Exploration and Evaluation
 - 4.1 Drilling
 - 4.2 Density Measurements
 - 4.3 Mini Pit Excavations
 - 4.4 Assaying

5. Estimation Procedures
 - 5.1 The Data Base
 - 5.2 Topographic Survey
 - 5.3 Geology
 - 5.4 Vertical Chemical Profiles
 - 5.5 Rock Distribution
 - 5.6 Variography
6. Modeling
 - 6.1 Topographic Surface
 - 6.2 Geological Model
 - 6.3 Block Model
 - 6.4 Grade Estimation Method
7. Mineral Resource Assessment Criteria
 - 7.1 Sampling Techniques and Data
 - 7.2 Estimation and Reporting of the Mineral Resources
8. Resource Statement
9. Additional Resource Potential
10. References

LIST OF FIGURES

- Figure 1: Locality Map
Figure 2: Tenure Map
Figure 3: Regional Geological Map
Figure 4: Geological Map
Figure 5: Schematic Lithological Profile
Figure 6: Drill Hole Location MAP
Figure 7: Topographic Map

11.0 HEALTH, SAFETY AND ENVIRONMENTAL COMMUNITY (HSEC)

Details of procedures include but not limited to the following:

Drill Sites

- Holes to be capped with pre-fabricated concrete plugs and clearly marked (PVC pipe) for future reference
- At each site all rubbish should be removed. This includes bags, gloves, food wrappers, water pipes and discarded machine parts
- Any ground contaminated by oil or diesel should be dug up and buried.
- The status of the drill site cleanup program should be the subject of a systematic field check

Field and Regional Office

- Key field staff must have done basic First Aid training.
- Compliance with PGMC accident/incident reporting procedures (forms available in digital format)

- Ensure that all field staff are properly versed in camp evacuation and emergency procedures. Written procedures should be strategically placed at all relevant offices and camps i.e. an approved Emergency Response Plan.
- Scheduled (monthly) field camp meetings by the Exploration Manager and Project Geologist, in particular to check on the maintenance of standards (e.g. first aid kits) and procedures e.g. the holding of weekly site meetings.
- Copies of the PGMC Safety Manual to be kept at field camps.
- Reporting of monthly statistics to be done by the Exploration Manager with input from field camp (project) managers.

Environmental

- Compliance with PGMC environmental standards and procedures in the Philippines.
- Preservation of indigenous vegetation, rehabilitating drill hole and fly campsites, securing test pits for safety (even if they were excavated by previous companies).
- Respect for Indigenous Cultural Communities and other communities that could be affected by the mining and exploration operations.

Community

- Before any fieldwork is carried out, consult with local authorities and community leaders to cultivate a working relationship and to obtain agreement (in writing if necessary) with the principles of our exploration program to be implemented.
- Employ and train local labor where possible.

12.0 SUMMARY OF EXPLORATION PROTOCOL

The following table represents a summary of the exploration activities to be carried out during the PGMC Exploration Program.

ACTIVITY	DESCRIPTION
Mapping	<ul style="list-style-type: none"> • Prepare base maps • Field mapping at 1:5000 scale
Siting bore holes	<ul style="list-style-type: none"> • Use previous sites as reference • Use compass and tape • Sites to be accurately surveyed later
Surveying	<ul style="list-style-type: none"> • Detailed topographic survey by independent contractor • Past and present drill sites to be accurately surveyed
Drilling	<ul style="list-style-type: none"> • Use man-portable core rigs • Check core recovery at drill site • Log and sample core at the base camp
Sampling	<ul style="list-style-type: none"> • Wet density determination • Whole core at \pm 1m intervals • Bulk moisture content determination • Field sample preparation as per protocol. • Freight sample pulps to Laboratory in Manila as needed. • Collect reject pulps at appropriate intervals and store at base camp

ACTIVITY	DESCRIPTION
Assaying	<ul style="list-style-type: none"> • To be done by laboratory- analyses for Ni, Co, Fe, Mg, SiO₂ and Al • Send pulps in batches of 300-400 • Insert duplicates (5%) • Standards and blanks must be included with each batch • 1 in 50 sample pulps sent to independent laboratory for check assaying.
Geotechnical	<ul style="list-style-type: none"> • Co-ordinate activities with the geotechnical consultant.
Data Entry	<ul style="list-style-type: none"> • Format Access database. • Enter geological, survey and density data from field sheets. • Copy final assay data from laboratory's electronic copy.
Data Verification	<ul style="list-style-type: none"> • Check for typographical errors. • Check survey model and entry. • Verify sample numbering.
Data Security	<ul style="list-style-type: none"> • Supervise drilling and sampling operations. • Implement security measures for storage, transportation, laboratory, reports and computers.
Resource Estimation	<ul style="list-style-type: none"> • Conduct in-house and independent estimations
Reporting	<ul style="list-style-type: none"> • Use a standard format
HSEC	<ul style="list-style-type: none"> • Implement proper procedures and controls at drill sites, camps and offices • Have a clearly marked Emergency Response Plan. • Ensure that community relations are maintained.

APPENDIX B

PMRC TABLE 1

**(Checklist of Assessment and Reporting
Criteria)**

Sampling Techniques and Data	
Criteria	Explanation
Core Sampling	<ul style="list-style-type: none"> • Sampling practice has aimed to consistently keep sample intervals around 1 m, but still sampled lithological zones separately. An Exploration Protocol has been adopted for the exploration programs.
Drilling Type	<ul style="list-style-type: none"> • Only NQ core drilling on regular 200, 100, 50 and 25m grids has been used for resource definition.
Core Logging	<ul style="list-style-type: none"> • Geologists have logged (starting August 2011) all drill core to consistent standards, detailing color, hardness, recovery and lithology. Logging has been encoded and completed for sampled interval allowing integration of the data with assays and application of logging in interpretation and estimation.
Sample Type	<ul style="list-style-type: none"> • Only whole NQ core was used for sampling and assaying. This has eliminated issues regarding drill core splitting.
Core Recovery	<ul style="list-style-type: none"> • Limonite recovery is generally excellent at almost 100%. Saprolite recovery is more or less consistent at about 85%. Overall total core recovery is very high at 95.67% for the recent CAGA-2 and CAGA-3 drilling programs. There are only a small number of very low recovery intervals.
Assay QA/QC	<ul style="list-style-type: none"> • Assays were conducted by PGMC in-house and Intertek for QA/QC external repeats. The PGMC laboratory analysis of samples generally shows acceptable repeatability and bias to be acceptable for use in resource estimation.
Verification	<ul style="list-style-type: none"> • No verification of the limonite and saprolite by twin DHs or mini pits is currently available.
DH Locations	<ul style="list-style-type: none"> • All drill hole collars have been surveyed by PGMC in-house. The accuracy has been validated by field checks conducted.
Data Density	<ul style="list-style-type: none"> • Good correlation of thickness and grade are evident in the limonite suggesting the regular 50m drilling grid is adequate to define the resource to a high degree of confidence (measured) Significant variability in the proportion of rock and fines in the saprolite has led to greater variance in the expected grade and hence would require closer-spaced drilling (25m).
Reporting of Exploration Results	
Land Tenure	<ul style="list-style-type: none"> • PGMC has assured and binding legality of tenure rights. The MPSA has been extended until 2041.
Exploration	<ul style="list-style-type: none"> • All resource data used were compiled by BOHRER Mining Consulting Services and PGMC.

<i>Data Aggregation</i>	<ul style="list-style-type: none"> • <i>Drilling data were composited to an optimized 1m composite to remove potential bias, which could result from small or uneven sample intervals.</i>
<i>Balanced Reporting</i>	<ul style="list-style-type: none"> • <i>All core drill hole data with complete assay results was used. Similar resource evaluation may be made by third- party consultants to validate results if necessary.</i>
Estimation and Reporting of Mineral Resources	
<i>Database Integrity</i>	<ul style="list-style-type: none"> • <i>Minor drill hole database errors were discovered and these typographical errors were corrected from hard copy drill log sheets.</i>
<i>Geological Interpretation</i>	<ul style="list-style-type: none"> • <i>Continuity of the limonite and saprolite thickness was established by core drilling. Interpolation was done conservatively as necessary.</i>
<i>Estimation Method</i>	<ul style="list-style-type: none"> • <i>A combination of Ordinary Kriging (OK) and Inverse Distance Weighing (IDW) was used for all grade estimation. Appropriate block sizes were made to allow accurate volume estimation and representation of the topographic undulation. Small blocks have maintained the strong vertical grade trend within the resource.</i>
<i>Cut-off Grades</i>	<ul style="list-style-type: none"> • <i>(1) $\geq 0.70\%$ Ni, $\geq 48\%$ Fe;</i> <i>(2) $\geq 0.80\%$ Ni to $< 1.5\%$ Ni, $< 48\%$ Fe, and</i> <i>(3) $\geq 1.5\%$ Ni, $< 48\%$ Fe</i>
<i>Mining and Metallurgical Factors</i>	<ul style="list-style-type: none"> • <i>None were applied for resource estimation.</i>
<i>Audits</i>	<ul style="list-style-type: none"> • <i>No independent audits were made to date.</i>
<i>Relationships</i>	<ul style="list-style-type: none"> • <i>The strong vertical trend is well defined and typical for tropical Ni laterite deposits. Topography and weathering are the dominant geological controls. Both topography and grade trends have been considered by the resource estimation approach.</i>
<i>Tonnage Factors</i>	<ul style="list-style-type: none"> • <i>All density and tonnage factors were calculated as dry in-situ tons.</i>
<i>Bulk Density</i>	<ul style="list-style-type: none"> • <i>The density values used were derived from field tests/measurements done on sufficient core samples of appropriate material types.</i>

Estimation and Reporting of Ore Reserves		
Criteria	Explanation	Comments
Mineral Resource estimate for conversion to Ore Reserves.	<ul style="list-style-type: none"> Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve. 	<p><i>The independent CP Technical Report on measured and Indicated mineral Resource estimated by the Geologist-CP Edgardo G. Garcia as of end 01 October 2017 has been utilized for the ore reserve estimate.</i></p>
	<ul style="list-style-type: none"> Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves. 	<p><i>The measured and indicated mineral resource estimated by the Geologist-CP Edgardo G. Garcia is inclusive of and are not additional to the ore reserves estimates reported.</i></p>
Study status.	<ul style="list-style-type: none"> The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves. 	<p><i>Ore Reserves were estimated using a specialized open pit mine planning software packages, which includes the pit optimization program of Geovia Surpac and Geovia Whittle</i></p>
	<ul style="list-style-type: none"> The Code does not require that a final feasibility study has been undertaken to convert Mineral Resources to Ore Reserves, but it does require that appropriate pre-feasibility studies will have been undertaken that will have determined a mine plan that is technically achievable and economically viable, and that all Modifying Factors have been considered. 	<p><i>The input parameters selected by Mining Engineer-CP are based on the review of the 2014 Project Description which is considered to be of at least pre-feasibility level geology, Actual mine cost as of June 2017, 2016 PGMC actual cost, PGMC mine operating budget for 2017 and mining studies completed by PGMC, discussions with site personnel and site visit observations.</i></p> <p><i>From the 2014 Project Description provided for by PGMC for review, it was found that a material change occurred in the mining cost structure, specifically the mining activities originally carried out by PGMC itself was contracted out to mine contracting companies beginning in March 2017. Mining Engineer-CP has adjusted the cost structure from the Financial Model based on actual costs and fees.</i></p>
Cut-off parameters.	<ul style="list-style-type: none"> The basis of the cut-off grade(s) or quality parameters applied. 	<p><i>The Ore Reserve estimate is determined from the quantity of mineralised rock able to be blended to achieve marketable product specifications:</i></p> <p><i>LGHF: <1.20%Ni, >=47%Fe;</i> <i>LGMF: >=1.20% to <1.40%, >=40% to <45%Fe;</i> <i>LGLF: >=1.20% to <1.40%, <40Fe;</i> <i>MGMF: >=1.40% to <1.70%Ni, >=30%Fe;</i> <i>MGLF: >=1.40% to <1.70%Ni, <30%Fe;</i> <i>HG: >=1.70%Ni, Regardless of Fe</i></p>
Mining factors or assumptions.	<ul style="list-style-type: none"> The method and assumptions used to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate 	<p><i>The two main deposits (CAGA 2 and CAGA 4) are currently being mined using open-pit mining method while three other deposits (CAGA 1, 3 and 5) are yet to be mined using the same method. The Mining Engineer-CP evaluated the block models used to estimate the Mineral</i></p>

	<p>factors by optimization or by preliminary or detailed design).</p>	<p><i>Resource, using a pit optimisation software package Geovia Whittle to identify economic pit limits and starting points for mining based on generated nested pit shells using Milawa NPV algorithm.</i></p>
	<ul style="list-style-type: none"> ▪ The choice of, the nature and the appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc. 	<p><i>The operation employs an open cut (contour) block mining and due to the soft nature of the ore does not require drilling and blasting. Prior to mining, vegetation must be cleared and grubbed with 0.5m of topsoil removed since this contains tree roots or organic matter that cannot be sold on the market. Overburden is also mined and stockpiled for use in the future when the specifications become marketable. Material is mined using backhoe excavators to load dump trucks that transport the ore to stockyards. The ore is delivered to the causeways where it is loaded to the barges at the piers. The barges transfer the ore to shipping vessels where ore is blended into shipping specifications.</i></p>
	<ul style="list-style-type: none"> ▪ The assumptions made regarding geotechnical parameters (eg. pit slopes, stope sizes, etc.), grade control and pre-production drilling. 	<p><i>A pit slope of 45 degrees was used taking into account the shallow deposit and current mining faces at the site. A bench slope of 80 degrees as used.</i></p> <p><i>Blending and grade control was considered in the scheduling process by classifying different ore class within the block model and pre-blending them into marketable ore products. These six (6) identified marketable ore products were the basis for the preparation of a cost model that resulted to the computation of net value which was used for the Geovia Whittle pit optimization.</i></p>
	<ul style="list-style-type: none"> ▪ The major assumptions made and Mineral Resource model used for pit optimization (if appropriate). 	<p><i>The following major assumptions were used in the pit optimization:</i></p> <p><i>Pit slope – 45 degrees;</i></p> <p><i>Ore price – based on price trends analyzed from historical price data;</i></p> <p><i>Operating Cost – based on the 2014 Project Description, 2016 and 2017 Actual Operating Cost, 2017 Operating Budget, Mining Contracts, Barging Contracts;</i></p> <p><i>Block Model – Five (5) block models covering the CAGA1, CAGA2, CAGA3, CAGA4 and CAGA5 as prepared by the Geologist-CP Edgardo G. Garcia;</i></p> <p><i>Topographic Surface – Depletion surface of CAGA2 and CAGA4 as at end 23June 2017 and Actual topographic survey of CAGA1, CAGA3 and CAGA5 conducted during exploration;</i></p>

	<ul style="list-style-type: none"> ▪ The mining dilution factors, mining recovery factors, and minimum mining widths used. 	<p><i>Mining Dilution for nickel used was 3% and Ore Loss of 10%-15% and minimum mining width of five (5) meters were taken from the 2014 Project Description and mine reconciliation studies on CAGA2 and CAGA4. The Mining Engineer-CP believes that these are still appropriate.</i></p>
	<ul style="list-style-type: none"> ▪ The infrastructure requirements of the selected mining methods. 	<p><i>Access/haul roads, stockpiling yards, causeway and piers are necessary for the transport of the ore from mine to ship.</i></p>
<p>Metallurgical factors or assumptions.</p>	<ul style="list-style-type: none"> ▪ The metallurgical process proposed and the appropriateness of that process to the style of mineralization. 	<p><i>This project is a DSO operation with no processing plants on the site and does not assume and form of on-site upgrading.</i></p>
	<ul style="list-style-type: none"> ▪ Whether the metallurgical process is well-tested technology or novel in nature. 	<p><i>Not applicable to this project.</i></p>
	<ul style="list-style-type: none"> ▪ The nature, amount and representativeness of metallurgical testwork undertaken and the metallurgical recovery factors applied. 	<p><i>Not applicable to this project.</i></p>
	<ul style="list-style-type: none"> ▪ Any assumptions or allowances made for deleterious elements. 	<p><i>The topsoil or around 0.5m of the un-mined surface contains tree roots and organic matter that cannot be sold on the markets since it is damaging to the smelter. This has been considered in the "overburden" classification in the model.</i></p>
	<ul style="list-style-type: none"> ▪ The existence of any bulk sample or pilot scale testwork and the degree to which such samples are representative of the orebody as a whole. 	<p><i>Not applicable to this project.</i></p>
<p>Cost and revenue factors.</p>	<ul style="list-style-type: none"> ▪ The derivation of, or assumptions made, regarding projected capital and operating costs. 	<p><i>The projected capital and operating costs were taken from the 2017 CAPEX plan of the civil works section under the Office of the VPO, 2014 Project Description, 2017 Operating budget, Schedule of assets and book value as of end June 2017, existing mining and barging contracts for Year 2017 and 2016-2017 actual operating costs of which the Mining Engineer-CP finds to be reasonable.</i></p>
	<ul style="list-style-type: none"> ▪ The assumptions made regarding revenue including head grade, metal or commodity price(s) exchange rates, transportation and 	<p><i>The FOB ore pricing assumptions were taken from the actual 2012 to September 2017 actual averages of the floor, average and high values taken from the website of www.nieba.cn which monitors actual price movement from the Philippines to China ports. Ore pricing from the</i></p>

	<p>treatment charges, penalties, etc.</p>	<p><i>LME and KITCO price monitoring were also correlated with the price assumptions and was found to be reasonable based on the observation of the Mining Engineer-CP.</i></p>
	<ul style="list-style-type: none"> ▪ The allowances made for royalties payable, both Government and private. 	<p><i>Royalties and taxes such as claim owner royalty, Indigenous People royalty, mineral reservation royalty, business taxes and fees were also considered in the financial analysis.</i></p>
Market assessment.	<ul style="list-style-type: none"> ▪ The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future. 	<p><i>Nickel laterite ore demand from the Philippines is expected to increase even if Indonesia's ban on the exports of unprocessed ores have been partially lifted. There is currently a shortage of nickel laterite ore stock and this has increased its ore selling price particularly on the medium and high grade nickel ore. Although Indonesia has started its value added exporting to China, the volume of nickel is still way below their target 200,000 tonnes nickel. The closure/suspension of nickel mines in the Philippines as a result of the DENR Audit spearheaded by the new administration's appointed Secretary Gina Lopez will see a significant decrease of feedstock supply to china at around 40% by volume or 55% of the gross value. However, with the appointment of the new DENR Secretary Roy Cimatu, Philippines will see some resumptions of operations of suspended nickel mines as he claims to be a follower of due process of Law.</i></p>
	<ul style="list-style-type: none"> ▪ A customer and competitor analysis along with the identification of likely market windows for the product. 	<p><i>The main market demand will be from China and its ferronickel smelters and steel mills. There are many nickel laterite producers around the region. Competitors around the region are able to sell products that are currently lower specification than the Clients lowest product specification (0.9 % ≤ Ni < 1.2% & Fe ≥ 48%). The Mining Engineer-CP believes that the ore grades for the RKEF and AEF feed will likely go down as the price of the medium and high grade nickel ore will become higher. The lower grade nickel (low iron) will likewise serve as an alternative cheap source of blend ore.</i></p>
	<ul style="list-style-type: none"> ▪ Price and volume forecasts and the basis for these forecasts. 	<p><i>Product specifications for the 6 products currently being sold by PGMC on the market were considered and reviewed by the Mining Engineer-CP in this study. The Mining Engineer-CP has viewed supply contracts demonstrating that mining is able to keep up with demand from the market.</i></p>
	<ul style="list-style-type: none"> ▪ For industrial minerals the customer specification, 	<p><i>Not applicable.</i></p>

	testing and acceptance requirements prior to a supply contract	
Other.	<ul style="list-style-type: none"> ▪ The effect, if any, of natural risk, infrastructure, environmental, legal, marketing, social or governmental factors on the likely viability of a project and/or on the estimation and classification of the Ore Reserves. 	<i>The mine is already operational. All factors were already considered and acted upon with the submission of programs as mandated by the Government. The result of the DENR Audit was positive allowing PGMC to continue its operation.</i>
	<ul style="list-style-type: none"> ▪ The status of titles and approvals critical to the viability of the project, such as mining leases, discharge permits, government and statutory approvals. 	<i>All necessary approvals and licenses such as the Mineral Production Sharing Agreement are in place. The renewal of the MPSA was granted on 21 June 2016 valid for another 25 years or up to 20 June 2041.</i>
Classification.	<ul style="list-style-type: none"> ▪ The basis for the classification of the Ore Reserves into varying confidence categories. 	<i>Proven and Probable Ore Reserves were classified based on the measured and indicated Mineral Resources.</i>
	<ul style="list-style-type: none"> ▪ Whether the result appropriately reflects the Competent Person(s)' view of the deposit. 	<i>The result appropriately reflects the Mining Engineer-CPs view of the deposit.</i>
	<ul style="list-style-type: none"> ▪ The proportion of Probable Ore Reserves which have been derived from Measured Mineral Resources (if any). 	<i>All of the proven and probable Ore Reserves have been derived from the measured and indicated Mineral Resource as estimated by the Geologist-CP Edgardo G. Garcia.</i>
Audits or reviews	<ul style="list-style-type: none"> ▪ The results of any audits or reviews of Ore Reserve Estimates 	<i>Third party audits were previously done by SRK and Runge Pincock Minarco in the year 2014 with comparable results to the previous PMRC estimates for mineral resources and ore reserves.</i>
Discussion of relative accuracy/ confidence.	<ul style="list-style-type: none"> ▪ Where appropriate a statement of the relative accuracy and/or confidence in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if 	<i>The relative accuracy of the statement of the Ore Reserves was based on the Economic Assessment made on the project applying sensitivity analysis to prove its viability thru the derivation of the NPV.</i>

	<p>such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate.</p>	
	<ul style="list-style-type: none"> ▪ The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages or volumes, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. 	<p><i>All related confidence level work was undertaken based on the results of global estimates.</i></p>
	<ul style="list-style-type: none"> ▪ These statements of relative accuracy and confidence of the estimate should be compared with production data, where available. 	<p><i>The 2007-June 2017 shipment data and ending stockpile inventory as of 30 June 2017 of PGMC shows good correlation with the depletion surfaces (CAGA2 and CAGA4) which gives good accuracy and confidence as to the Ore Reserves estimate done on the deposits.</i></p>

ANNEX B

PMRC- Competent Person's Report

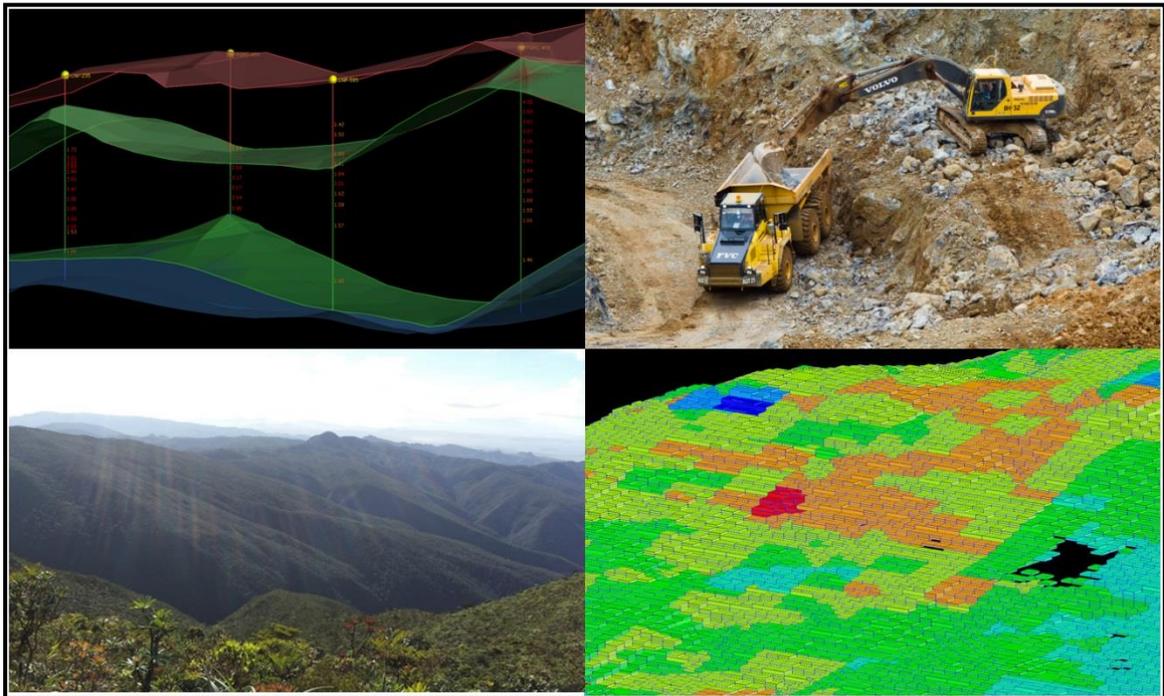
Mineral Resource Evaluation

Platinum Group Metals Corporation

Cagdianao Nickel Expansion Project (MPSA 007-92-X)

October 01, 2017

**PMRC- COMPETENT PERSON'S REPORT
MINERAL RESOURCE EVALUATION
PLATINUM GROUP METALS CORPORATION
CAGDIANAO NICKEL MINE PROJECT (MPSA 007-92-X)
BRGY. CAGDIANAO, MUNICIPALITY OF CLAVER
SURIGAO DEL NORTE, MINDANAO
PHILIPPINES**



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PMRC- CP (100904)
MAusIMM (224215)
01 OCTOBER 2017**

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IMPORTANT INFORMATION ABOUT THIS TECHNICAL REPORT

1. The Client

This Technical Report has been prepared and produced by Geologist-CP, **Edgardo G. Garcia**, (“the Author”) solely for Platinum Group Metals Corporation, (“the Client”).

2. Client Use of Report

The Client’s use of this Technical Report is subject to the terms and conditions under which (“the Author”) prepared the Technical Report. As discussed, agreed and understood with the Client, this Technical Report is intended to estimate, evaluate, update and report the mineral resources of the Cagdianao Nickel Project using recent data from the CAGA-2 and CAGA-3 completed exploration/drilling program and previous data from CAGA-1, CAGA-4 and CAGA-5 deposits. It is also intended to be used as a supporting document in PGMC’s planned follow-on offering (FOO) at the Philippine Stock Exchange (PSE).

3. Notice to Third Parties

This Technical Report was prepared for the Client only. If you are not the Client, kindly take note:

- This Technical Report is generated to the specific and particular needs of the Client, and in accordance with the Client’s instructions and objectives. The Technical Report has no regard to any other person’s/third party’s particular needs or interests.
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This Technical Report has been prepared for the Client and must be read in its entirety and subject to the third-party disclaimer clauses contained in the body of the Technical Report.

5. Updated and Final Report

This is an updated Technical Report having considered all the available geological data gathered from the just concluded exploration/drilling that covered CAGA-2 and CAGA-3 deposits and previous data from CAGA-1, CAGA-4 and CAGA-5 deposits of PGMC's Cagdianao Nickel Project.

CERTIFICATION AND CONSENT OF THE COMPETENT PERSON

As the Principal Author of the “**PMRC- COMPETENT PERSON’S REPORT ON MINERAL RESOURCE EVALUATION OF PLATINUM GROUP METALS CORPORATION-CAGDIANAO NICKEL MINE PROJECT (MPSA 007-92-X)**” dated 01 October 2017 for the PGMC Nickel Project located in Sitio Kinalablaban, Barangay Cagdianao, Municipality of Claver, in the south-eastern part of Surigao del Norte Province, Mindanao, Philippines, I, Edgardo G. Garcia, do hereby certify that:

- I currently work as an Independent Consulting Geologist- Competent Person and was engaged by Platinum Group Metals Corporation (PGMC) to prepare an independent assessment and resource reporting for the PGMC Nickel Project in a manner compliant with PMRC standards and requirements.
- I graduated with a Bachelor of Science degree in Geology from the Mapua Institute of Technology (B.Sc. Geology) in 1981.
- I am a Certified Professional Geologist (Reg. No 761) under the Philippine Professional Regulations Commission and a member in good standing of the Geological Society of the Philippines.
- I am a member of the Australasian Institute of Mining and Metallurgy (MAusIMM) (No.224215) and PMRC (No.100904). My CP accreditations are valid at the time of filing of this certificate.
- I have practiced the profession as a geologist in the mining industry for over 35 years and have extensive experience working on minerals (particularly nickel laterite deposits) and coal properties in the Philippines, Indonesia, Australia and New Caledonia.
- I have sufficient relevant experience (close to 20 years) to the style of nickel laterite development/deposition and type of nickel deposits under consideration and to the activity which I am undertaking to as a Competent Person (CP) as defined in the PMRC Code of 2007 and the 2007 and 2012 Editions of the JORC Code for Reporting Exploration Results, Mineral Resources and Ore Reserves.
- I have previously worked at the Cagdianao Area and other adjacent Surigao nickel laterite deposits during my employment with BHPB-QNI from 1998- 2006 and thus, I am very familiar with the nickel laterite deposits.
- I have supervised the recent PGMC Cagdianao Nickel Project exploration drilling program from its inception on October 2015 to its completion on June 2017.
- I have read the definition of “Competent Person” set out in the PMRC Code of 2007 and JORC Code (2004 and 2012 Editions) and certify that by reason of my education, affiliation with professional associations (as defined in the code) and past relevant work experience, I fulfill the requirements to be a “Competent Person” for the purposes of the Technical Report.
- I am the primary author responsible for the compilation and preparation of the Technical Report. I also supervised Mining Engineers Carlo A. Matilac, May Elaine C. Amora and Sr. Geologist Rainier B. Matusalem on their collective works in data verification/validation, final data interpretation, resource estimation and report preparation.
- I am not aware of any fact or change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.

- I have had no previous involvement with the Platinum Group Metals Corporation Nickel Project. I have no interest, nor do I expect to receive any interest, either directly or indirectly, neither in the Nickel Project, nor in the securities of PGMC during its future listing that could be reasonably regarded as being capable of affecting my independence.
- My fee for completing this Report is based on normal professional rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the Report.
- I am independent of the client who requested for this Technical Report which will serve as supporting document in PGMC's planned follow-on offering (FOO) at the Philippine Stock Exchange (PSE).
- I consent to the public filing of this report, extracts or summary here from, in the written disclosure being filed in the context in which it was prepared and reported.
- This certificate and consent applies to the Report:

**“PMRC- COMPETENT PERSON’S REPORT
MINERAL RESOURCE EVALUATION
PLATINUM GROUP METALS CORPORATION
CAGDIANAO NICKEL MINE PROJECT (MPSA 007-92-X)
BRGY. CAGDIANAO, MUNICIPALITY OF CLAVER
SURIGAO DEL NORTE, MINDANAO
PHILIPPINES”**

EDGARDO G. GARCIA
Reg. Geologist (PRC No. 761)
PMRC (CP No. 100904)
MAusIMM No. 224215
PTR No. 3096976
Date Issued- March 17, 2017

Abbreviation List

AusIMM	Australasian Institute of Mining and Metallurgy
Al ₂ O ₃	Alumina
BD	Bulk Density
block_vol	volume of a cell in a block mode
°C	Degrees Celsius
Co	Cobalt
CP	Competent Person
CPR	Competent Person's Report
Cr	Chromium
Cr ₂ O ₃	Chromium (III) oxide
CMDC	Case Mining & Development Corporation
CTPCDC	CTP Construction & Development Corporation
D	Dunite
DENR	Department of Environment and Natural Resources
E	East
EIA	Environmental Impact Assessment
EIS	Environmental Impact Statement
Fe	iron
g	gram
>	greater than
GPRI	GeoPacific Resources, Inc.
GSP	Geological Society of the Philippines
ha	Hectare
Hz	Harzburgite Bedrock
Ind	Indicated
Inf	Inferred
JORC	Joint Ore Reserves Committee
Kg	Kilogram
Km	Kilometer
km ²	square kilometer
LA	Yellow limonite
LB	Yellow limonite
<	less than
LF	Red-brown limonite
m	Meter
M	Million
m ³	cubic meter
Mes	Measured
MGB	Mines and Geosciences Bureau
MgO	Magnesium Oxide
MPSA	Mineral Production Sharing Agreement

Mt	Million tonnes
Mtpa	Million tonnes per annum
Mwt	Million wet tonnes
N	North
Ni	Nickel
num_al2O3	number of alumina samples
num_co	number of cobalt samples
num_cr	number of chromium samples
num_fe	number of iron samples
num_mgo	number of magnesium oxide samples
num_ni	number of nickel samples
num_sio2	number of silicate samples
%	percent
RPM	Runge Pincock Minarco
PGMC	Platinum Group Metals Corporation
PMRC	Philippine Mineral Reporting Code
PSEM	Philippine Society of Mining Engineers
QA/QC	Quality Assurance/Quality Control
R_SAP	Rocky saprolite
S	South
S_ROCK	Saprolitic rock
SAP	Saprolite
SD	Serpentinized Dunite
SG	Specific gravity or dry bulk density
SHz	Serpentinized Harzburgite
SiO ₂	Silica
SIRC	Surigao Integrated Resources Corporation
SRK	SRK Consulting China Limited
SS	Serpentinite
t	Tonnes
TM	Transition Material
tpa	tonnes per annum
W	West
WMT	Wet Metric Tonnes
XRD	X-ray diffraction
XRF	X-ray fluorescence

EXECUTIVE SUMMARY

The Platinum Group Metals Corporation (“PGMC”) engaged the “Author”, Edgardo G. Garcia, a Geologist- CP to prepare a PMRC compliant CP Technical Report on the updated mineral resources of the Cagdianao Nickel Project (“Cagdianao Project”) located in Sitio Kinalablaban, Barangay Cagdianao, Claver, Surigao Del Norte, in north-eastern Mindanao, Philippines.

The Project is located within a mineral reservation in the Surigao Domain in the northeastern region of Mindanao Island identified as a nickel-iron laterite rich region derived from the weathering of Cretaceous ultramafic rocks of the Bicol-Eastern Mindanao Ophiolite Belt.

The Project is covered by MPSA No. 007-92-X granted to Case Mining and Development Corporation (“CMDC”) on 13 June 1992 covering an area of 4,376.0 hectares which is valid for 25 years until 2017. The Surigao Integrated Resources Corporation (“SIRC”) was granted a “Deed of Assignment” from CMDC by the DENR-MGB on 15 September 2006 which then was 100% owned by Platinum Group Metals Corporation (“PGMC”) by 2007. The MPSA was renewed and extended for another 25 years on 21 June 2016 and valid until 2041.

PGMC commenced development of the CAGA-4 deposit on January 2007 with an Environmental Compliance Certificate (EEC) authorized annual production capacity of 1.4 million tons shared with CTP Construction and Development Corporation (CTPCMC), another company operating its Adlay Nickel Project under the SIRC Joint Venture. In 2010, PGMC purchased CTPCMC’s share in SIRC which then became 100% owned by the company. The EEC was then amended to allow an authorized annual production capacity of 5 million dry metric tons from the entire tenement area.

In line with PGMC’s plan to extend life of mine/operations and increase resource/reserve inventory, the company embarked into a comprehensive exploration program commencing on October 2015 – June 2017 on CAGA-2, CAGA-3, and CAGA-4. The exploration program is a continuing activity as conceived and recommended in the last CP Report dated 30 June 2016. It is undertaken under a “stage-approach” strategy and will cover the seven (7) identified CAGA-1 to CAGA-7 and adjacent Higdon nickel deposits which were prioritized based on exploration potential. Recently, CAGA-3, a previously explored area and CAGA-2 which is an active mine have been subjected to additional confirmatory drilling and later to an updated resource evaluation which is the subject of this report. Another deposit, CAGA-1, is currently being mapped and will soon be drilled and this will be followed by drilling at CAGA- 6 and CAGA-7 deposits as part of the over-all exploration drilling program for 2017- 2018.

Part of the engagement of the Geologist-CP was the supervision of the exploration program in CAGA-2, CAGA-3, and CAGA-4 deposits through the adoption of the PGMC Exploration Protocol. The review of the Project’s drilling and sampling procedures indicated that appropriate practices were used during the drilling program and that all exploration activities were accomplished to the PMRC Code standard. The QA/QC process indicated the following: that there is no significant assay bias; that with the significant number of samples used in the estimation and the normal distribution and small range of sample grades within each estimation domain, the observed scatter of repeat data have no material and adverse impact on the resource estimate. Using the results of QA/QC, considerations were made when assigning PMRC classifications to the resource estimates.

The mineral resource estimate complies with the recommendations of PMRC (2007) as highlighted by adoption of the guidelines listed on the PMRC “Table-1- Checklist of Assessment and Reporting Criteria”. The PMRC Statement of Mineral Resources as reported in various cut-off grades based on potential product requirements is given below.

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

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
Combined (High Grade, Medium Grade, Low Grade)	CAGA-4 (as of 23 June 2017)	Measured	9,121,000	1.1	43.8	1.0
		Indicated	7,811,000	1.3	23.3	1.1
		Subtotal	16,932,000	1.2	34.4	1.1
	CAGA-2 (as of 23 June 2017)	Measured	8,209,000	1.2	25.8	1.3
		Indicated	5,326,000	1.1	29.3	1.3
		Subtotal	13,535,000	1.1	27.1	1.3
	CAGA-3 (as of 23 June 2017 (unmined)*)	Measured	9,687,000	1.2	28.9	1.2
		Indicated	3,122,000	1.1	23.3	1.2
		Subtotal	12,809,000	1.2	27.5	1.2
	CAGA-1 (unmined)*	Measured	4,349,000	1.0	45.3	1.2
		Indicated	3,470,000	1.0	28.5	1.2
		Subtotal	7,819,000	1.0	37.9	1.2
	CAGA-5 (unmined)*	Measured	1,409,000	1.0	46.0	1.2
		Indicated	1,656,000	1.0	23.5	1.2
		Subtotal	3,065,000	1.0	33.8	1.2
	Combined	Measured	32,775,000	1.1	35.2	1.2
		Indicated	21,385,000	1.2	25.7	1.2
		Total	54,160,000	1.1	31.4	1.2

Notes:

1. The PGM Statement of Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Codes.
2. All Mineral Resources figures reported in the table above represent estimates as at 23 June 2017. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus, may cause some computational variances.
3. Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition) which was adopted from the JORC.
4. The PGM Statement of Mineral Resources includes all estimates for all explored deposits of the PGM-CAGA Nickel Project, namely: CAGA-1 to CAGA-5. However, estimates for CAGA-1 and CAGA-5 remain the same as reported on 31 May 2014 as no additional exploration/drilling and mining operations have been undertaken since then.
5. The increase in PGM's Mineral Resources at CAGA-2 and CAGA-3 (2016:2017) was a result of additional resources estimated upon completion of additional exploration drilling from 2016 – 2017.

The resource estimate was completed using the following parameters:

- The update on resource estimate takes into consideration the recently completed CAGA-2 and CAGA-3 exploration and drilling results. New data was used together with old data from these two deposits in the resource estimation.
- CAGA-1 and CAGA-5 previous resource estimates were adopted in the resource statement in this Technical Report without any changes since no new exploration data and no mining operations were undertaken to date. For CAGA-4 previous 30 June 2016 estimate was adopted, but current resource reporting reflects depletion brought by current mining.
- 3,812 drill holes (CAGA-2 with 2,380 and CAGA-3 with 1,432) were used to define the resource envelopes for a total of 48,868.62 meters and 52,011 assays. Drilling has been conducted on predominantly 25 and 50 spaced grids using NQ diameter core on vertically drilled holes.
- All drill hole collars were surveyed using a Total Station instrument during the topographic survey of each deposit.
- All drill holes were logged for lithology, weathering and alteration and sampled to 1m lengths. The review of the drilling and sampling procedures indicate that sufficient practices adopted from the Exploration Protocol were used during the drilling program. Total drill hole core recovery for the recently completed drilling program at CAGA-2 and CAGA-3 was exceptionally high at 95.67%.

- All sample preparation and analysis were completed at the on-site PGMC laboratory according to PGMC Laboratory Protocol.
- The block model was estimated using a combination of Ordinary Kriging (OK) and Inverse Distance Weighing (IDW) method of interpolation constrained by resource outlines based on weathering profiles and nickel mineralisation envelopes prepared using geological/mineralisation contacts and alteration interpretations.
- Geologic modelling was done using Leapfrog GEO v4.1 and block modelling was then executed using Geovia Surpac v6.6 functions.
- No major horizontal anisotropy was identified within the weathering profiles as would be expected in these types of deposits.
- Four passes were used in the estimations of the deposits. A variable minimum and maximum number of samples were used to estimate each element which varied for each estimation pass.
- A total of 5,190 combined old and new for CAGA-2 and CAGA-3 moisture and wet and dry bulk density determinations have been completed. Derived dry density values were used in the estimation.
- Geostatistical analysis using variogram ranges for the major direction of continuity, the visual inspection of the grade within the drill hole for each element and consideration of the overall sample quality defined from the QAQC data were used in the appropriate classification of mineral resources.
- Overall, the model validation confirms that the estimate is representative of the composites and is indicative of the known controls of mineralization and the underlying data used for estimation.

To further enhance the level of accuracy for resource reporting and upgrade the mineral resource inventory and classification, the following are recommended:

- Continue adherence to the Exploration Protocol as to Wellsite Duties on core logging, sampling and data entry.
- Continue the adoption of the Exploration Protocol on sampling for comprehensive QA/QC analysis for estimation to be acceptable for reporting of Indicated and Measured Mineral Resource.
- Performed accurate topographic surveys to better define the thickness of the upper layer of the weathering profile and thus upgrade the Resource Classification to Measured.
- Determine more appropriate/applicable density data for the limonite and saprolite materials for use in estimation thru bulk density field tests on mini-pits dug in the limonite and saprolite layers.
- Update the resource estimate on deposits with Inferred/Indicated Resources thru in-fill drilling at designated grid spacing to upgrade these resources to Measured Resources, if applicable and necessary.

The Geologist-CP with the PGMC team has undertaken the resource estimation aspects of the project within PMRC 2007 guidelines and has documented the application of PMRC guideline criteria on the key aspects of analysis and estimation.

The level of precision reported in this report is appropriate for the classification of the resource and the method used for the estimate.

1.0 INTRODUCTION

1.1 Purpose

The purpose of this Report is to provide an independent technical update on the PMRC mineral resource estimate of the Cagdianao Nickel Project (“the Project”) of Platinum Group Metals Corporation (“the Company”) covering all the identified and explored deposits at CAGA-1, CAGA-2, CAGA-3, CAGA-4 and CAGA-5 for its proposed follow-on offering (FOO) at The Philippine Stock Exchange (“PSE”). The latest reporting of resources referenced in this updated CP Technical Report is the Statement of Mineral Resources as at 23 June 2016 prepared by the “Author”.

1.2 Scope of Work

The Competent Person (CP), Edgardo G. Garcia, as an independent Geological Consultant- CP supervised and carried out the preparation of the updated resource estimation presented in this Technical Report. This resource evaluation includes assessment and comments with regards to compliance to the PMRC Standard for Mineral Resource and Ore Reserve Reporting Check List (**Table-1**).

During the resource evaluation several meetings/discussions were made with:

Joseph C. Sy, Chairman
Atty. Dante R. Bravo, President
Carlo A. Matilac, SVP Operations
Corsino L. Odtojan, VP Operations
May Elaine C. Amora, Mining Engineer
Rainier B. Matusalem, Sr. Geologist

The work program included the following items:

- Collation of relevant technical information on the Project including resources data, topographic and production data;
- Site visits were conducted at the Project area to monitor progress and discuss technical aspects with staff of PGMC;
- Review, validation of all the acquired data, detailed analysis of available data in preparation for resource estimation (block modelling);
- Discussions on the Project short to long term development and production plans;
- Discussions on proposed additional exploration on potential areas; and
- Generation and completion of the Competent Person’s Technical Report on PGMC’s Mineral Resource which is basically in line with the reporting requirements of PMRC and PSE.

The CP has for a long period been acquainted with the geologic setting, nickel laterite exposures, company’s exploration and mining activities which proved substantive in the preparation of the PMRC- Compliant Technical Report on resource estimates.

1.3 Compliance

This Competent Person’s Technical Report presents the updated and latest mineral resource estimate as of 23 June 2017 (specified cut-off date) of the Cagdianao Nickel Project for the CAGA-1 to CAGA-5 deposits. The nickel laterite resource has been determined following the standards and guidelines set forth by the PMRC Code for

Reporting of Exploration Results, Mineral Resources and Ore Reserves. The PMRC Code is a locally recognized standard for the public reporting of mineral resources and ore reserves, adopted by the Philippine mining industry and the associated local Accredited Professional Organizations (APOs) and is included in the listing rules of the Philippine Stock Exchange. The PMRC closely referenced the internationally accepted set of standards and definitions of Australia, Canada, South Africa, European Union and the International Reporting Template by the Committee for Mineral Reserves International Reporting Standard (CRIRSCO) for the reporting of mineral resources and ore reserves. *The reporting standards and definitions of the PMRC Code are compatible to the reporting standards and classification systems of the 2004 and 2012 JORC Code of Australia.*

1.4 Declaration and Qualification

The Competent Person, Edgardo Garcia, is an independent consulting geologist and does not hold any securities in PGMC, its subsidiaries or affiliates, nor will it hold any securities in the future listing of the company. The CP has no vested interest in any properties or concessions held by PGMC and his sole commercial interest with PGMC is to provide professional consulting services in connection with the resource evaluation and CP Technical Report preparation as presented herein. The payment of professional fees is established under a proposal/contract agreement and is not influenced by an additional company financing or on the outcome of the future listing of PGMC.

The CP, Edgardo G. Garcia, has practiced the profession as a geologist in the mining industry for over 35 years. He has extensive (close to 20 years) experience working on nickel properties in the Philippines (Surigao, Dinagat, Davao, Isabela, Palawan, Zambales and Rapu-rapu); in Indonesia and New Caledonia. He has completed investigations on nickel properties on behalf of private companies. His education includes a B.Sc. Degree (1981) in Geology from Mapua Institute of Technology. He is a Certified Professional Geologist (Registration Number 761) and a member in good standing of the Geological Society of the Philippines. He is qualified to be a "Competent Person" under the requirements of the PMRC (CP No. 100904), JORC Code (MAusIMM No. 224215) and the Philippine/Australian Stock Exchanges.

1.5 Disclaimer

In the preparation of this updated CP Technical Report, the "Author" has relied upon the work completed by other persons. Every effort has been made to check the accuracy and reliability of the previous drilling, sampling and geological work, but it was not possible to independently verify all of the information provided. For the most part, this information was collected, generated and/or compiled directly by, or under the supervision of, PGMC professionals well versed in the geological and technical requirements for nickel projects.

The sources of data for much of this report are in the form of Technical Reports prepared by geologists and engineers of PGMC and Consultants. Most of the geological data, drill logs, analytical reports, and field maps collected by PGMC are available in the PGMC offices in Manila and Surigao. The "Author" was able to verify the accuracy of the data presented in the reference reports by comparison with the source data and as such has no reason to doubt the integrity of the information presented. During the validation process several transcriptional errors were corrected. Overall, the data supplied was found to be in good condition and to be reasonably accurate. The "Author" considers this information to be reliable and of good quality.

The opinions expressed in this Technical Report have been based on the information supplied to the “Author” by PGMC. The “Author” has exercised all due care in reviewing the supplied information and the accuracy of the results and conclusions generated in the Technical Report are entirely reliant on the accuracy and completeness of the supplied data.

The “Author” does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them.

A list of the reports and scientific papers used in this report is given in the reference section.

2.0 TENEMENT INFORMATION

2.1 Description of Mineral Rights

The Project is covered by MPSA No. 007-92-X granted to Case Mining and Development Corporation (“CMDC”) on 13 June 1992 covering an area of 4,376.0 hectares which is valid until 2017 for 25 years. The Surigao Integrated Resources Corporation (“SIRC”) was granted a “Deed of Assignment” from CMDC by the DENR-MGB on 15 September 2006 which then was 100% owned by Platinum Group Metals Corporation (“PGMC”) by 2007. The MPSA was renewed and extended for another 25 years on 21 June 2016 and valid until 2041.

The details of the PGMC MPSA are given in **Table-1**.

Table-1. Details of the PGMC MPSA

Project Type	Ni-Laterite Mining Project
Name of Certificate	Mineral Production Sharing Agreement
Certificate No.	MPSA-007-92-X
Mining Title Holder	Platinum Group Metals Corporation
Name of Mine	Cagdianao Nickel Mine
Company Category	Limited Liability Company
Mining Method	Open Cut Mining
Production Scale	5,000,000 Dry Metric Tonnes (DMT)
Area/Size	4,376 hectares
Validity (Original)	January 12th 2017
Issue Date (Original)	January 13th 1992
Date of Extension	June 21, 2016
Validity (Extended)	June 20, 2041
Issuing Agency	Department of Environment and Natural Resources (DENR)

The geographic coordinates of the MPSA as defined by the mining license for the Cagdianao Nickel Project are presented in **Table-2** and the MPSA Tenure Map is shown in **Figure-1**.

Table-2. Geographic Coordinates of PGMC Tenure

Points	Longitude			Latitude		
1	125°	47'	00"	9°	30'	00"
2	125°	51'	30"	9°	30'	00"
3	125°	51'	30"	9°	27'	00"
4	125°	47'	30"	9°	27'	00"
5	125°	47'	30"	9°	28'	00"
6	125°	47'	00"	9°	28'	00"

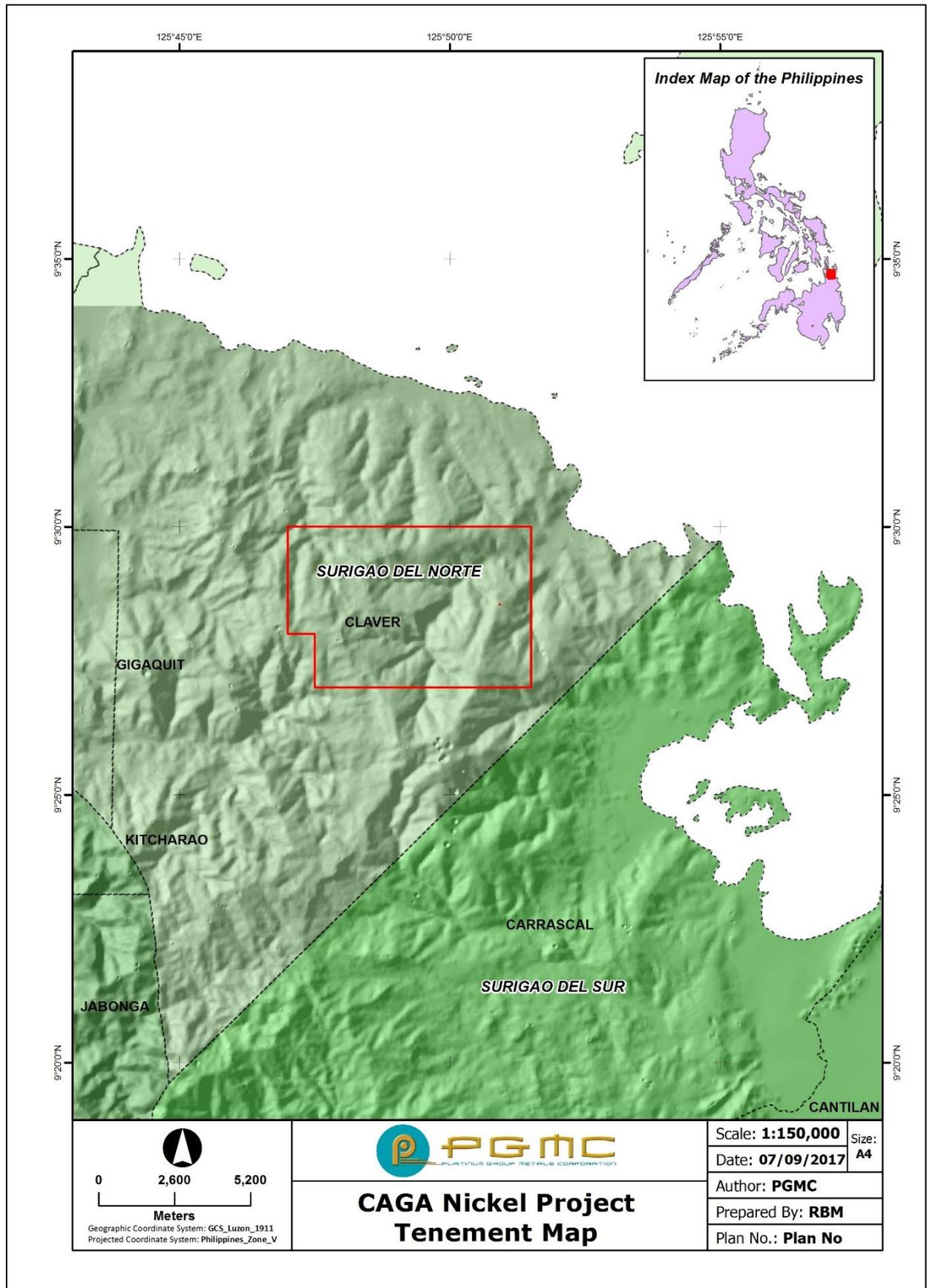


Figure-1. MPSA Tenure Map

2.2 History of the Mineral Rights

Platinum Group Metals Corporation (“PGMC”) owns 100% of Surigao Integrated Resources Corporation (“SIRC”) and operates the Cagdianao Nickel Mine under a “Deed of Assignment” which SIRC was granted upon by the DENR-MGB on 15 September 2006. Under the “Deed of Assignment”, SIRC was assigned the MPSA rights of Case Mining and Development Corporation (“CMDC”) and allowed to explore, develop, mine at determine production rates, mining methods, processing methods and carry out construction, on condition that SIRC will be complying with all government requirements. PGMC which owns 100% of the shares in SIRC assumed and honors all of its previous agreements.

3.0 GEOGRAPHIC FEATURES

3.1 Location and Accessibility

The PGMC- Cagdianao Nickel Project is located in Sitio Kinalablaban, Barangay Cagdianao, Municipality of Claver, in the south-eastern part of Surigao del Norte Province, Mindanao, Philippines. The province belongs to the CARAGA Region of Mindanao. The Municipality of Claver is approximately located at 9 34” N 125 44” E. **Figure-2** shows the general project location.

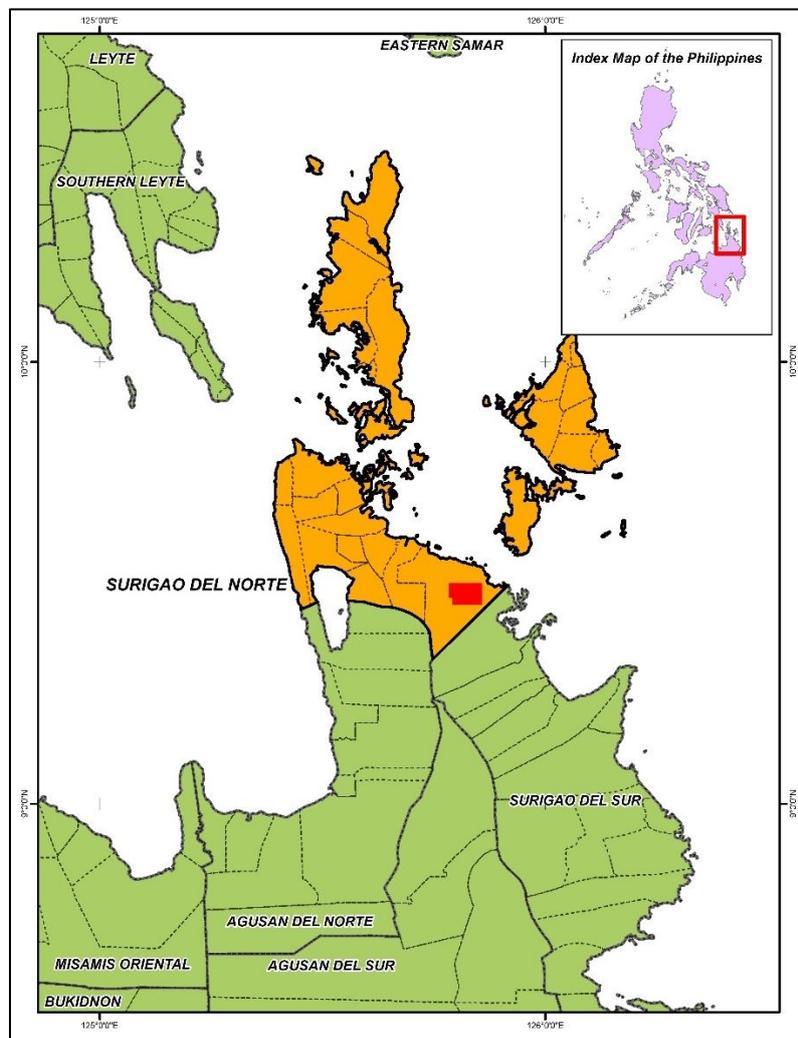


Figure-2. Project Location Map – Regional

The area can be accessed from Surigao City or Butuan City (**Figure-3**) via a concrete national highway, with travel times at 1.5 hours and 3 hours, respectively. Regular domestic flights and ferry trips between Manila and Cebu to both Surigao and Butuan are available.

The Project is located about 89 km south of Surigao City, the north-easternmost tip of Mindanao Island and the capital of the province of Surigao del Norte.



Figure-3. Project Accessibility Map (Source: SRK Consulting)

3.2 Physiography, Climate and Vegetation

3.2.1 Topography and Drainage

The topography of the Project site and vicinities is rugged to rolling and gently undulating hill terrain. Northward of the site, the terrain recedes into the coast of Hinadkaban Bay and Hinatuan Passage. Eastward are the Dahican Bay and Carrascal Bay.

The CAGA Area is generally a plateau with elevations ranging from 200 to 600 masl.

The CAGA Area is drained by the following:

- Hinadladan River system which originates from the slopes of Mt. Legaspi and flows north-eastward into the Hinadkaban Bay.
- Hubasan Creek drains the westernmost part of CAGA-4. The creek also drains the Taga 2 mining area, Taga 3 exploration area, and stockyard and other facilities of Taganito Mining Corporation (TMC). Hubasan Creek feeds the Taganito River which discharges into the Hinatuan Passage.
- Hayanggabon Creek drains the northern middle portion of CAGA-4 as well as TMC's Taga 3 exploration area. The creek discharges into the Hinatuan Passage.

3.2.2 Climate

The climatological/meteorological normal values (**Table-3**) for the project area may be interpreted from the weather station located in Hinatuan, Surigao Del Sur located adjacent to the area.

Table-3. Climatological/Meteorological Data (Source: PAGASA)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
MONTH	RAIN-FALL MM	NO. OF RD	TEMPERATURE					DEW PT.	VP MBS.	RH %	MSLP	WIND			No. Days w/	
			MAXI-MUM	MIN-IMUM	MEAN	DRY BULB	WET BULB					DIR	SPD KTS	CLD AMT	TSTM	LTNG
JAN	776.3	25	29.7	23.0	26.4	26.1	24.6	24.0	29.9	88	1010.5	NE	2	6	1	1
FEB	547.6	22	30.1	23.0	26.5	26.3	24.6	24.0	29.7	87	1011.0	NE	2	6	1	1
MAR	448.3	23	30.8	23.2	27.0	26.8	25.0	24.4	30.4	86	1010.9	NE	2	5	1	2
APR	318.7	19	31.9	23.7	27.8	27.7	25.6	24.9	31.4	84	1010.0	E	2	4	3	4
MAY	252.9	18	32.5	24.2	28.4	28.2	26.0	25.3	32.1	84	1009.2	E	2	5	7	12
JUN	258.1	17	32.5	24.0	28.2	27.9	25.8	25.1	31.8	85	1009.0	W	2	6	9	11
JUL	218.9	16	32.6	23.8	28.2	27.8	25.5	24.7	31.0	83	1008.6	W	2	6	10	13
AUG	186.7	13	33.0	23.9	28.4	28.1	25.6	24.8	31.1	82	1008.5	W	2	6	9	13
SEP	206.5	15	32.9	23.6	28.2	28.0	25.6	24.8	31.2	82	1008.9	W	2	5	11	14
OCT	270.9	17	32.5	23.6	28.1	27.8	25.6	24.8	31.3	84	1008.8	W	2	5	11	14
NOV	424.9	20	31.5	23.5	27.5	27.3	25.4	24.7	31.1	86	1008.8	W	2	5	5	7
DEC	555.1	23	30.5	23.3	26.9	26.6	25.0	24.4	30.6	88	1009.8	W	2	5	3	3
ANNUAL	4464.9	228	31.7	23.6	27.6	27.4	25.3	24.7	31.0	85	1009.5	W	2	5	71	95

Station Name: Hinatuan, Surigao Del Sur Latitude: 08°22'12" N Elevation: 3.0 m
 Period: 1981-2010 Longitude: 126°20'12" E

Parameters included are rainfall, temperature, relative humidity, vapor pressure, wind (speed and direction), cloud cover, thunderstorms and lightning data.

The climate in the area is classified as Type II (**Figure-4**). There is no dry season and a very pronounced rainy period, *i.e.*, monthly rainfall in excess of 400 mm, from November to March. The mean annual rainfall is 4464.9mm.

Rainfall

The maximum and minimum monthly rainfalls were recorded in January (776.3mm) and August (186.7mm), respectively. The number of rainy days was pronounced from November to March with a range of 20-25 days. However, the less pronounced rainy period from April to October still has a range of 13-19 rainy days at 186.7mm to 318.7mm of rainfall/month. The typical number of rainy days in a year is 228 (62% of the year).

PGMC Mineral Resource Evaluation (PMRC-CP Report)

Temperature and Relative Humidity

The variations in temperature follow the trend of rainfall and other global changes. The highest maximum temperature of 33.0°C was recorded in August while the lowest minimum temperature was 23.0°C in January. The annual average maximum and minimum temperatures are 31.7°C and 23.6°C, respectively. The relative humidity ranges from 82-88% and averages 85%.

Cloud Cover

The monthly average cloud cover at the site ranges from 4-6 okta implying cloud cover is present most of the time at the site.

Surface Winds

A wind rose diagram is a graphical representation that depicts a bi-variate frequency distribution table of wind speed and wind direction using sixteen compass directions. The annual wind roses from the Hinatuan synoptic station (1981-2010) showed the wind speed average frequency of 2mps in the prevailing directions of NE, E and W.

Typhoon Frequency

The site is located in a zone where the probability of having tropical cyclones is high.

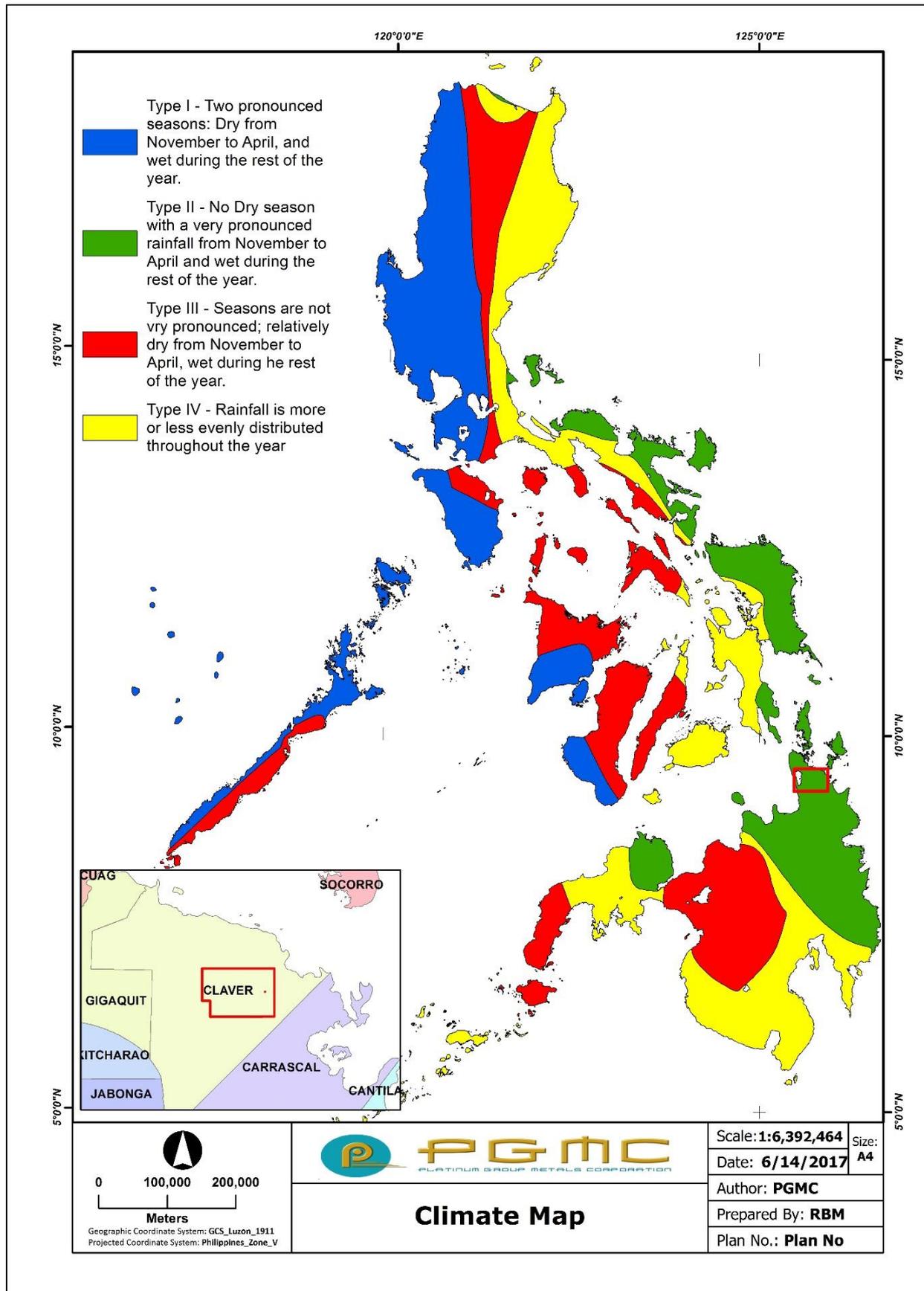


Figure-4. Philippine Climate Map (Modified from PAGASA)

3.2.3 Vegetation

The vegetal cover is a sub-marginal forest of dipterocarp type, open canopy. The forest condition is attributed to some factors identified as stressors in the EIA Study. In addition, the location and exposure of the area makes the trees vulnerable to cyclones.

3.3 Land Use and Infrastructure

Claver, where several nickel mine projects are located nearby, is a second-class municipality in the province of Surigao del Norte, Philippines. The area has a rural setting that is typical of the Philippine countryside. The other sources of livelihood apart from the mining and related jobs are fishing and agriculture where there is suitable land (far from the Project site). Tree cutting for firewood and other uses is the only means of subsistence in the absence of arable land.

The area is known with the mining industry and a large part of the Claver district is a mining reservation having large iron and nickel laterite deposits. Generally, local economy is self-sufficient and on a development stage with the upsurge of the mining industry.

Local infrastructure is able to support the mining industry, as:

- Transportation of products and goods is convenient with existing well-paved roads and available jetty;
- Both domestic and industrial water can be sourced from underground, surface (Hinadladan river and tributaries) and the sea;
- Electric power is supplied by two sources with transmission facility.
- There is sufficient labor resource in the area.

3.4 Socio Economic Environment

The Municipality of Claver, Surigao Del Norte with its 14 barangays reported a total population of 18,258 (~2000) and a total number of households of 3,248. The average household size was 5.03. Barangay Cagdianao had 1,162 residents by the end of 2007. Cagdianao is one of the barangays which are in the outlying area of Municipality Claver. For the same year, the Municipality of Carrascal, Surigao Del Sur had a total population of 13,157 and a total number of households of 2,756. The average household size in the municipality was 4.77.

In 2000, the NSCB reported that more than half of the people in Surigao Del Norte (50.8%) lived below the poverty level of P 10,987/person-year.

The residents of Barangay Cagdianao subsist on two major resources, namely, forest and coastal resources. Forest resources are used up mainly as fuel wood, timber, or lumber. Coastal resources include the fish, crustaceans, and woody plant found in the mangroves, beach, tidal flats, and reefs.

Based on the household surveys, a total of 137 households from the impact barangays are engaged in wood cutting. Thirty-seven (37) households are from Sitio Kinalablan, 32 from Barangay Cagdianao, 20 from Barangay Taganito, and 48 from Barangay Adlay. Given a selling price per piece of wood and assuming an annual household subsistence cost of P 33,500 for a household size of 5 and the sole

dependence of the 137 households on wood cutting, the annual land clearing rate from wood cutting may be estimated. The estimate is 160 has/year.

Based on the same household surveys, around 289 residents are fishermen. The majority, *i.e.*, 42% comes from Barangay Adlay; 28% from Barangay Cagdianao; 19% from Barangay Hayanggabon; 6% from Sitio Kinalablaban, and 5% from Purok Nos. 3A and 4A of Barangay Taganito.

A Participatory Coastal Resources Assessment (PCRA) involving the residents of the impact barangays identified a total of 141 marine fish and other species distributed among the mangroves, beach, tidal flat, seagrass beds, coral reefs, and deep waters of the barangays. Of the four barangays, Adlay has the biggest number of marine species and livelihood opportunities. The reported fishing gears included hook and line, fish pot, fish corral, multiple line, spear, crab pot, set gill net, harpoon, triple net, and drift gill net. There were also illegal methods declared such as dynamite, poison, and drag net.

The fisher folks of Adlay reported an average fish catch of 8 kg for three hours of fishing. The fisher folks of the other barangays cited a lower catch of 2 kg. All fisher folks stated that conditions were a lot better in 1985. The average fish catch then for three hours of fishing was from 47 to 50 kg. The low productivity was attributed to various factors, namely:

- Increasing population and number of fisher folks
- Cutting of mangroves
- Destructive fishing practices such as dynamite and cyanide
- Unsustainable fishing practices like use of fine mesh net
- Sedimentation of mangroves, flats and coral areas
- Intrusion by commercial fishers into the municipal waters.

Filariasis, considered the second leading cause of permanent disability among infectious diseases, is endemic in Barangay Taganito, Municipality of Claver, Surigao Del Norte and Barangay Adlay, Municipality of Carrascal, Surigao Del Sur. The disease is a parasitic infection transmitted by the same mosquito that spreads Malaria. They live in abaca and banana trees as well as pandan plants.

3.5 Environmental Features/Concerns (*Source: QNPH EIA Report*)

3.5.1 Oceanographic Characteristics of the Project Site

The bathymetry (depth distribution) and coastal geometry within the vicinity of the Project is available from the map produced by the National Mapping and Resources Information Authority (NAMRIA).

The Hinatuan Passage is the portion of the sea fronting the Surigao provinces, starting from Nonoc Island to the passage between Surigao and Bucas Grande Island. The bathymetry of the Passage indicates a flat and undulating area that gradually slopes northeastwardly to a depth of about 100 m. Numerous coral reefs abound near the coastline at less than 60 m water depth.

Hinadkaban Bay is a small embayment that faces Bucas Grande Island. Its bathymetry is relatively shallow compared with the adjacent areas. The average depth at the center is only 25 m. The floor deepens northeastwardly into the open sea. The

coastline of the bay is irregular. The beach is predominantly sandy and shallow mud deposits are observed at the mouth of the Hinadladan and Tandawa water bodies.

3.5.2 Heritage and Cultural Values

No archeological artifacts were discovered during any of PGMC's exploration and development works. Moreover, the upland areas which host the haul roads, mining areas, stockyards and dumpsites are also non-archaeological sites. There are no caves and relevant life support systems such as fertile soil, agricultural plantations that could promote human habitation.

During the Community Consultations conducted during the EIA preparation in 2004 the residents of Barangay Cagdianao confirmed that there are no historical sites in the vicinity of the project site.

3.5.3 Geological Hazards

The Project is located on the Eastern Seaboard of the Philippines, where several typhoons pass during the year. Landslide, flashfloods, storm surge are common natural calamities besieging coastal islands with mountainous slopes in the region. Landslides are geological phenomenon whereby massive debris materials which includes rocks, soil, organic matter, etc., rush down the slopes as a result of gravity, aided or unaided by water. Landslides can be induced by man or by natural causes. Man induced landslides can be triggered by road development where the slopes are steeply cut with no engineering support; land use conversion from forest land to agricultural lands or to urban use or mining/quarrying, where the original land cover has become unstable; drawdown of reservoirs; deforestation; irrigation; artificial vibration and extreme water leakage from utilities. Natural causes, on the other hand may be intense rainfall / prolonged exceptional precipitation (rain-induced) and earthquake / volcanic eruption (earthquake-induced landslides).

The Philippine Seismicity Map and Seismic Hazard Map are shown in **Figures-5 and 6**, respectively. PGMC mine design has taken into consideration all possible geological hazards associated with the Project.

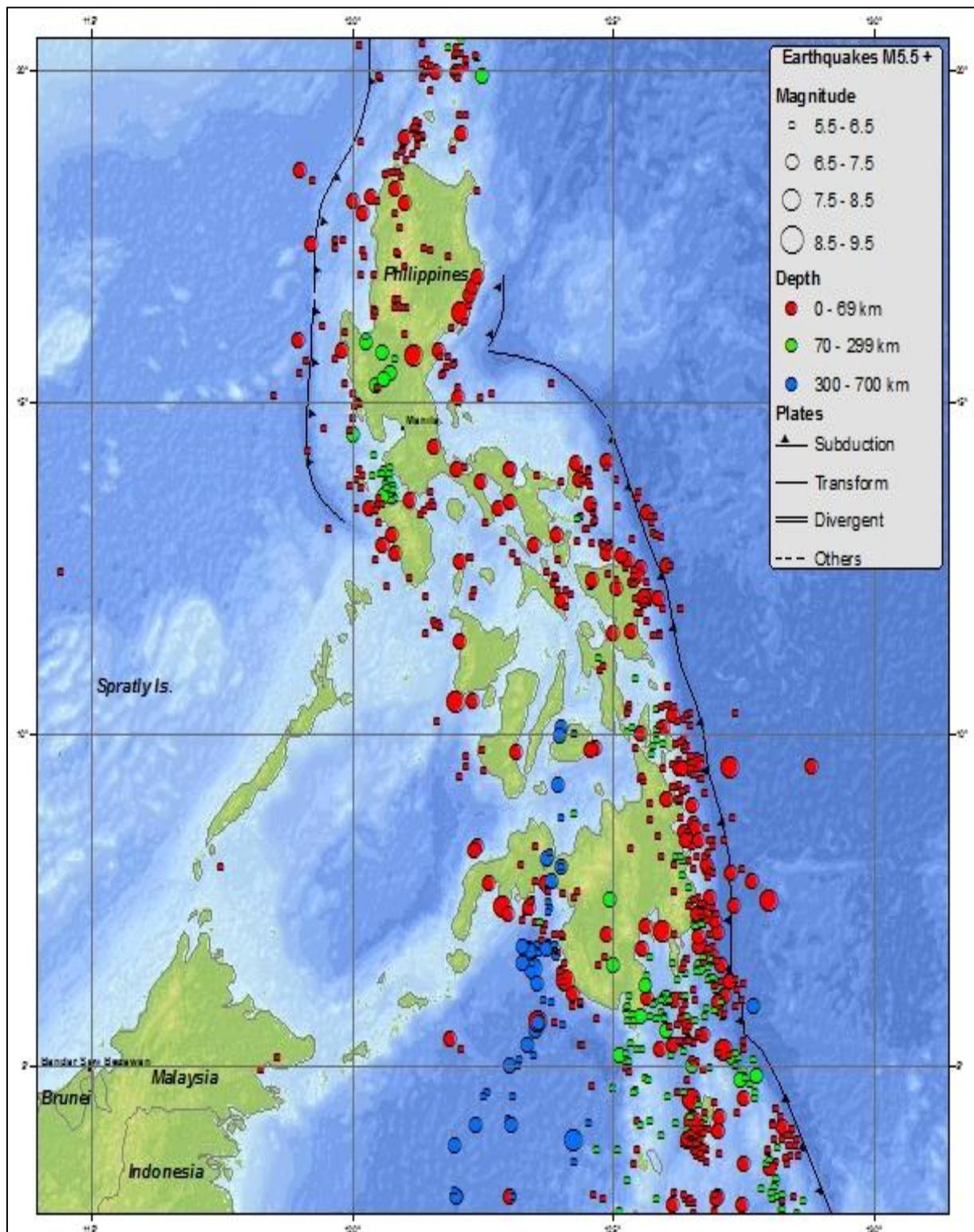


Figure-5. Philippine Seismicity Map (Source: *Phivolcs*)

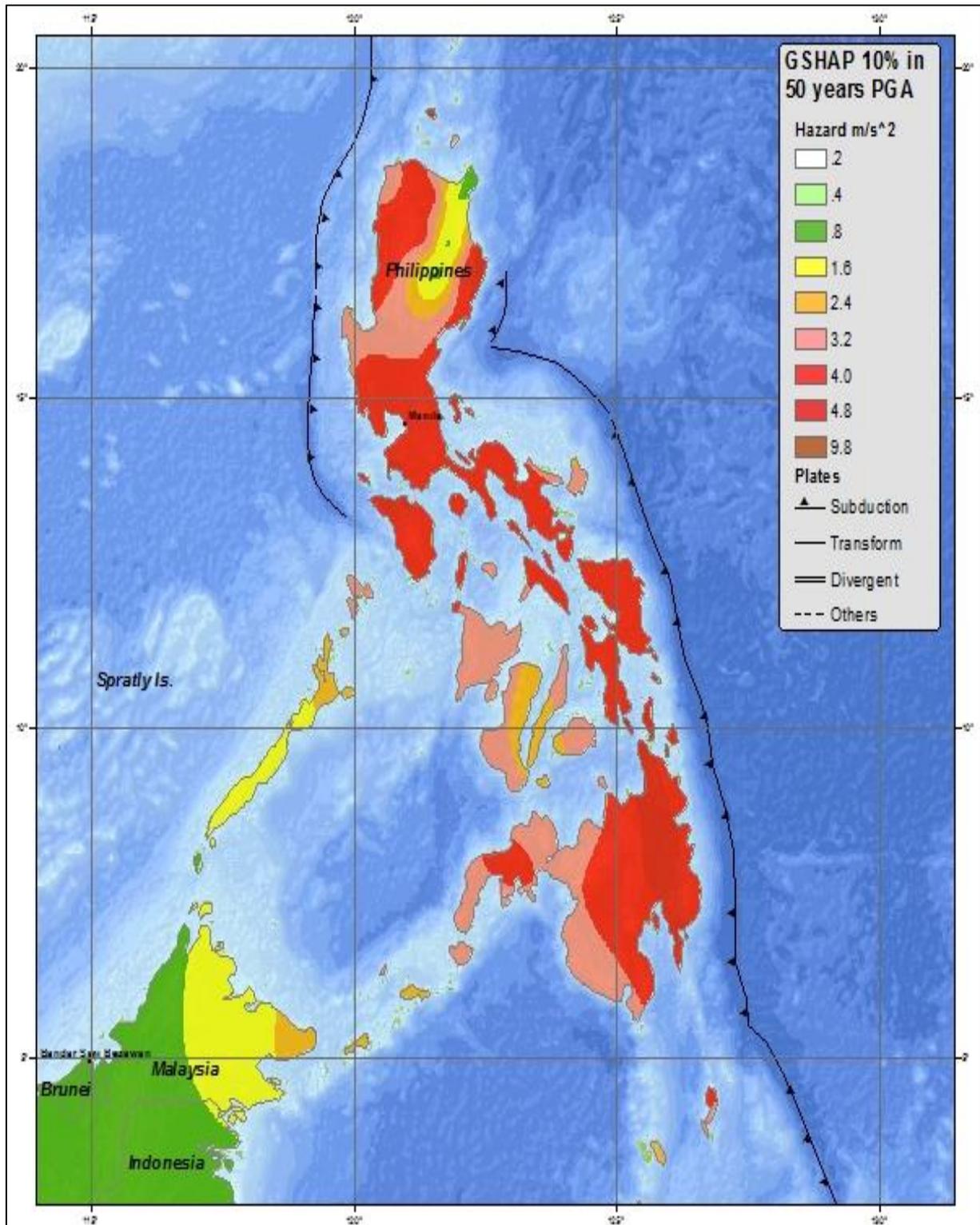


Figure-6. Philippine Seismic Hazard Map (Source: *Phivolcs*)

3.5.4 Biological and Ecological Environment

3.5.4.1 Terrestrial Flora and Fauna

The mine site is adjacent to the floodplain of the Hinadladan River. It is generally covered by grasses and bushes. Fruit trees are found planted along the national road.

Two floral species of special interest were found in the area. These are the Pitcher plant (*Nepenthes elata*) and Mangkono (*Xanthostemon verdugonianum*). Mangkono is listed for priority protection based on the IUCN's Red List of Threatened Species and CITES. The conservation status of Mangkono is "vulnerable".

There is a general paucity of terrestrial faunal species in terms of composition and numbers. The dearth of wildlife species is best illustrated among the birds by the absence of the coraciforms (hornbills), piciforms (woodpeckers) and psittaciforms (parrots). These avian forms have varied dietary preferences but they have a common trait of nesting and caring their young in nests fashioned in cavities of snags or standing dead trees. Also, they are known as top canopy dwellers. In the site, these ecological niches are non-existent.

Among the mammalian forms, the Philippine Brown Deer (*Cervus mariannus*) has been extirpated from the study site. Due to lack of food sources, the wild pig populations forage at established but less inhabited coconut plantations along the coastal villages.

The current stressors to wildlife include:

- Vicious cycle of burning and retrogressive regeneration of natural wildlife habitats
- Destructive cyclones
- Wood gathering and
- Hunting

3.5.4.2 Freshwater and Marine Biology

The freshwater biological assessment noted only a few species of plankton and benthic macro-invertebrates in the creeks and Rivers. They were found in small numbers and not in all stations investigated. This may be attributed to the intermittent nature of the streams, high flow velocity in the upper reaches, strong rainfall during the sampling, thin riparian vegetation, and lateritic soil which gets eroded into the water bodies.

The shoreline fronting the barge loader site has no fringing coral reefs. The reefs are located along the northern entrance of Hinadkaban Bay up to near the mouth of Hinadladan River and along the southern entrance of the Bay to about 900 m southward. These two reefs are called the Mayambago and the Liba-Liba Reefs, respectively. A single patch reef with fair coral cover also occurs about 400 m northeast of Tandawa Creek. The estimated area of the patch reef is about 700 sq m.

A manta tow reconnaissance determined the live hard coral within the Mayambago Reef at 31%. The live hard coral at Liba-Liba Reef was assessed at 33%. Reef degradation was attributed to several factors such as wave action, predators, exposure to extremely low tides, lowering of salinity due to heavy rains and floods,

sedimentation, destructive fishing techniques, and boat anchoring. The overall coral reef condition in the study area may be categorized as fair coral cover.

Reef fishes within Mayambago, Liba-Liba, and Hinadkaban Reefs were likewise assessed. As these reefs encountered heavy sedimentation due to rains which attended the survey, another observation site was established at Punta Naga which was not turbid. The latter is located at the northern part of Hinadkaban Bay close to Barangay Cagdianao.

Twenty (20) reef fish species belonging to seven families were recorded at the three reef sites. With a species richness (d) of 4.07 and general diversity (H') of 2.39, the highest reading was obtained at Mayambago. Liba-Liba and Hinadkaban Patch reefs had a d of 1.06 and 1.08, respectively. The corresponding H' was 1.26 and 1.31, respectively. The Punta Naga observation site assessment yielded higher d and H' values of 6.23 and 3.21, respectively. The low fish population in the three reef sites was attributed to heavy sedimentation.

Based on sampling conducted at eight sites within Hinadkaban Bay and one control station in Carrascal Bay fronting the Ca-ayongan River mouth, the following were determined:

- Plankton population was dominated by phytoplankton. This is typical of Philippine marine waters. The phytoplankton was composed of three major groups, namely, diatoms (the most dominant), green algae, and dinoflagellates.
- Soft-bottom benthic organisms consisted of foraminifers at 70%, polychaetes at 24%, crustaceans at 3%, and rhynchocoelans at 2%. The highest density of benthic organisms was obtained at a depth of 12 m in the muddy-sandy area near Mayambago Reef.

Seagrass beds were found in some protected beaches within the Hinadkaban Bay and vicinities. Large macrofauna, *e.g.*, sea cucumber, seashells, starfishes, and sea urchins, were observed in the seagrass beds just below the low tide level. No seagrass beds occur in the beach area fronting the proposed barge loader site.

A total of six seagrass species were noted. Seagrass cover was slightly higher at the Tandawa-Kinalablaban-Cagdianao site (57.34%) compared to the Mahaba-Dahican-Adlay site (55.14%) and Punta-Naga-Cagdianao site (35.80%). The higher density may be attributed to the substrate type.

4.0 PREVIOUS WORKS

Previous exploration/development activities in the area include **(Table-4)**.

Table-4: Summary of Previous Works

Summary of Previous Works		
Period	Company	Work Completed/Event
1912	Unknown Explorers	Iron rich laterites in Surigao area recognized
1914	Philippine Bureau of Mines	Surigao Iron Ore Reservation established
1914-1939	Philippine Bureau of Mines, Japanese companies	Area evaluated for iron ore potential
1939-1953	Unknown Explorers	Further work for iron ore in the area
1953	Unknown Explorers	Potential of the laterites as a source of nickel recognized
1982	Unknown Explorers	Original data from 1939-1953 destroyed in fire
1997-1999	BHP (Broken Hill Proprietary Limited)	282 pits excavated, 254 drill holes for CAGA-4
1999	BHP (Broken Hill Proprietary Limited)	Joint Venture agreement signed between Case Mining and Development and BHP. Initial resource by BHP
2000-2003	Queensland Nickel Philippines Inc. (QNPH)	Exploration work at CAGA-4
2004	Queensland Nickel Philippines Inc. (QNPH)	Feasibility Study completed for CAGA-4 deposit
2006	Platinum Group Metals Corporation (PGMC)	QNPH divestment of shares to PGMC
2007-2010	Platinum Group Metals Corporation (PGMC)	Exploration work at CAGA-2
2011-2012	Platinum Group Metals Corporation (PGMC)	Exploration work at CAGA-1, CAGA-3 and CAGA-5
2012-2013	GPRI and CP- Geologist	Prepared CP Technical Report on Resource Evaluation
2014	CP- Geologist	Prepared updated CP Technical Report on Resource Evaluation
2016	CP- Geologist	Prepared updated CP Technical Report on Resource Evaluation

Most notable exploration in the area was initiated by Broken Hill Proprietary Limited (“BHP”) of Australia at the Project in 1997 and excavated 282 test pits and drilled 254 holes at CAGA-4 from 1997-1999. Queensland Nickel Philippines Inc. (“QNPH”) a subsidiary of BHP-Billiton assumed management of the Project in 2000 and engaged in detailed exploration geared towards a feasibility study were additional holes at CAGA-4 were drilled in 2002. The QNPH exploration program details for CAGA-4 are shown in **Table-5**.

Table-5: BHP/QNPH CAGA-4 Exploration Program

Program Type	No. of TPs/DHs	Ave. Depth (m)	Total Meterage
CP, 200m×200m	110	6.4	705
CD, Koken Drilling	90	20.8	1,876
CT, Longyear Drilling	124	18.1	2,245
QNPH 2002 Drilling Program	455	18.8	8,572
Total	779	17.0	13,398

In 2007, Platinum Group Metals Corporation (“PGMC”) commenced exploration at the Project with drilling at the CAGA-2 deposit **(Table-6)** after divestment of QNPH shares to PGMC.

Table-6: PGMC CAGA-2 Exploration Program

No. of Drill Holes	785
Meterage	12,467
Average Hole Depth (m)	15
No. of Samples	12,655

4.1 Previous Resource Estimates

4.1.1 Estimates as of 18 October 2012

Additional exploration was undertaken in 2011- 2012 by PGMC thru GeoPacific Resources, Inc. (GPRI) at CAGA-1, CAGA-2, CAGA-3, CAGA-4 and CAGA-5 to upgrade resource inventory in support of planned increased annual production targets and upgrade of resource inventory. Details of the completed drilling program are shown in **Table-7**.

Table-7. DH Summary from 2011-2012 Exploration (Source: GPRI)

DH Summary	CAGA-1	CAGA-2	CAGA-3	CAGA-4	CAGA-5	Total
Total Drill Holes	284	1,389	219	779	218	2,889
Total Depth	3,542	22,764	3,328	13,394	2,546	45,574

Drilling results from the above exploration program were used for the 2012 resource estimations done by the "Author" (**Tables 8 and 9**) and Runge Pincock Minarco (**Table-10**) as presented below.

Table-8. Statement of Mineral Resources for Total Nickel as of 18 October 2012 Measured and Indicated)

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Co%	Dry Bulk Density
Combined	CAGA4 (as of 18 Oct 2012)	Measured	7,496,000	1.10	48.6	0.12	1.20
		Indicated	15,081,000	1.37	22.5	0.06	1.36
		Subtotal	22,577,000	1.28	31.2	0.08	1.3
	CAGA2 (as of 17 Oct 2012)	Measured	13,025,000	1.25	32.1	0.09	1.26
		Indicated	6,175,000	1.20	17.8	0.05	1.22
		Subtotal	19,200,000	1.23	27.5	0.08	1.2
	CAGA1 (unmined)	Measured	4,349,000	0.94	45.3	0.10	1.20
		Indicated	3,470,000	1.05	28.5	0.07	1.18
		Subtotal	7,819,000	0.99	37.9	0.09	1.2
	CAGA3 (unmined)	Measured	3,199,000	1.07	44.9	0.11	1.10
		Indicated	3,986,000	1.27	19.1	0.06	1.05
		Subtotal	7,185,000	1.18	30.6	0.08	1.1
	CAGA5 (unmined)	Measured	1,409,000	1.02	45.9	0.14	1.20
		Indicated	1,656,000	1.01	23.6	0.07	1.20
		Subtotal	3,065,000	1.01	33.9	0.10	1.2
	Total	Measured	29,478,000	1.13	40.3	0.10	1.2
		Indicated	30,368,000	1.27	21.9	0.06	1.3
		TOTAL	59,846,000	1.20	31.0	0.08	1.2

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Table-9. Statement of Mineral Resources (+Inferred) for Total Nickel as of 18 October 2012

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Co%	Dry Bulk Density
Combined	CAGA4 (as of 18 Oct 2012)	Measured	7,496,000	1.10	48.6	0.12	1.20
		Indicated	15,081,000	1.37	22.5	0.06	1.36
		Inferred	6,786,000	1.32	17.6	0.05	1.39
		Subtotal	29,363,000	1.29	28.0	0.07	1.3
	CAGA2 (as of 17 Oct 2012)	Measured	13,025,000	1.25	32.1	0.09	1.26
		Indicated	6,175,000	1.20	17.8	0.05	1.22
		Inferred	1,091,000	1.14	12.9	0.03	1.20
		Subtotal	20,291,000	1.23	26.7	0.07	1.2
	CAGA1 (unmined)	Measured	4,349,000	0.94	45.3	0.10	1.20
		Indicated	3,470,000	1.05	28.5	0.07	1.18
		Inferred	740,000	1.12	17.1	0.05	1.11
		Subtotal	8,559,000	1.00	36.1	0.09	1.2
	CAGA3 (unmined)	Measured	3,199,000	1.07	44.9	0.11	1.10
		Indicated	3,986,000	1.27	19.1	0.06	1.05
		Inferred	992,000	1.23	13.9	0.05	1.06
		Subtotal	8,177,000	1.19	28.6	0.08	1.1
	CAGA5 (unmined)	Measured	1,409,000	1.02	45.9	0.14	1.20
		Indicated	1,656,000	1.01	23.6	0.07	1.20
		Inferred	2,230,000	1.00	30.6	0.12	1.20
		Subtotal	5,295,000	1.01	32.5	0.11	1.2
	Total	Measured	29,478,000	1.13	40.3	0.10	1.2
Indicated		30,368,000	1.27	21.9	0.06	1.3	
Inferred		11,839,000	1.22	19.3	0.06	1.3	
TOTAL		71,685,000	1.21	29.0	0.08	1.2	

PGMC Mineral Resource Evaluation (PMRC-CP Report)

Table-10. Cagdianao Nickel Project: Statement of Mineral Resources as at 31st AUG. 2012
(Source: RUNGE)

High Fe Product								
Material Type	Deposit	JORC Classification	Quantity (Tonnes)	Ni %	Fe %	Co %	Dry Bulk Density	
Ni >= 0.7%, Fe >= 48%	CAGA 4	Indicated	6,368,000	1.08	50.4	0.1	1.2	
		Inferred	4,343,000	0.88	51.2	0.1	1.4	
		Subtotal	10,711,000	1	50.7	0.1	1.3	
	CAGA 2	Indicated	3,930,000	1.04	49.5	-	1.3	
		Inferred	233,000	0.98	49.7	-	1.3	
		Subtotal	4,163,000	1.04	49.5	-	1.3	
	CAGA 1	Indicated	1,284,000	0.88	49.3	-	1.2	
		Inferred	206,000	0.76	48.6	-	1.3	
		Subtotal	1,490,000	0.86	49.2	-	1.2	
	CAGA 3	Indicated	847,000	0.95	49.1	-	1.1	
		Inferred	25,000	0.9	48.7	-	1.4	
		Subtotal	872,000	0.95	49	-	1.1	
	CAGA 5	Indicated	794,000	0.83	49.1	-	1.3	
		Inferred	673,000	0.84	49	-	1.3	
		Subtotal	1,467,000	0.83	49	-	1.3	
TOTAL			18,703,000	0.98	50.1	0.1	1.3	
Medium-grade Ni Product								
Material Type	Deposit	JORC Classification	Quantity (Tonnes)	Ni %	Fe %	Co %	Dry Bulk Density	
Ni >= 0.8%, Ni < 1.5%, Fe < 48%	CAGA 4	Indicated	9,446,000	1.26	23	0.1	1.5	
		Inferred	5,659,000	1.17	25.5	0.1	1.4	
		Subtotal	15,106,000	1.22	24.1	0.1	1.4	
	CAGA 2	Indicated	15,381,000	1.15	22.7	-	1.3	
		Inferred	720,000	1.04	22.6	-	1.3	
		Subtotal	16,102,000	1.15	22.7	-	1.3	
	CAGA 1	Indicated	5,228,000	1.03	35.2	-	1.1	
		Inferred	367,000	0.97	38.6	-	1.1	
		Subtotal	5,596,000	1.02	35.4	-	1.1	
	CAGA 3	Indicated	6,546,000	1.15	27.7	-	1.1	
		Inferred	201,000	1.18	26	-	1.1	
		Subtotal	6,747,000	1.15	27.7	-	1.1	
	CAGA 5	Indicated	2,599,000	1.02	33.5	-	1.1	
		Inferred	2,074,000	1.02	34.6	-	1.1	
		Subtotal	4,673,000	1.02	34	-	1.1	
TOTAL			48,224,000	1.14	26.4	0.1	1.3	
High-grade Ni Product								
Material Type	Deposit	JORC Classification	Quantity (Tonnes)	Ni %	Fe %	Co %	Dry Bulk Density	
Ni >= 1.5%, Fe < 48%	CAGA 4	Indicated	6,276,000	1.7	15.6	0.1	1.4	
		Inferred	995,000	1.71	13.5	0	1.4	
		Subtotal	7,270,000	1.7	15.3	0	1.4	
	CAGA 2	Indicated	2,561,000	1.7	15	-	1.2	
		Inferred	8,000	1.54	13.4	-	1.3	
		Subtotal	2,569,000	1.7	15	-	1.2	
	CAGA 1	Indicated	164,000	1.63	18.3	-	1.2	
		Subtotal	164,000	1.63	18.4	-	1.2	
	CAGA 3	Indicated	724,000	1.64	17.3	-	1.1	
		Inferred	16,000	1.56	11.1	-	0.9	
		Subtotal	740,000	1.64	17.2	-	1.1	
	CAGA 5	Inferred	8,000	1.52	26.1	-	1.2	
		Subtotal	8,000	1.52	26	-	1.2	
	TOTAL			10,751,000	1.69	15.4	0	1.4

The Runge Consultants released Statement of Mineral Resources as at 31st August 2012 contained in their final report to PGMC dated February 2013 used identical data with the 2012 PMRC resource estimates presented in the 06 September 2013 CP Technical Report.

The Runge mineral resource total is 77,678,000 tonnes while the mineral resource total in the PMRC Technical Report by the "Author" including inferred resources is 71,685,000 tonnes. The ~8% over-estimation of Runge was due to the following:

PGMC Mineral Resource Evaluation (PMRC-CP Report)

- Average density values used by Runge are slightly higher,
- Interpolation of three-passes by Runge as against two-passes in the PMRC Technical Report, and
- Pit advance as at 31st Aug. 2012 for Runge as against 18 Oct. 2012 in the PMRC Technical Report.

All things being equal, then the two resource estimates are correlatable.

4.1.2 Estimates as of 31 May 2014

An update of the PGMC Mineral Resource was prepared by the “Author” and estimates are shown in **Tables- 11 and 12**.

Table-11. Statement of Mineral Resources for Total Nickel 31 May 2014 (Measured and Indicated) - PMRC

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Co%	Dry Bulk Density
Combined	CAGA4 (as of 31 May 2014)	Measured	5,898,000	1.12	48.3	0.13	1.20
		Indicated	14,018,000	1.38	22.6	0.06	1.36
		Subtotal	19,916,000	1.30	30.2	0.08	1.3
	CAGA2 (as of 31 May 2014)	Measured	10,975,000	1.26	29.1	0.08	1.25
		Indicated	6,053,000	1.20	16.1	0.05	1.22
		Subtotal	17,028,000	1.24	24.5	0.07	1.2
	CAGA1 (unmined)	Measured	4,349,000	0.94	45.3	0.10	1.20
		Indicated	3,470,000	1.05	28.5	0.07	1.18
		Subtotal	7,819,000	0.99	37.9	0.09	1.2
	CAGA3 (unmined)	Measured	3,199,000	1.07	44.9	0.11	1.10
		Indicated	3,986,000	1.27	19.1	0.06	1.05
		Subtotal	7,185,000	1.18	30.6	0.08	1.1
	CAGA5 (unmined)	Measured	1,409,000	1.02	45.9	0.14	1.20
		Indicated	1,656,000	1.01	23.6	0.07	1.20
		Subtotal	3,065,000	1.01	33.9	0.10	1.2
	Total	Measured	25,830,000	1.14	39.1	0.10	1.2
		Indicated	29,183,000	1.27	21.6	0.06	1.3
		TOTAL	55,013,000	1.21	29.8	0.08	1.2

Notes:

1. The Statement of PMRC Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Codes.
2. All Mineral Resources figures reported in the table above represent estimates at 31st May 2014. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
3. Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition).

PGMC Mineral Resource Evaluation (PMRC-CP Report)

Table-12. Statement of Mineral Resources (+Inferred) for Total Nickel as of 31 May 2014 PMRC

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Co%	Dry Bulk Density
Combined	CAGA4 (as of 31 May 2014)	Measured	5,898,000	1.12	48.3	0.13	1.20
		Indicated	14,018,000	1.38	22.6	0.06	1.36
		Inferred	6,786,000	1.32	17.6	0.05	1.38
		Subtotal	26,702,000	1.31	27.0	0.07	1.3
	CAGA2 (as of 31 May 2014)	Measured	10,975,000	1.26	29.1	0.08	1.25
		Indicated	6,053,000	1.20	16.1	0.05	1.22
		Inferred	1,091,000	1.14	12.9	0.03	1.20
		Subtotal	18,119,000	1.23	23.8	0.07	1.2
	CAGA1 (unmined)	Measured	4,349,000	0.94	45.3	0.10	1.20
		Indicated	3,470,000	1.05	28.5	0.07	1.18
		Inferred	740,000	1.12	17.1	0.05	1.11
		Subtotal	8,559,000	1.00	36.1	0.09	1.2
	CAGA3 (unmined)	Measured	3,199,000	1.07	44.9	0.11	1.10
		Indicated	3,986,000	1.27	19.1	0.06	1.05
		Inferred	992,000	1.23	13.9	0.05	1.06
		Subtotal	8,177,000	1.19	28.6	0.08	1.1
	CAGA5 (unmined)	Measured	1,409,000	1.02	45.9	0.14	1.20
		Indicated	1,656,000	1.01	23.6	0.07	1.20
		Inferred	2,230,000	1.00	30.6	0.12	1.20
		Subtotal	5,295,000	1.01	32.5	0.11	1.2
Total	Measured	25,830,000	1.14	39.1	0.10	1.2	
	Indicated	29,183,000	1.27	21.6	0.06	1.3	
	Inferred	11,839,000	1.22	19.3	0.06	1.3	
	TOTAL	66,852,000	1.21	27.9	0.08	1.2	

PGMC Mineral Resource Evaluation (PMRC-CP Report)

4.1.3 Estimates as of 30 June 2016

An update of the PGMC Mineral Resource was prepared by the “Author” and estimates are shown in **Tables- 13 and 14**.

Table-13. Statement of Mineral Resources for Total Nickel as of 30 June 2016 (Measured and Indicated) - PMRC

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Co%	Dry Bulk Density
Combined	CAGA4 (as of 30 June 2016)	Measured	10,456,000	1.1	43.8	0.1	1.0
		Indicated	8,042,000	1.3	21.9	0.1	1.1
		Subtotal	18,498,000	1.2	34.3	0.1	1.1
	CAGA2 (as of 30 June 2016)	Measured	8,354,000	1.2	26.9	0.1	1.3
		Indicated	5,393,000	1.1	22.3	0.1	1.3
		Subtotal	13,747,000	1.2	25.1	0.1	1.3
	CAGA1 (unmined)*	Measured	4,349,000	0.9	45.3	0.1	1.2
		Indicated	3,470,000	1	28.5	0.1	1.2
		Subtotal	7,819,000	1	37.9	0.1	1.2
	CAGA3 (unmined)*	Measured	3,199,000	1.1	44.9	0.1	1.1
		Indicated	3,986,000	1.3	19.2	0.1	1.1
		Subtotal	7,185,000	1.2	30.6	0.1	1.1
	CAGA5 (unmined)*	Measured	1,409,000	1	46	0.1	1.2
		Indicated	1,656,000	1	23.5	0.1	1.2
		Subtotal	3,065,000	1	33.8	0.1	1.2
	Total	Measured	27,767,000	1.1	39.2	0.1	1.2
		Indicated	22,547,000	1.2	22.6	0.1	1.2
		Total	50,314,000	1.1	31.8	0.1	1.2

**Table-14. Statement of Mineral Resources (+Inferred) for Total Nickel as of 30 June 2016
PMRC**

Material Type	Deposit	JORC Classification	Quantity (Tonnes)	Ni %	Fe%	Co%	Dry Bulk Density
Combined	CAGA4 (as of 30 June 2016)	Measured	10,456,000	1.1	43.8	0.1	1.0
		Indicated	8,042,000	1.3	21.9	0.1	1.1
		Inferred	12,042,000	1.3	16.2	0.1	1.1
		Subtotal	30,540,000	1.2	27.2	0.1	1.1
	CAGA2 (as of 30 June 2016)	Measured	8,354,000	1.2	26.9	0.1	1.3
		Indicated	5,393,000	1.1	22.3	0.1	1.3
		Inferred	2,077,000	1.1	20	0.1	1.3
		Subtotal	15,824,000	1.2	24.4	0.1	1.3
	CAGA1 (unmined)*	Measured	4,349,000	0.9	45.3	0.1	1.2
		Indicated	3,470,000	1	28.5	0.1	1.2
		Inferred	740,000	1.1	17.2	0.1	1.1
		Subtotal	8,559,000	1	36.1	0.1	1.2
	CAGA3 (unmined)*	Measured	3,199,000	1.1	44.9	0.1	1.1
		Indicated	3,986,000	1.3	19.2	0.1	1.1
		Inferred	992,000	1.2	13.9	0.1	1.1
		Subtotal	8,177,000	1.2	28.6	0.1	1.1
	CAGA5 (unmined)*	Measured	1,409,000	1	46	0.1	1.2
		Indicated	1,656,000	1	23.5	0.1	1.2
		Inferred	2,230,000	1	30.6	0.1	1.2
		Subtotal	5,295,000	1	32.5	0.1	1.2
Total	Measured	27,767,000	1.1	39.2	0.1	1.2	
	Indicated	22,547,000	1.2	22.6	0.1	1.2	
	Inferred	18,081,000	1.2	18.3	0.1	1.2	
	Total	68,395,000	1.2	28.2	0.1	1.2	

5.0 HISTORY OF PRODUCTION

5.1 Mining/Production History

The Company commenced development of the CAGA-4 deposit on January 2007 with an Environmental Compliance Certificate (EEC) authorized annual production capacity of 1.4 million tons shared with CTP Construction and Development Corporation (CTPCMC), another company operating its Adlay Nickel Project under the SIRC Joint Venture. In 2010, the Company purchased CTPCMC's share in SIRC which then became 100% owned by the Company. The EEC was then amended to allow an authorized annual production capacity of 5 million dry metric tons from the entire tenement area.

Currently, there are four (4) mining areas in CAGA-4, namely: Area-1, Area-2, Area-3 and Area-6. Over at the CAGA-2, there are two (2) mining areas: Upper and Lower Areas. There are at least six (6) ore types (**Table-15**) mined according to a combination of the nickel- iron grades and these include:

- Low Grade Nickel- High Iron Ore (LGHF)
- Low Grade Nickel-Medium Iron Ore (LGMF)
- Low Grade Nickel- Low Grade Iron Ore (LGLF)
- Medium Grade Nickel- Medium Iron Ore (MGMF)
- Medium Grade Nickel- Low Iron Ore (MGLF)
- High Grade Nickel Ore (HG)

Table-15. Ore Types Grade Specifications

Ore Type	Grade Specifications
Low Grade Nickel- High Iron Ore (LGHF)	<1.20% Ni and >=48% Fe
Low Grade Nickel-Medium Iron Ore (LGMF)	>=1.20% Ni to <1.40% Ni and >=40% Fe
Low Grade Nickel- Low Grade Iron Ore (LGLF)	>=1.20% Ni to <1.40% Ni and <40% Fe
Medium Grade Nickel- Medium Iron Ore (MGMF)	>=1.40% Ni to <1.70% Ni and >=30% Fe
Medium Grade Nickel- Low Iron Ore (MGLF)	>=1.40% Ni to <1.70% Ni and <30% Fe
High Grade Nickel Ore (HG)	>=1.70% Ni and regardless % Fe
Waste- Limonite (WL)	>=1.0% Ni to <1.20%Ni and >=30% to <47% Fe
Waste- Saprolite (WS)	<1.0% Ni to <1.20%Ni and <30% Fe
Waste (W)	<1.0% Ni, <30% Fe and all lithology "B"

The production/shipment data for each ore type for the past five years are shown in **Table-16**.

Table-16. Five Year Production/Shipment Data

Five (5) Year Production/Shipment Data						
Ore Type	2011	2012	2013	2014	2015	June 2016
LG	2,132,329	4,862,398	4,391,657	3,825,112	607,660	880,361
MGLF	1,045,974	431,320	109,572	1,299,869	4,145,068	160,490
MGHF	514,073	420,900		1,081,468	272,474	
HG	580,689	214,017		96,543	376,223	
SHG	52,365					
TOTAL	4,325,430	5,928,635	4,501,229	6,302,992	5,401,425	1,040,851

5.2 Mining System Description

Nickel laterite mining operations involve relatively simple phases that include the following:

- Land clearing
- Overburden removal and storage for rehabilitation use
- Ore mining
- Stockpiling, sun drying and screening/blending
- Transport, barge and ship loading
- Waste dumping
- Rehabilitation

Mining is carried out for 120 days (four months) of the year and ore is currently hauled around 3 km to 5 km from the CAGA-2 deposit and the CAGA-4 deposit to the stockyard. At the stockyard, the ore is dried and screened for large boulders before being transferred to the barge loading facilities at the port then eventually loaded onto the Supramax vessels for transport to the buyers.

Mine rehabilitation is progressively carried out during the mining operation cycle. For the CAGA-4 deposit, mining is carried out by an external contracting company under the supervision and management of the Company, while for the CAGA-2 deposit; mining is carried out by the Company in-house in an owner/operator arrangement

Pictures of the Project's general mining operations are shown in **Figure-7** and **Figure-8**.



Figure-7: Typical Ore Mining Operations at Mine Pit (Source: Runge Pincock Minarco)



Figure-8: Excavator - Articulated Dump Truck Loading Operations
(Source: Runge Pincock Minarco)

6.0 REGIONAL GEOLOGY

6.1 Regional Geologic Setting

The Project is located within the Surigao Laterite Domain in the northeastern region of Mindanao Island, southern Philippines.

The Nickel Cobalt (Ni-Co) Laterites in the Surigao Domain were derived from the weathering of Cretaceous ultramafic rocks from the Samar-Surigao segment of the Bicol-Eastern Mindanao Ophiolite Belt that lies along the eastern flank of the Philippines. This belt is one of nine such belts that form the main structural domains of the Philippines archipelago.

The ophiolite belts, comprising sections of oceanic crust, have been thrust or uplifted onto or next to calc-alkaline rocks of island arc association and form prominent ridges. They consist of sequences of ultramafic rocks, predominantly peridotites (mostly dunite and harzburgite), pyroxenites and gabbros.

The peridotites have been serpentinized and locally metamorphosed to greenschist facies. Uplift and a wet tropical weathering environment have resulted in the development of surficial residual Ni-Co laterite deposits. Where pyroxenite and gabbros have undergone such weathering, the laterites have relatively lower Ni and Co content.

The Project lies within Caraga Region XIII which comprises the northern-most portion of the Eastern Mindanao Ridge (also known as the Mindanao Pacific Cordillera), an orogenic belt bounded by the Philippine Trench and the Philippine Fault Zone. The geological evolution of the Mindanao Pacific Cordillera was controlled by complex tectonics active during Upper Cretaceous to Pleistocene times. These tectonic events juxtaposed older metamorphic basement rocks with ophiolite suite rocks which were

later superposed by younger multiple-stage island arc volcano-sedimentary sequences. The geomorphology of the region is largely controlled by these tectonic processes.

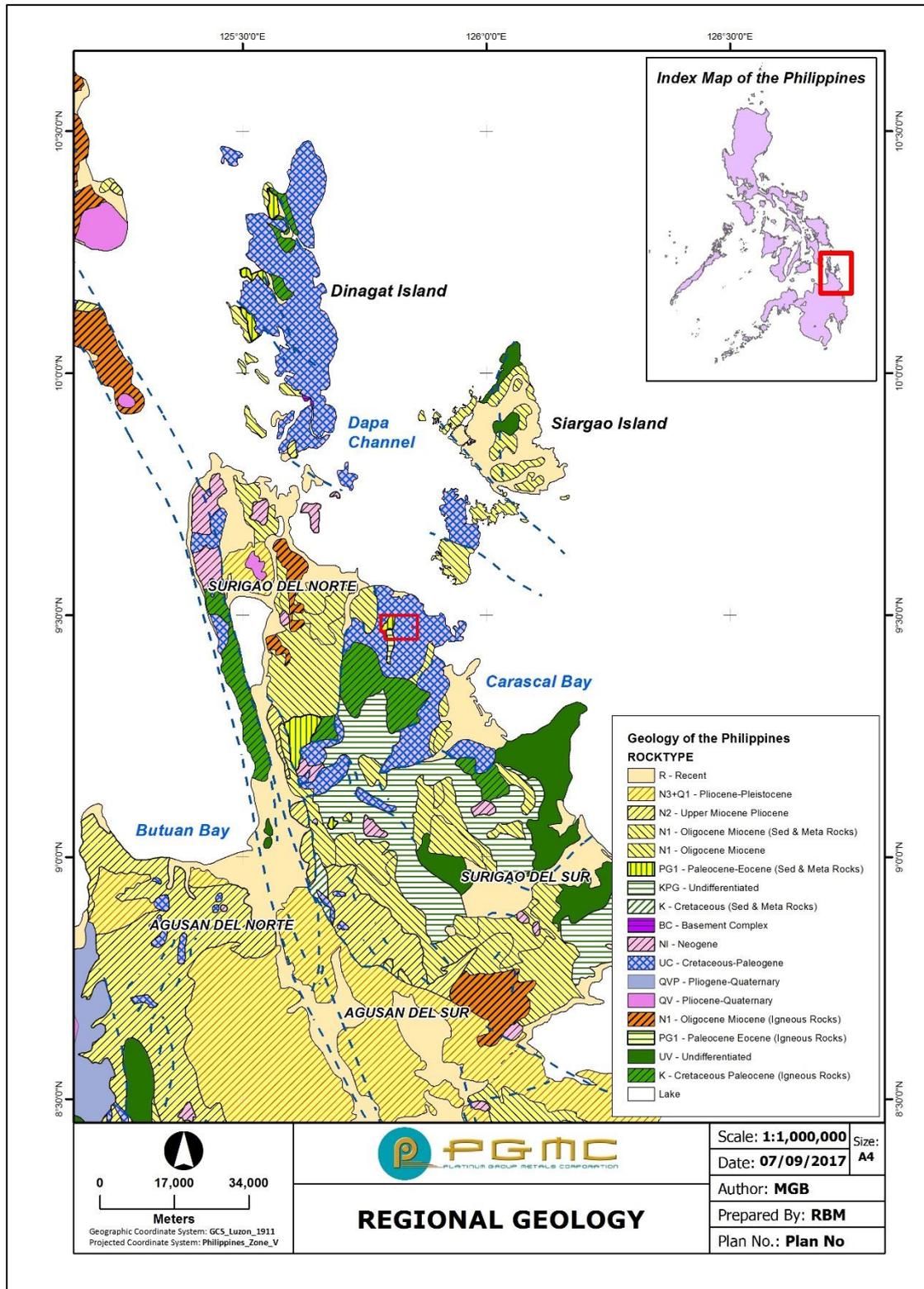


Figure-9. Regional Geological Map (Source: MGB)

6.2 Structural Geology

The major structures trend northeast - southwest in the deposit area and are controlled by the left-lateral strike-slip Philippine Fault. Faults and folds are well developed in the area however there is no indication that the faults and/or folds significantly affected the mineralization.

6.3 Nickel Laterite Deposits- Weathering/Mineralization (Source: W. Ahmad- VITSL)

6.3.1 General

Laterites are essentially residual soils that are rich in ferro-magnesian minerals, formed under the influence of chemical weathering with special ground-water conditions. Residual soils that are rich in hydrated aluminum oxides are termed "bauxite". Mafic rocks, that have more Fe than Al, lead to the formation of Ni laterites while granitic, syenitic and argillaceous rocks that have more Al than Fe, lead to the formation of bauxites.

The original rock composition does play an important role in providing the necessary sesquioxide (*oxide containing three atoms of oxygen and two of another element*), but the prevailing climatic conditions and geologic history of the soil development ultimately control the final composition of the residuum.

The weathering of mafic and argillaceous rocks may simply lead to the formation of clays under cold climatic conditions while advanced chemical weathering under hot and humid conditions may lead to the development of laterite or bauxite from parent rocks where Fe or Al may be relatively poor.

6.3.2 Requirements for the Development of Ni- Laterites

The development of laterites requires:

- Availability of rocks that contain iron
- Relatively high temperature (to aid in chemical attack)
- Slightly acidic waters (to aid in chemical attack)
- High rainfall (to aid chemical weathering & remove mobile elements)
- Strongly oxidising environment (to convert Fe, Al to sesquioxides)
- Supergene enrichments (to yield nickel concentrations)
- Gentle topography (to preserve the laterite soil after development)
- Sufficient time duration (to allow reasonable thickness to accumulate)

Brief description of the relevant factors for development of Ni- laterites are discussed below.

Availability of Appropriate Rocks

For the development of Ni laterites, rocks must contain appreciable amounts of ferromagnesian minerals. Thus, mafic and ultramafic rocks are most suitable for this purpose. Ultramafic rocks have a significantly higher proportion of ferromagnesian minerals and are ideally suited for the development of nickel-iron laterites. Within the ultramafic clan, rocks that are relatively high in nickel content (such as dunites and high-olivine peridotites) are more likely to yield higher concentrations of nickel than say pyroxenites and hornblendites.

Relatively High Temperatures

Temperature plays a very important role in accelerating the process of chemical weathering. Thus, tropical climates where temperatures are generally higher than 20°C are ideally suited for the development of laterites. Most laterite deposits in the world occur either in present-day warm tropical environments or where presence of warm temperatures can be deduced during their time of formation.

Slightly Acidic Waters

Solubility of minerals increases in waters that have pH levels less than normal. Thus, waters that are slightly acidic hasten the process of chemical attack very significantly. Such acidic waters are provided in wet tropical climate through natural acid rain and the availability of humic acid produced by decaying vegetation on the forest floor.

High Rainfall

Lateritic soils are product of wet-hot climate and do not develop without significant levels of rainfall. Rainfall is required to initiate the process of chemical attack and weathering and also to rapidly remove dissolved solids in the ground water. The actual level of rainfall may vary and will result in somewhat different types of lateritic soils. Poor flushing of soils in wet-dry climate will result in the retention of much of magnesia and silica in the form of smectite/nontronite clays while the constant flushing of magnesia and silica in humid climate will prevent the formation of clays.

Strongly Oxidising Environment

Exposure of decomposing ultramafics to oxygen (above the water table) allows the oxidation of divalent iron and divalent manganese to trivalent iron and trivalent and tetravalent manganese that are highly insoluble and prone to residual concentrations.

Supergene Enrichments

Nickel and to some extent cobalt, yield supergene enrichments due to their specific geochemical characteristics. Nickel generally tends to enrich in the middle of the saprolitic layer while cobalt tends to enrich at the lower part of the limonite layer (or at the top of the saprolite layer). The levels of such supergene enrichment may vary considerably from place to place.

Gentle Topography

Topography and topographic relief exert a powerful influence on the rate of weathering and accumulation of residuum. For the preservation of recently formed laterite it is important that the topography must not be very steep. Very steep land surfaces will lead to constant erosion of lateritic soil. Extremely flat topography, particularly with poor drainage, does not favors the development of laterite soil due to poor flushing of the system.

At the same time, the process of laterization leads to the development of some unusual landscapes. **Figure-10 and Figure-11** show the characteristics of laterite topographies and resulting different laterite landforms.

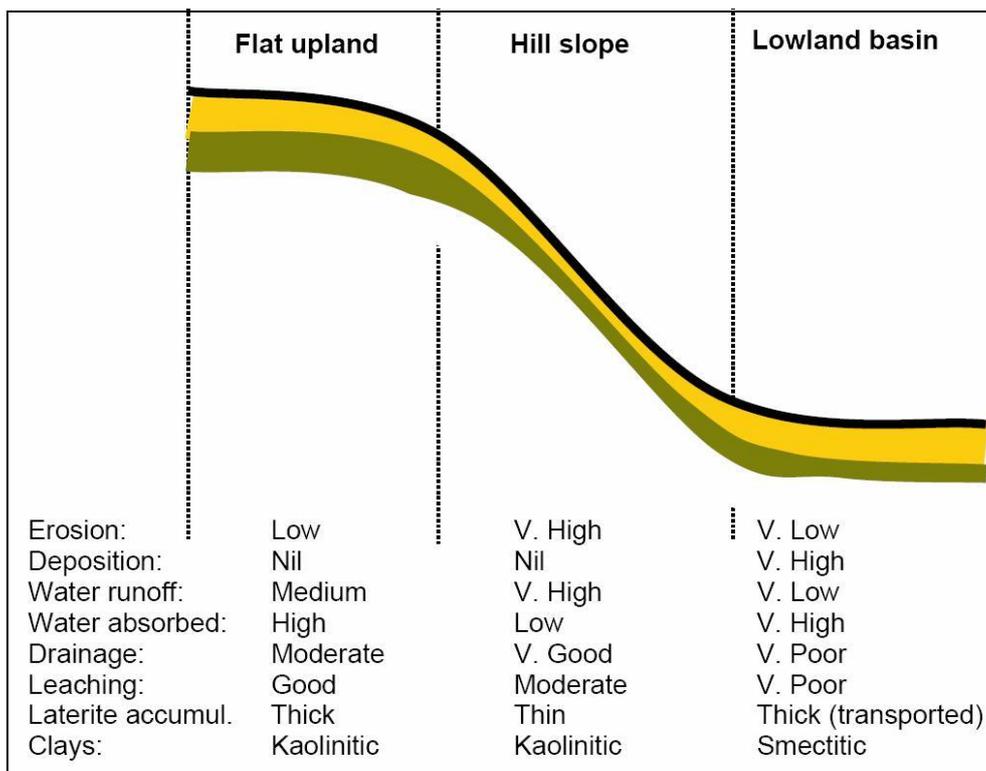


Figure-10. Composite Diagram and Characteristics of Laterite Topographies

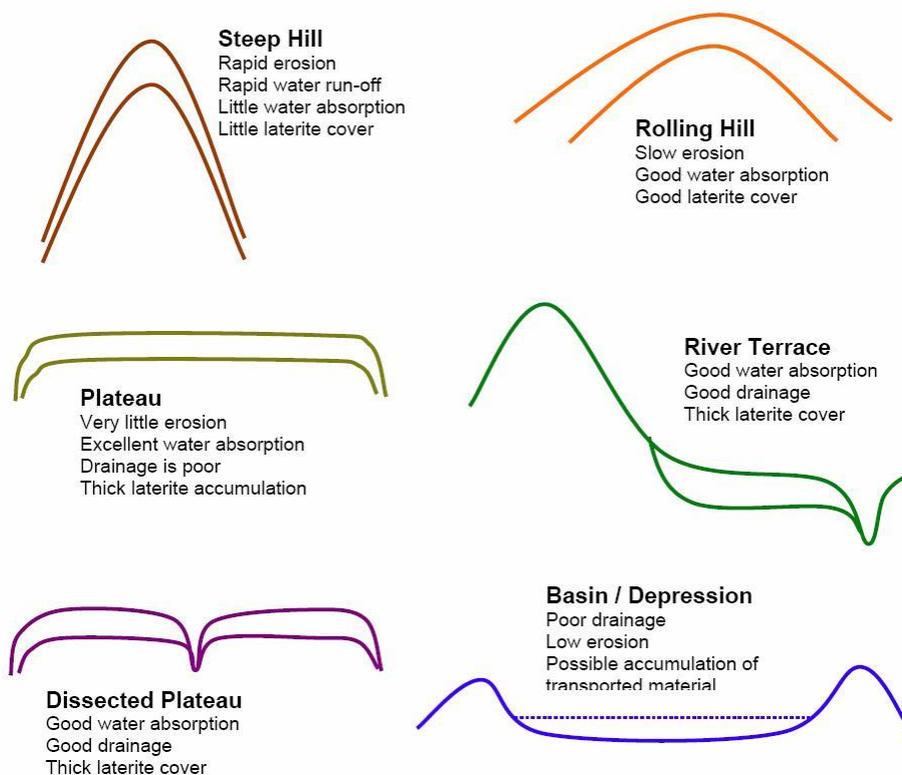


Figure-11. Simplified Schematics of Different Laterite Landforms.

Adequate Time Available

The laterization process requires adequate duration time to operate in order to produce in mature laterite development of significant thicknesses and grade. It is estimated that duration of only a few million years could result in exploitable thicknesses of nickel-iron laterites.

6.3.3 Nickel Laterite Profile

Chemical weathering of ultramafic rocks is accompanied by fractionation of the elements into water-soluble and water-insoluble types. Water-soluble elements are eventually leached out of the weathering system while water-insoluble elements are left behind as residual enrichment. The processes of chemical weathering eventually result in the formation of a stratified laterite profile with youngest laterite at the bottom and oldest laterite at the top. Much of the stratification in a laterite weathering profile is imparted by the presence of water, both due to its downward movement as well as through the fluctuation of its level in the ground (water table).

In the case of residual soils, chemical weathering takes place at the bottom of the regolith. The regolith-protolith boundary marks the weathering front which may be very irregular in shape depending upon the local topography and the shape of the water table. All material above this weathering front is the residual soil (may be affected by some deposition of transported material) and all material below this front represents unweathered bedrock. As chemical weathering continues, the weathering front moves further downward toward the bedrock.

The **Figure-12** below illustrates the relationships among topography, weathering front and water table:

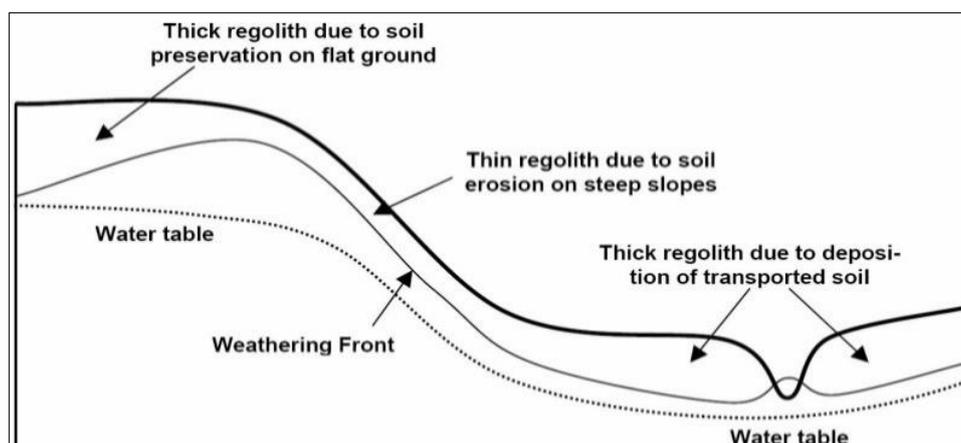


Figure-12. Relationships of Topography, Weathering Front and Water Table

The process of weathering consists of progressive dissolution of magnesia and silica while iron remains in-situ. The final step of evolution is iron hydroxide. In some places, as a result of special (thermodynamic) environment, silica and magnesia can precipitate.

The weathering (**Figure-13**) normally progresses on the joints and fractures which cut the peridotites/harzburgites up into more or less large and regular boulders of fresh rock.

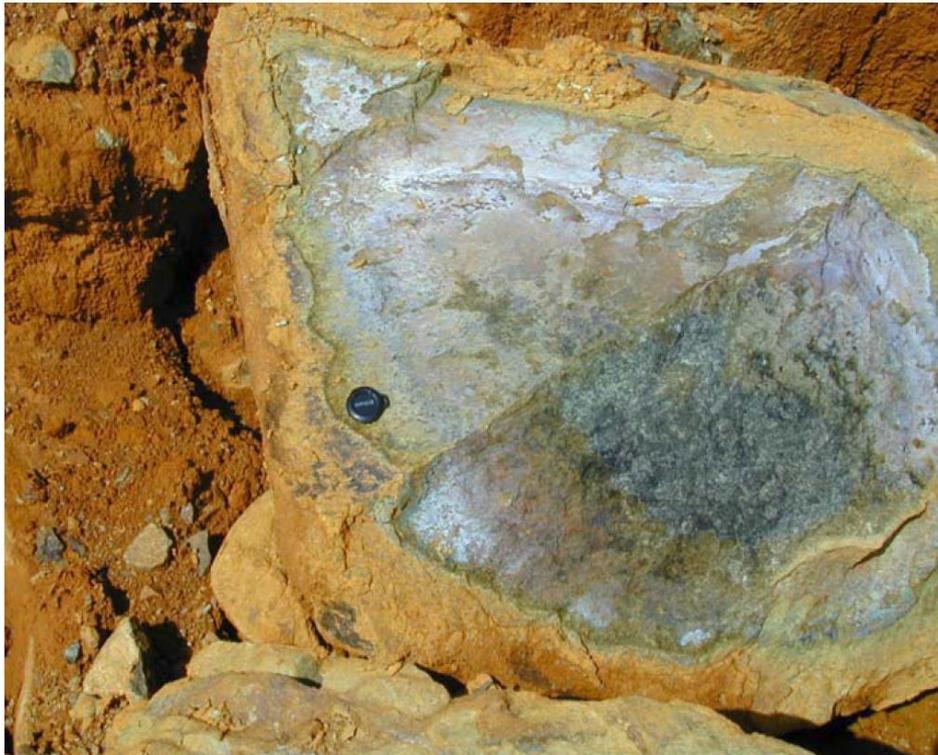


Figure-13. Weathering Development on a Hz Boulder

During alteration, boulders are blunted and surrounded by the weathered product, which replaces the rock progressively until complete weathering. We then obtain the soft saprolites/earthy materials and later, after full elimination of silica/magnesia, the limonite formation and complete laterite profile (**Figure-14**).

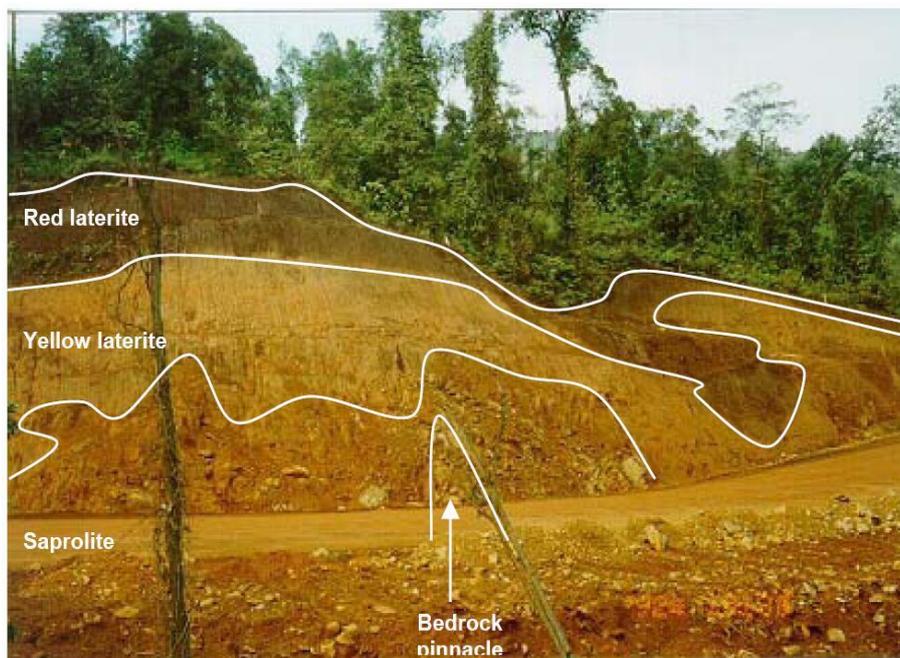


Figure-14. Typical Complete Laterite Profile

The profile of alteration includes several horizons which are divided into two (2) main “mineralized” horizons:

- Limonite Horizon which is essentially composed of iron hydroxide. The structure of parent rock is compressed and completely weathered and destroyed.
- Saprolite Horizon in which silica and magnesia are the main constituents. The relict structure of parent rock is still recognizable and bedrock pinnacles maybe generally present.

The simplified laterization process is shown in **Figure-15**.

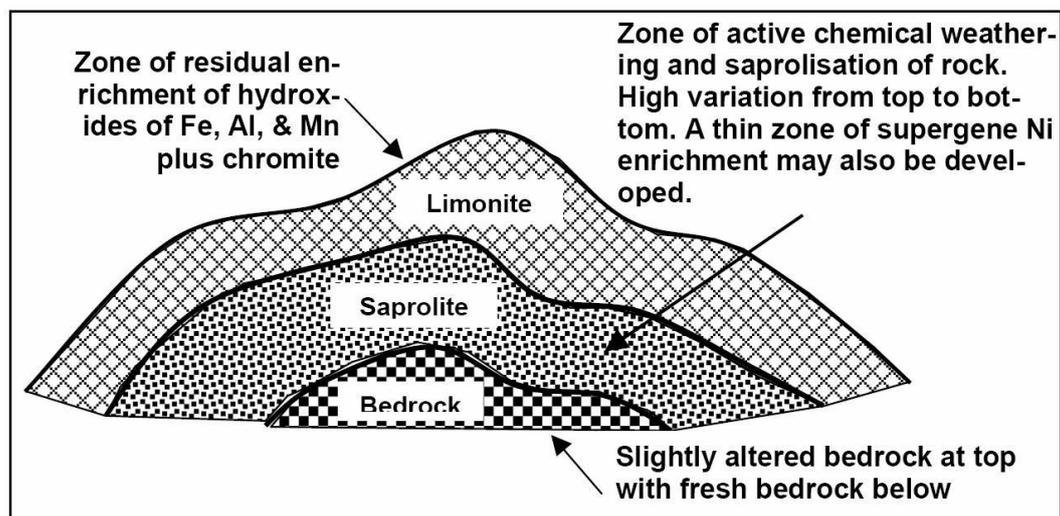


Figure-15. Simplified Laterization Process

Both groups are divided into different horizons. From surface to bottom, limonitic formations include:

- Iron crust
- Red limonite
- Yellow limonite

Saprolites are divided into:

- Earthly saprolites
- Rocky saprolites, a horizon which is a mixture in all proportions of intermediate materials, boulders of more or less slightly weathered peridotites.

A complete laterite weathering profile is shown in **Figure-16**.

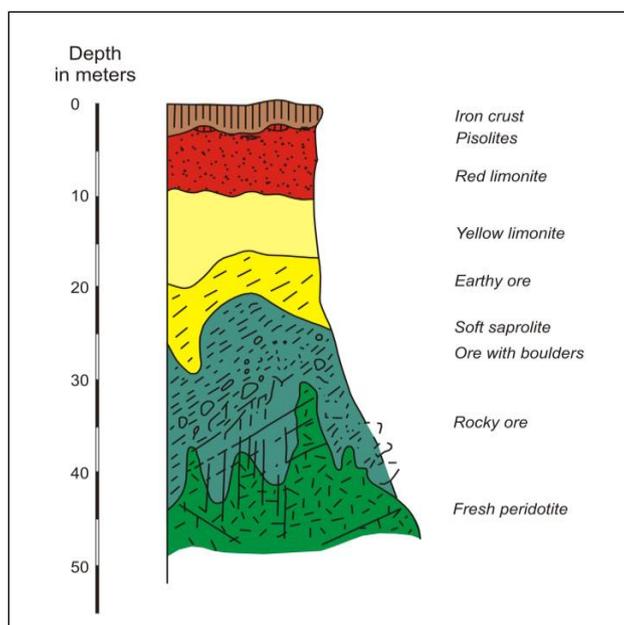


Figure-16. Laterite Weathering Profile

The profile given above is theoretical. Locally, some horizons are overdeveloped and some others are missing.

The drainage through joints and fractures is the main alteration process. The evolution of saprolite and limonite fronts depends on the drainage. If the drainage density is intense, these two fronts can be telescoped and give a leading place to limonitic formations in the profile. The saprolite thickness can be a few meters, and zero in some cases. If the drainage density is not so intense, the saprolite formation can be largely developed and their thickness can reach up to 50 m.

6.3.4 Bulk Densities in Laterites

An unserpentinised dunite made up essentially of high-forsterite olivine has a specific gravity of about 3.1 – 3.2 while a serpentinized peridotite will approach the specific gravity of pure serpentine or 2.4–2.6. Relationship of bulk densities with depth of laterite is shown in **Figure-17**.

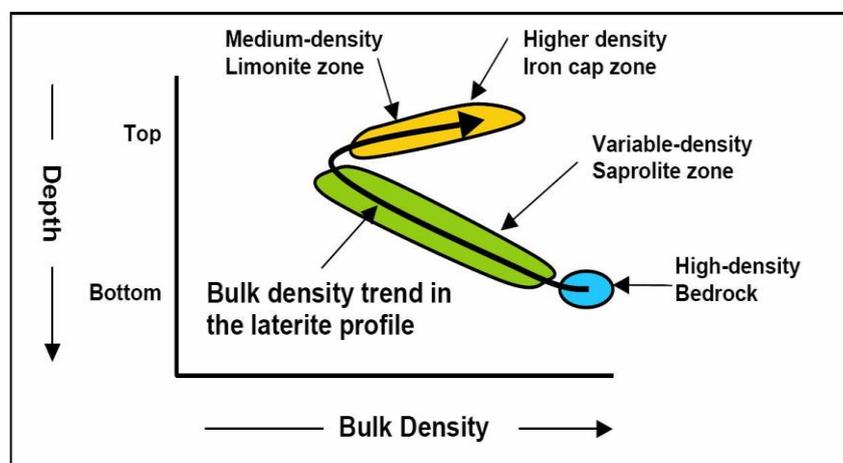


Figure-17. Relationship of Bulk Densities with Depth of Laterite

During laterization, soluble elements such as magnesia, silica and alkalis begin to leach from the bedrock making it porous and lowering its dry bulk density. Its wet bulk density may be affected less since the pore spaces created are usually filled with water. Laterites in wet climates are practically supersaturated, except for the very top where capillary action dry up the surface during dry weather. A well leached piece of saprolite has dry bulk density well below 1.0.

As laterization progresses the dry bulk density of the saprolite continues to fall until such time that the material is too porous to withstand the hydrostatic weight of the overlying limonite. At this point, the saprolitic rock begins to collapse *thereby increasing its dry bulk density*. With further leaching and thickening of the layer, the material reaches its final completely collapsed state and any existing rock textures are finally obliterated. Bulk densities reach their highest levels (2.0 – 2.4) in the ferruginous zone if an indurated iron cap is developed due to repeated solution and precipitation of ferric iron. *This phenomenon explains the wide range of bulk density values of saprolite from below 1.0 to 2.4 wherein it is either lower or higher than limonite bulk density values. During the different levels of the laterization process, the saprolite bulk density values vary according to its collapse state.*

The limonite zone of the laterite profile seldom exceeds 1.9 wet bulk density or 1.3 dry bulk density.

6.4. Nickel Laterite Deposits- Surigao and Dinagat Regions

Significant thicknesses of nickel-cobalt bearing laterite have formed over large parts of Surigao Del Norte, Surigao Del Sur, Dinagat Island and other adjacent islands which are underlain by ultramafic rocks.

The laterite profile can be sub-divided into an upper iron-rich limonite (oxide type) and a lower iron-poor saprolite (silicate type), while a transition zone of intermediate composition is developed over a thickness of <1 – 5m at the contact. The limonite is relatively uniform, but is best developed on ridge crests and gentle slopes, whereas the underlying saprolite is variably developed, depending on the degree of fracturing in the bedrock.

6.5 Historical Exploration

Iron rich laterites in the Dinagat/Surigao areas were recognized in 1912 and in 1914 the Surigao Mineral Reservation (SMR) was established. Following this, the Philippine Bureau of Mines and Japanese mining companies explored parts of the area for iron ore until 1939.

The Bureau of Mines enlarged the boundaries of the Surigao Mineral Reservation in 1939 and the exploration work continued intermittently until 1953 when the potential of the laterites as a source of nickel was recognized. At this time the Bureau commenced a program of test pitting to assess the nickel/iron prospectivity. This then started exploration interests in the SMR Area which is active to date.

7.0 CAGDIANAO PROPERTY- GEOLOGY and MINERALIZATION

The Cagdianao Nickel Project can be divided into seven contiguous laterite sub-areas, namely: CAGA-1 to CAGA-7. The seven areas share a similar geological setting and among which CAGA-4 and CAGA-2 were explored and developed first, while CAGA-1, CAGA- 3 and CAGA-5 were just recently explored thru core drilling. CAGA-6 and 7 will be explored thru geologic mapping and laterite assessment prior to drilling this 2017.

The Project can be divided geologically into three distinct areas:

- An Eastern Area of ultramafic terrain occupying most of the Project (CAGA-1 to 5), principally composed of harzburgite and dunite with well-developed laterite ridges and steep incised creeks with ultramafic bedrock and rock float;
- A Central/Western Area of Tertiary sediment predominantly carbonates (i.e. limestone) with some shale and mudstone overlying the ultramafic rocks. These younger sediments are probably related to a north-south trending structural trough; and
- A Western Area of remote ultramafic terrain with laterite developed on ridges, such as CAGA-6 and some areas of unexplored laterites (CAGA-7). These areas will be explored and drilled to conclusively define their resource potential.

The bulk of the Project is underlain by Late Oligocene ultramafics, which are associated with metavolcanics and overlain by younger Tertiary sediments. The once extensive surface laterite veneer has been eroded into a series of discrete remnants referred to as CAGA-1 to CAGA-7 Areas (**Figure-18**).

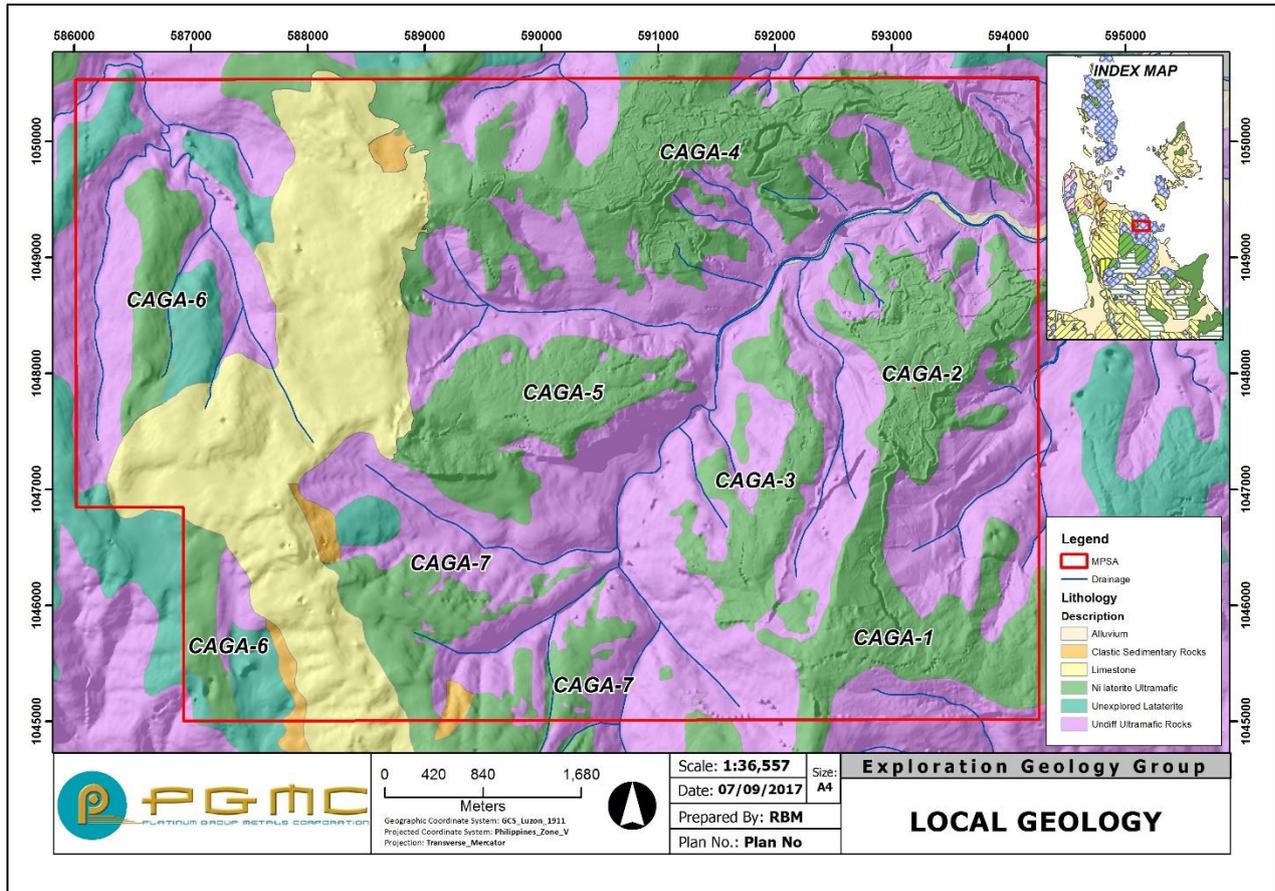


Figure-18. Geological Map of Cagdianao Project (Modified after QNPH)

7.1 Stratigraphic Units/Laterite Profile

Overall observation at the Cagdianao Nickel Project during the site visit indicated five main lithological units, arranged from top to bottom based on occurrence, were defined as Limonite Overburden, Limonite, Transition Zone, Saprolite and Basement.

Limonite Overburden

This zone is developed intermittently across the deposit area and is usually less than one meter thick. The occurrence of shallow tree roots and stumps is common in this zone, which is red to dark brown in color and loosely packed.

Limonite

The limonite zone is fairly homogenous and red-brown to yellow-brown in color containing localized black manganese-oxide veins and staining.

Mineralization is consistent with Ni and Co grades increasing downward towards the transition zone or saprolite contact. Co is significantly higher when associated with manganese veining or staining. Fe generally decreases slightly with depth.

Transition Zone

Where present, this zone is usually defined as representing a gradational change from limonite to saprolite, where the prominent chemical characteristics are higher Ni-Co grades and Fe values between 20 % and 40 %.

This zone is narrow and was intersected in only a few drill holes drilled during the different phases of core drilling.

Saprolite

There is usually a distinct chemical change at the limonite-saprolite contact with an increase in Ni, SiO₂ and MgO and a sharp decrease in Fe and Co grades.

The saprolite zone is a mixture of pale greenish, yellow or grey material, which varies from soft, powdery to harder and blockier with depth.

Ni and Fe grades are highest near the limonite contact. SiO₂ and MgO are expected to be high, with MgO increasing at the bedrock contact.

Boulders and pinnacles of bedrock are common throughout the deposit, especially near the saprolite-bedrock contact typical of other laterite deposits in the Surigao Region.

Basement

The saprolite is underlain mainly by a complex assemblage of serpentinized ultramafic rocks, namely harzburgite, dunite and other pyroxene-rich peridotite.

7.2 Indicative Mineralogy of PGMC Nickel Laterite Deposits

The mineralogy of the nickel ore samples are either made up of iron oxides and hydroxides and hydrous silicates such as serpentine, talc-pyrophyllite, and amphibole. The presence of these silicates is accompanied by a significant increase in Mg and Si.

The limonite overburden has nickel less than 1% but with an iron grade generally higher than 48% Fe. Limonite is associated with nickel grade at about 1.2% - 1.5%, and with iron grade varying from 35% to 42%. Cobalt mineral is a by-product in limonite as the grade reaches about 0.1% Co. The saprolite zone has a higher nickel grade of about 1.6% - 2.5% with the iron grade of 4% to <35%; the cobalt grade averages about 0.04% in saprolite zone.

Goethite and serpentine are the primary nickel-carrying minerals; garnierite and Mg-rich chlorite are thought as the secondary host minerals of the nickel. Limited samples were collected by Dr. Carlo A. Arcilla from the field and were analyzed by X-ray diffraction (XRD) and X-ray fluorescence (XRF). His resource report has presented sample analytical results of the chemical compositions and a summary of is presented in **Table-17**.

PGMC Mineral Resource Evaluation (PMRC-CP Report)

Table-17. Summary of Mineralogy of PGMC Nickel Laterites (Source: Dr. C.A. Arcilla's Report)

Note: Values are express in Wt. %

Sample ID	Goethite	Hematite	Serpentine	Magnetite	Chlorite	Iron Oxyhydroxide	Ferripyrophyllite	Amphibole	MgO	Al ₂ O ₃	SiO ₂	Cr ₂ O ₃	MnO	Fe ₂ O ₃	Co ₂ O ₃	NiO
310-FS 212-151	59.1	11	8	22	0	0			11.0	0.4	2.9	2.2	1.6	76.8	3.3	1.9
BF2247	25.7	0	47.3	14.3	12.7	0	P		12.6	0.0	13.7	1.8	1.5	63.8	3.1	3.5
FS2.197 B462	88.6	0	0	0	0	11.4		P	12.6	0.0	1.4	1.1	0.7	80.2	2.8	1.2
FS2219 B459415	70.7	5.1	0	11.2	0	13	P		9.0	0.0	1.4	2.2	1.6	80.7	3.4	1.7
FS2225 B459	68.1	6.7	0	25.2	0	0	P		9.2	0.0	1.7	2.8	2.0	78.6	3.3	2.4
FS2227 B459	9.2	13.3	42.3	10.8	19.3	5.1	P	P	17.2	0.1	18.5	2.0	1.1	51.7	2.2	7.2
FS2236 B459	73.8	4.3	0	8.5	0	13.5			4.2	0.4	5.9	2.5	2.0	79.1	3.2	2.7
FS2212 B459312	81.2	2.4	0	4.7	0	11.7			12.0	0.3	3.8	1.9	2.2	75.1	3.3	1.4
FS2246 B459	13.5	0	57.6	15.6	8.9	4.5			14.3	0.1	20.8	2.2	1.2	53.1	2.2	6.2
Mean	54.4	4.8	17.2	12.5	4.5	6.6	NA	NA	11.3	0.1	7.8	2.1	1.5	71.0	3.0	3.1

8.0 EXPLORATION

Recent recorded exploration in the Project started in 1997 by BHP and concluded in 2012 by PGMC/GPRI. Data used in this Technical Report were mostly from PGMC, PGMC/GPRI and BOHRER activities from 2007- 2017.

8.1 Geological Mapping

Mapping was constrained by the lack of observable geological features due to the prevailing thick vegetation and absence of erosional 'windows,' except towards the northeastern part of the deposit in Area-2 of CAGA-4. Similarly, exposures in creek beds were limited to weathered saprolite and bedrock. Data from geological mapping were supplemented by available terrain analysis data.

8.2 Diamond Drilling

Pre-determined drill hole targets are located on the ground using handheld GPS (Garmin Montana 650) and marked with labeled stake markers by geologists and geologic assistants. PDH's located in mining infrastructures such as silt ponds, main access roads, crusher facility, and berms are offset within to 2.00 meters or cancelled. PDH's in steep and unsafe ground condition are also cancelled. Drilling was carried out by contractors such as BOHRER Mining and Consulting Services and RAG Mining Services using man-portable YBM-Type rigs. Core size is NQ (~47mm) to be drilled at desired depth (2.00 – 3.00 meters of bedrock) or upon advice of a geologist. Data such as run, core recovery, depth, and date started/completed are recorded. Drilling practice was within acceptable international (JORC) and local standards (PMRC), and the guaranteed DH core recovery is 90%.

8.2.1 CAGA-1 Deposit

The CAGA-1 Deposit of about 220 hectares exhibits a generally flat to slightly undulating terrain covered by thick vegetation. The abundance of boulders particularly on the ridge and the mapped outcrops along road cuts displaying a thin limonite overlying the bedrock and with a missing saprolite zone indicate an immature laterite profile.

Exposures of thin and undeveloped laterite profile are shown in **Figure-19**. The CAGA-1 thematic map showing projected laterite thickness is in **Figure-20**.



Figure-19. CAGA-1 Deposit Laterite Outcrops (Source: GPRI)

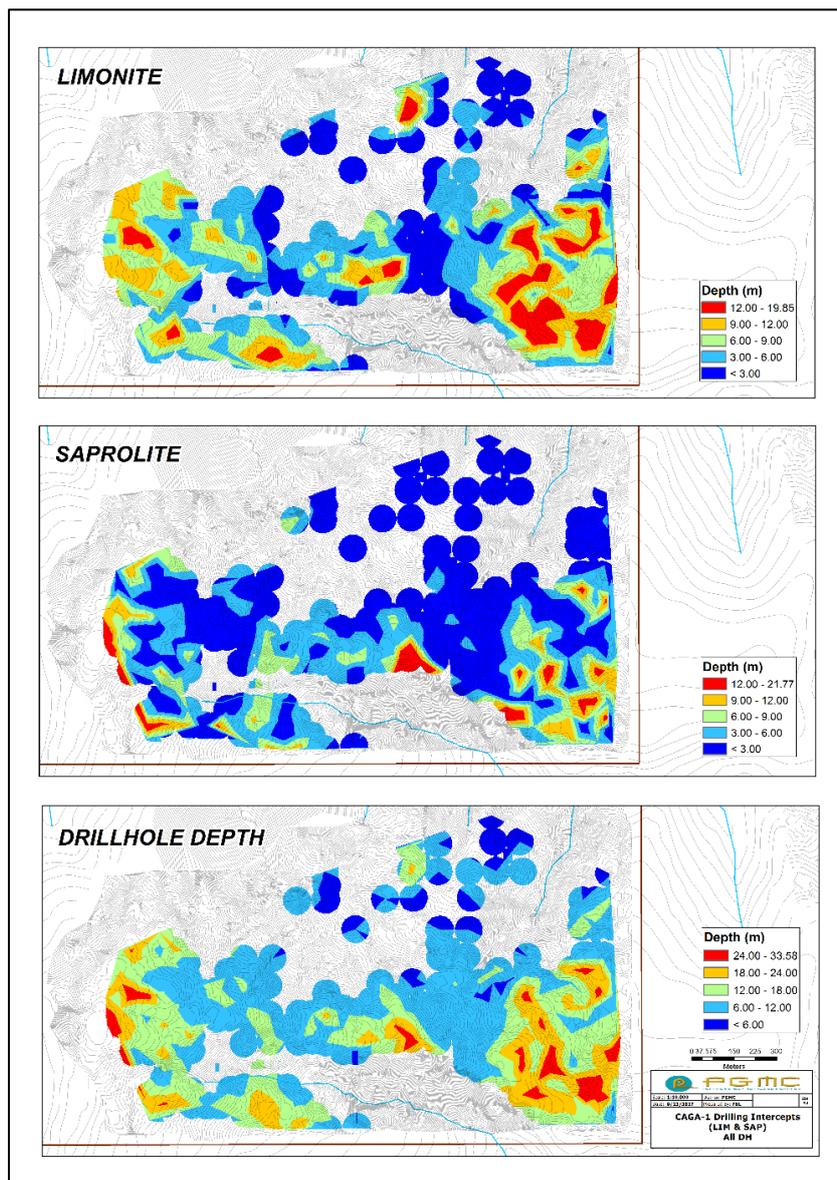


Figure-20. CAGA-1 Thematic Map Showing Projected Laterite Thickness (Old DH)

8.2.2 CAGA-2 Deposit

The CAGA-2 Deposit is approximately 335 hectares and displays a generally flat terrain particularly on the ridge and partly covered by thick vegetation. The area is divided into three main blocks and two of which (Blocks 1 and 2) are currently being mined. The geologic mapping resulted in the delineation of the laterite boundary with most of the outcrops observed relatively thick. This was confirmed by drill holes exhibiting a complete laterite profile which is an evidence for a mature weathering profile (**Figure-21**). The 2016 – 2017 in-fill drilling campaign was designed to confirm previous historical drill hole intercepts and to explore for lateral extension located at peripheries of existing pit limits.

For the update, a total of 1,020 drill holes at 9,056.65 meters with an average depth of 8.88 meters at 95.73% core recovery were completed and added to previous drill hole data. Completed drill holes are composed of the following: 78 DH at 100x100 meter interval, 257 DH at 50x50 meter drill spacing, and 685 DH at 25x25 meter spacing.

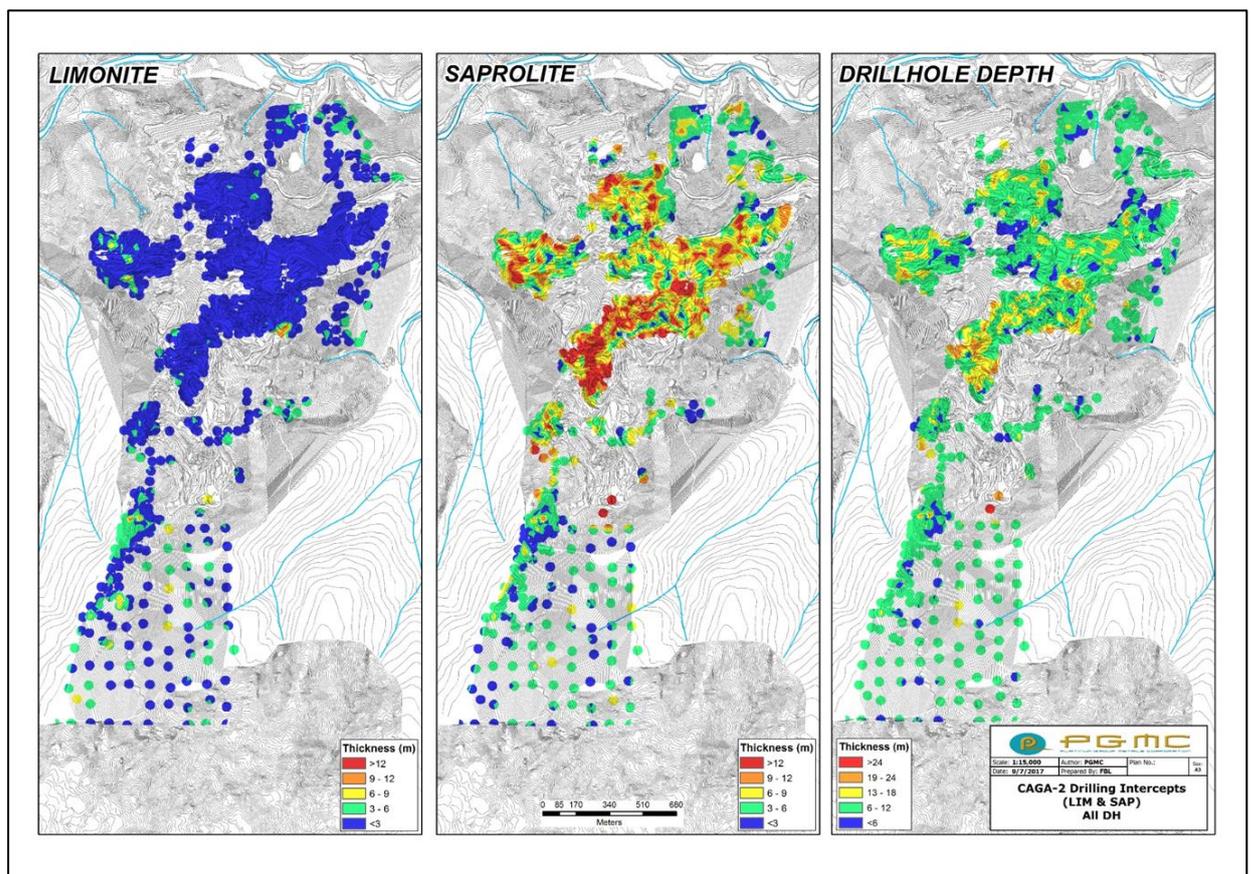


Figure-21. CAGA-2 Thematic Map Showing Projected Laterite Thickness (New DH)

8.2.3 CAGA-3 Deposit

The CAGA-3 Deposit (**Figure-22**) is approximately 115 hectares displaying a generally flat NNE-SSW trending ridge covered by thick vegetation and bounded by steep slopes. Results from the geologic mapping conducted revealed a relatively thick laterite deposit showing a complete sequence of a typical laterite profile. An outcrop of lumpy chromite deposit was also mapped several meters north of the camp site.

For the update, a total of 1,213 drill holes at 14,110.60 meters with an average depth of 11.63 meters at 93.22% core recovery were completed and added to previous drill hole data. Completed drill holes are composed of the following: 315 DH at 50x50 meter interval, and 898 DH at 25x25 meter drill spacing.

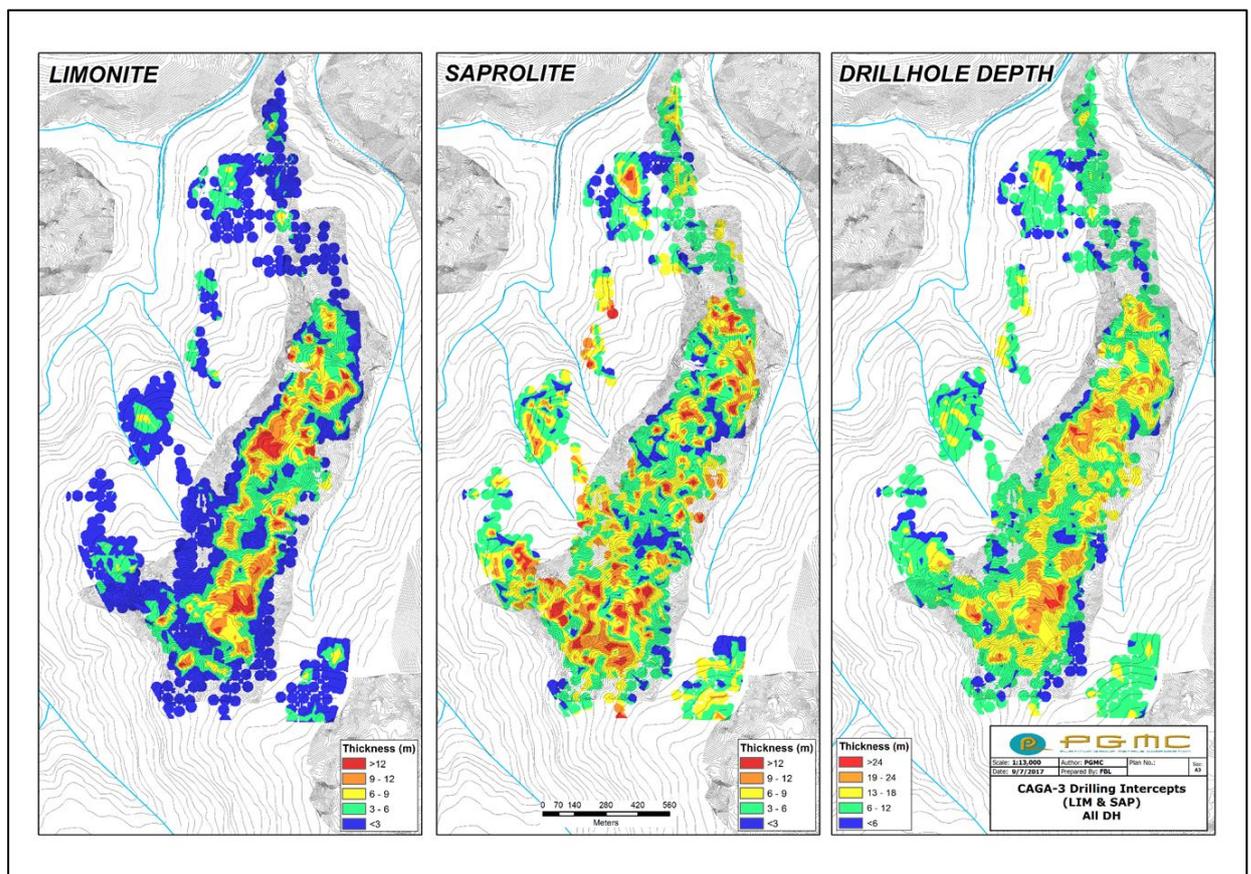


Figure-22. CAGA-3 Thematic Map Showing Projected Laterite Thickness (New DH)

8.2.4 CAGA-4 Deposit

The CAGA-4 Deposit was initially identified by BHP/QNPH based on its moderately sloping to almost flat characteristics generally trending in an east west direction. For easy reference, it was subdivided into six (6) continuous sub-deposits. Delineation of thick (>5m) and thin (<5m) limonite at CAGA-4 (**Figure-23**) was made by QNPH and subsequently checked by a 200m grid test pits followed up by a 100 and 50m grid core drilling. The 2015 – 2016 in-fill drilling campaign at CAGA-4 was intended to confirm previous drill hole intercepts and to explore for lateral extension located at peripheries of existing pit limits.

Included in the 30 June 2016 update, a total of 1,606 drill holes at 16,725.20 meters with an average depth of 10.41 meters at 94.73% core recovery were completed and added to previous historical drill hole data. Completed drill holes are composed of the following: 8 DH at 200x200 meter interval, 31 DH at 100x100, 1069 DH at 50x50, and 498 DH at 25x25 meter drill spacing.

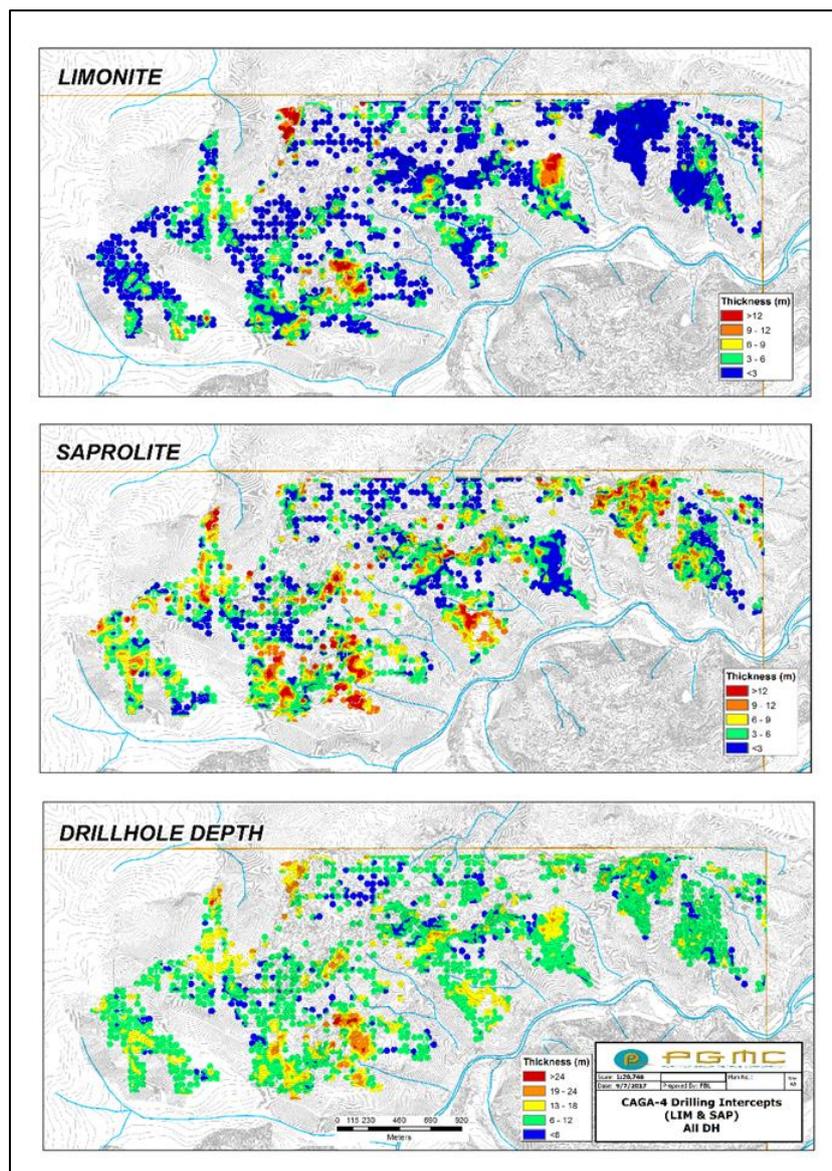


Figure-23. CAGA-4 Thematic Map Showing Projected Laterite Thickness (New DH)

8.2.5 CAGA-5 Deposit

CAGA-5 Deposit (**Figure-24**) is approximately 225 hectares, exhibiting entirely a flat and slightly undulating plateau, generally underlain by ultramafic rocks except on the western limit of the area which is bounded by a limestone deposit. Field mapping conducted revealed irregular formations of laterite particularly at the upper mid part of the site area showing several floats and sub-outcrops of dunite and serpentinized dunite, indicative of a thin deposit of laterite to be expected underneath. Although most parts of the area show relatively thick laterite profile, some of this shows an incomplete laterite profile sequence particularly on the center and near the edge of the site area, an evidence of relatively immature laterite deposit.

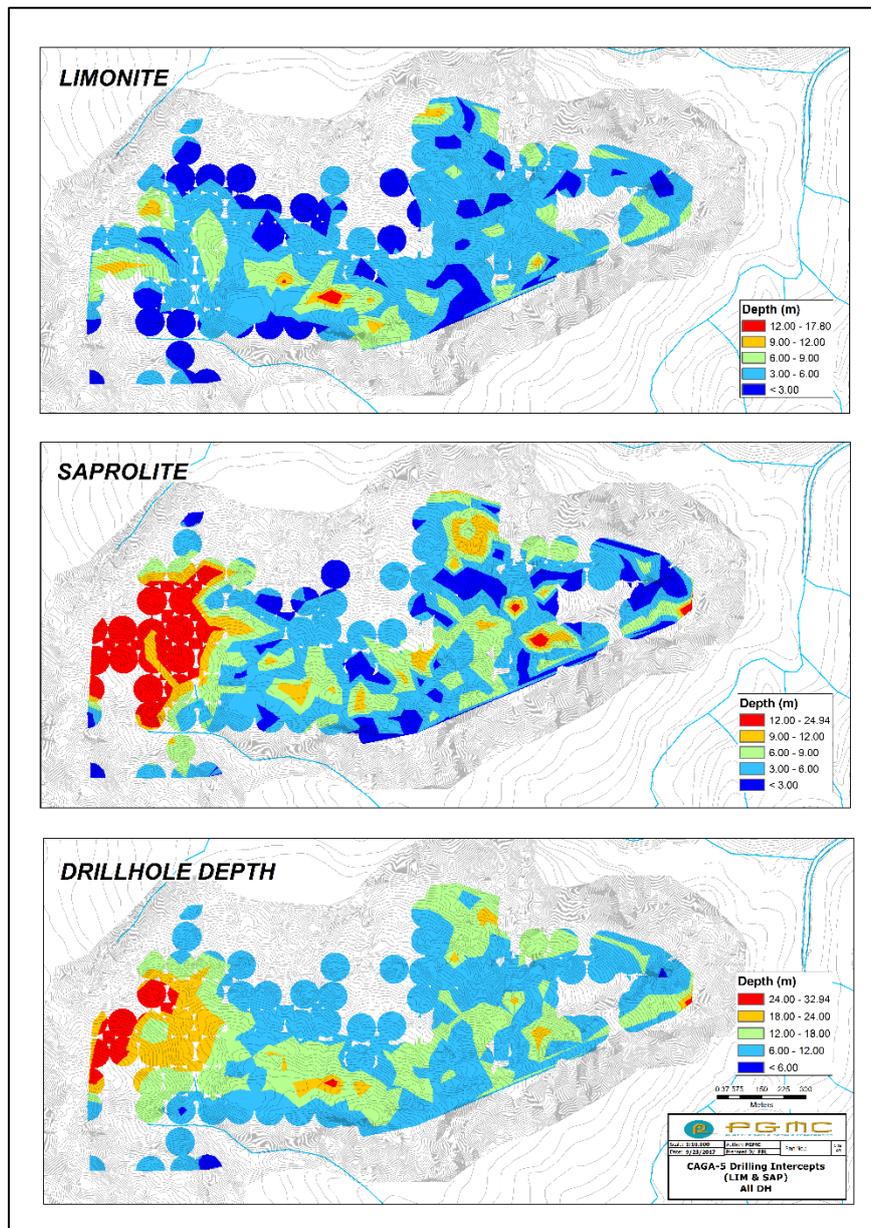


Figure-24. CAGA-5 Thematic Map Showing Projected Laterite Thickness (Old DH)

8.3 Topographic Survey

The five (5) laterite deposits at the PGMC area were surveyed using a TOPCON GTS-230N Total Station, Differential GPS GNSS South T82 (rover) and T86 (base) instruments by the GPRI survey group. Emphasis was given on the survey of drill hole collars, test pits, roads, structures, topographic features, depleted mine areas, etc. to assist in generating an accurate resource estimate.

The Philippine Transverse Mercator Zone 5 is being used for all survey data and maps.

The basic PTM Zone 5 parameters include:

Projection	Transverse Mercator
Datum	Luzon (Philippines)
Central Meridian Scale Factor	0.99995
Central Meridian	125.0
Origin Latitude	0.00

For active CAGA-2 and CAGA-4 mines, the topographic survey included the pit updates which was then used on this resource estimation report. Deposits CAGA-1, 3 and 5 are with their original topographic surfaces and still un-mined as of the resource estimation and reporting period.

A digital terrain model of all the surface topographic data were generated for use as upper constraints in the block modelling.

Topographic coverage (**Table-18 and 19**) and survey results for CAGA-2, CAGA-3, and CAGA-4 deposits are shown in **Figures 25-30**.

Table-18. GPRI Topographic Survey Details (2012)

Activity	Measured Output	CAGA-1	CAGA-2	CAGA-3	CAGA-5
Hole Survey	Site location (number of holes)	284	663	219	218
Survey	Collar Survey (number of holes)	284	1389	219	218
	Topographic (hectares)	220	335	115	225

Table-19. PGMC Topographic Survey Details (2015 – 2017)

Drill Hole and Topographic Summary							
Particulars	NEW			OLD			Total
	CAGA-2	CAGA-3	CAGA-4	CAGA-2	CAGA-3	CAGA-4	
Total Holes	1,020	1,213	1,606	1,360	219	785	6,203
Total Depth (m)	9,056.65	14,110.60	16,725.20	22,373.07	3,328.30	13,417.77	79,011.59
Collar Survey (DHs)	1,020	1,213	1,606	1,360	219	785	6,203
Topo Survey (has)	184.63	143.42	388.88	146.29	65.04	473.36	1401.62

Note: Overlaps included between old and new drill holes topographic survey

8.3.1 Drill Hole Collar Location

Proposed drill hole sites/collars were originally sited by a hand-held GPS unit with compass and measuring tape using old DHs and pits as tie-points.

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During the topographic survey the collar locations of completed DHs were accurately surveyed using a Topcon Total Station instrument model GTS-230N and Differential GPS GNSS South T82 (rover) and T86 (base) with the coordinates recorded in the Philippines Transverse Mercator (Zone 5) coordinate system. Regular calibrations of the instruments at least twice a year from the National Mapping Resource Information Administration (NAMRIA) are done. The DH collar site was marked by a wooden pole inserted into the hole with the hole ID and location coordinates marked on it.

8.3.2 Downhole Surveys

All drill holes were shallow and drilled vertically. No down hole surveys were carried out as any minor hole deviation would be immaterial to the resource estimate.

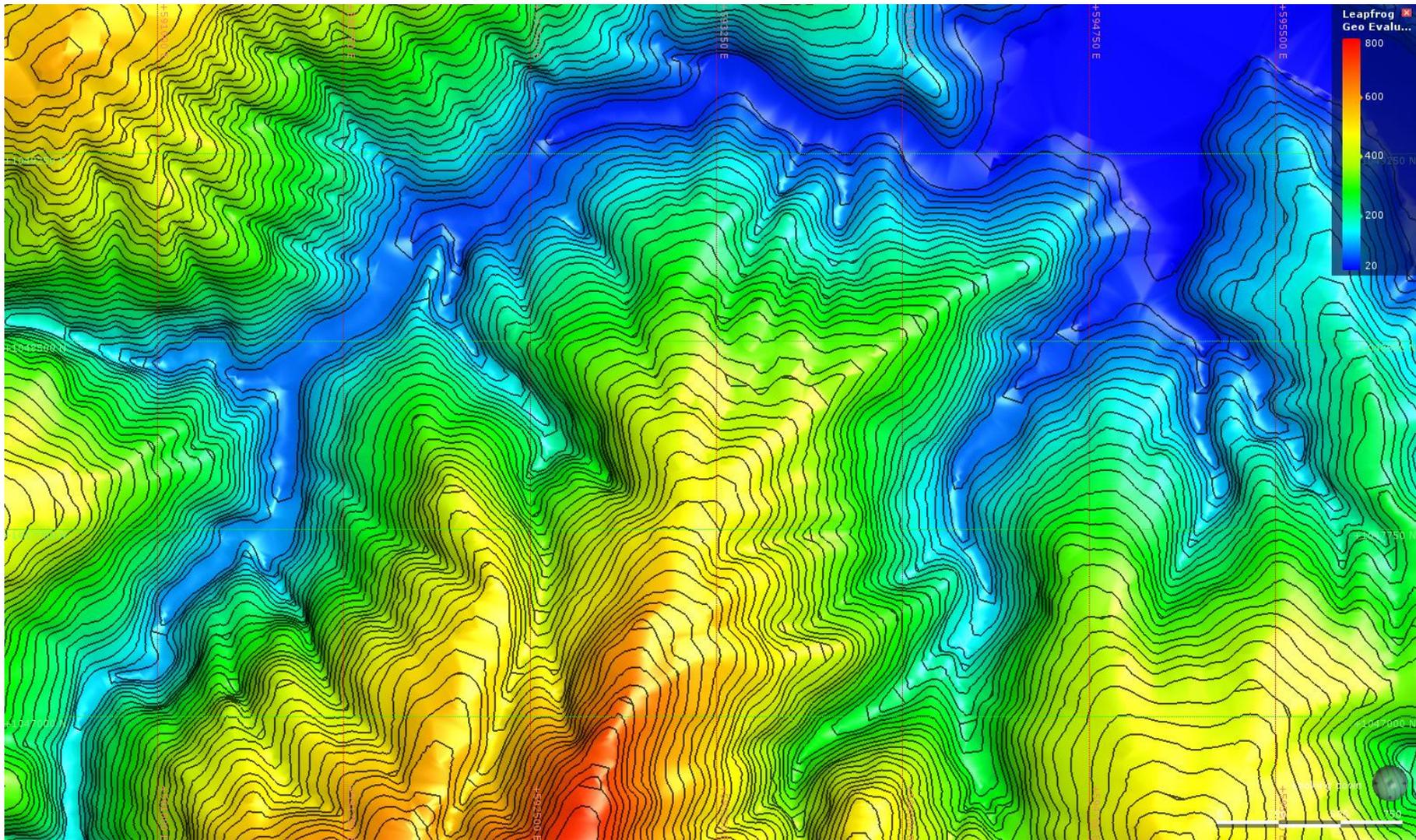


Figure-25. Topographic Survey of CAGA-2 Original Ground

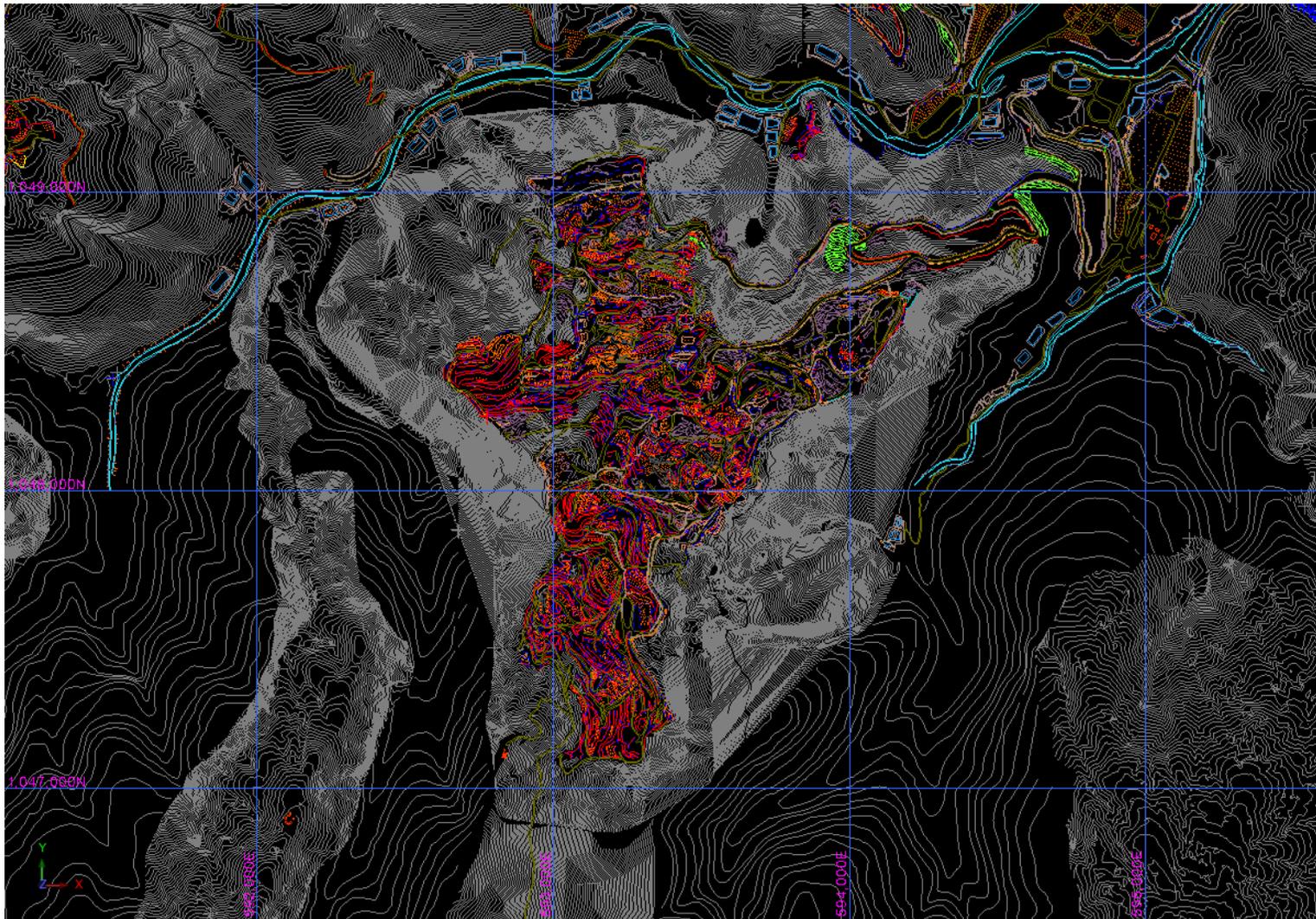


Figure-26. Topographic Survey of CAGA-2 as of 23rd June 2017

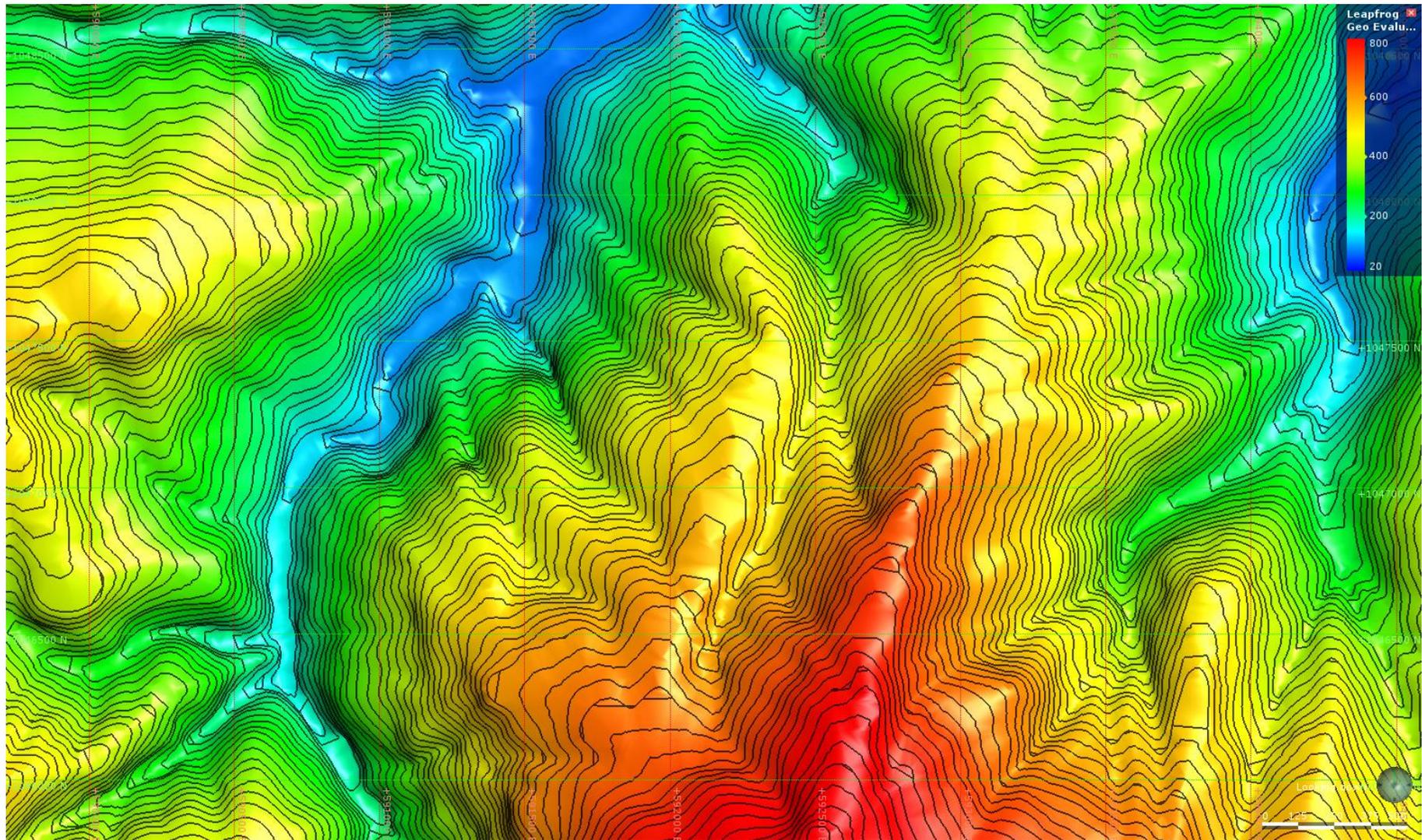


Figure-27. Topographic Survey of CAGA-3 Original Ground

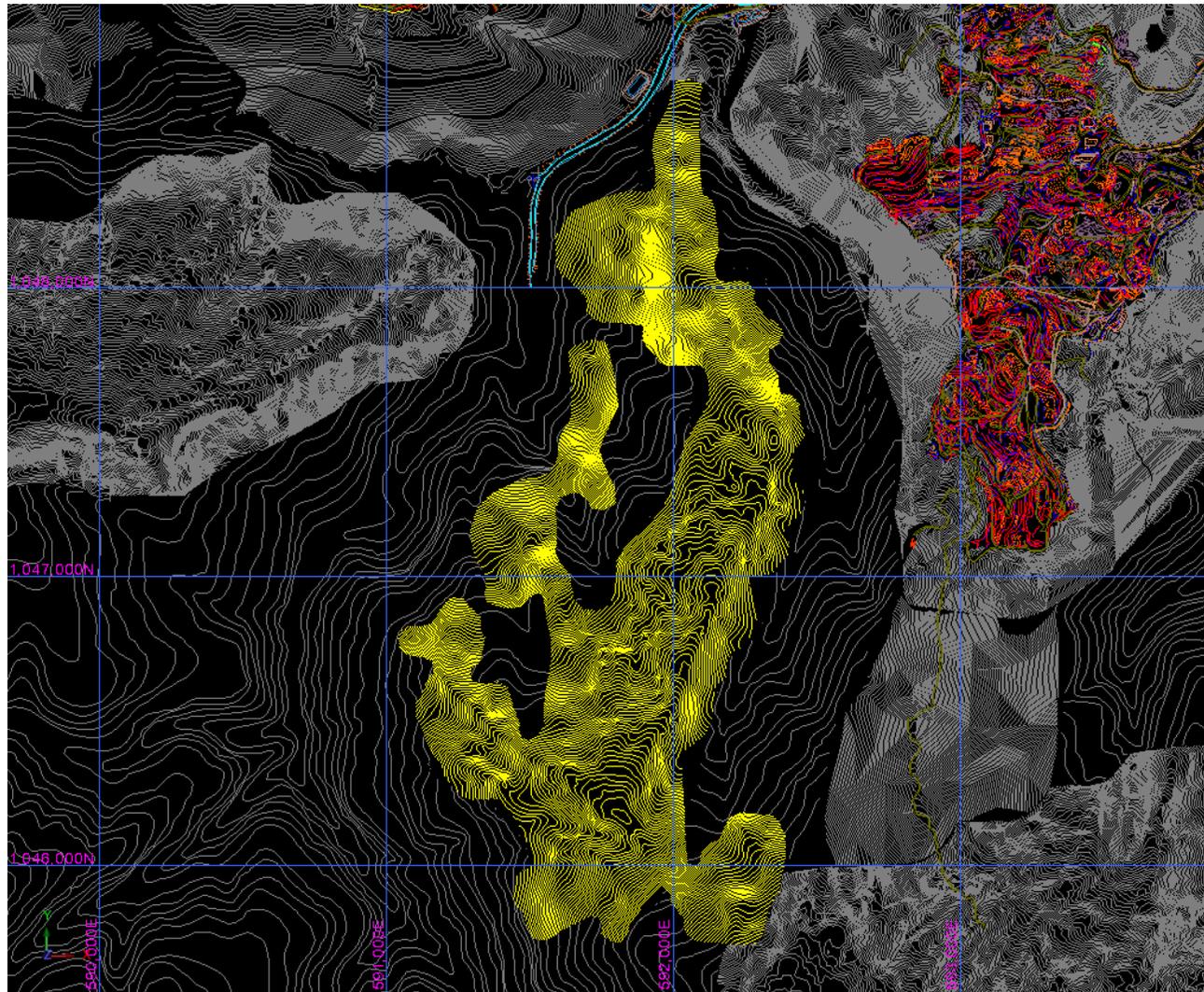


Figure-28. Topographic Survey of CAGA-3 as of 23th June 2017

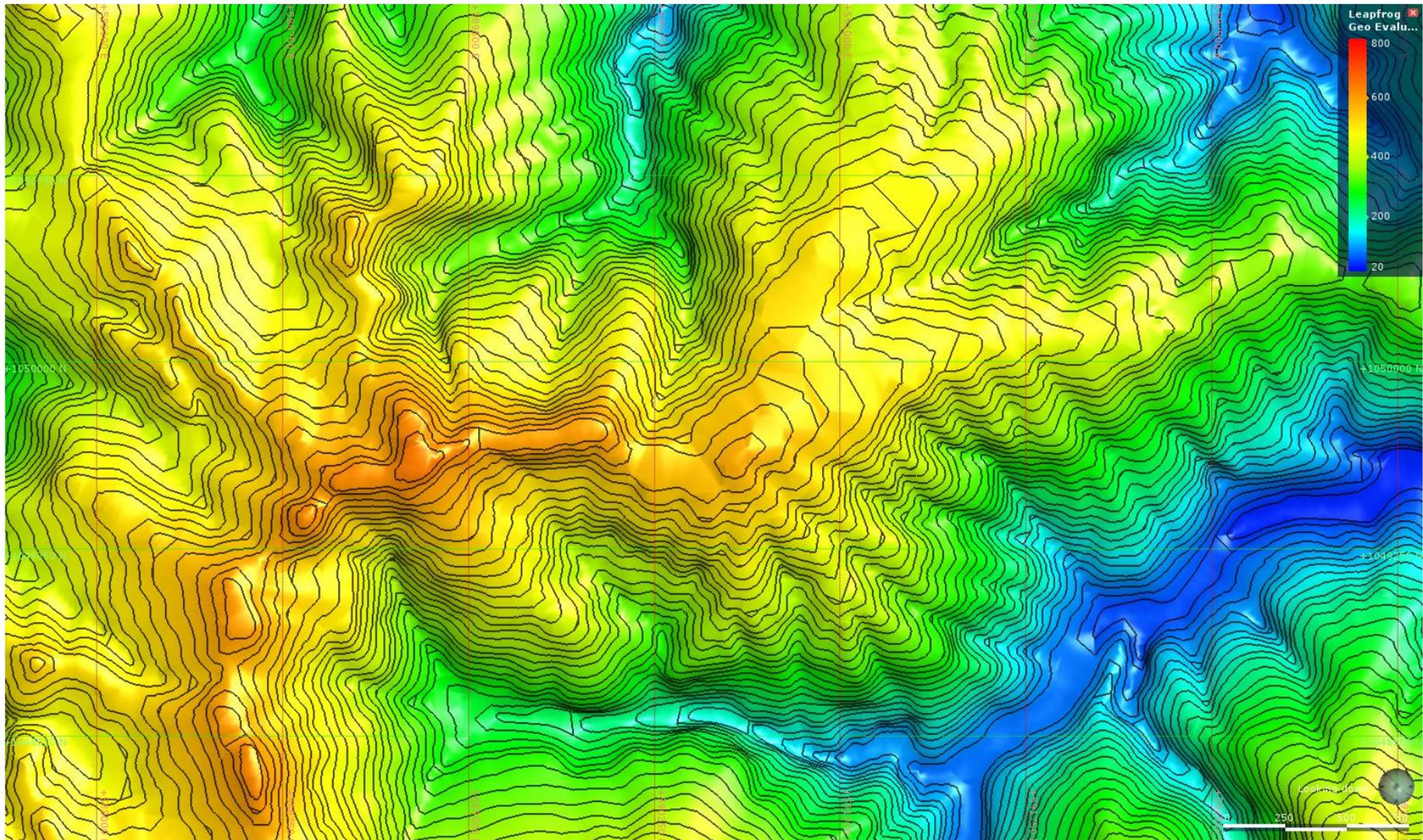


Figure-29. Topographic Survey of CAGA-4 Original Ground

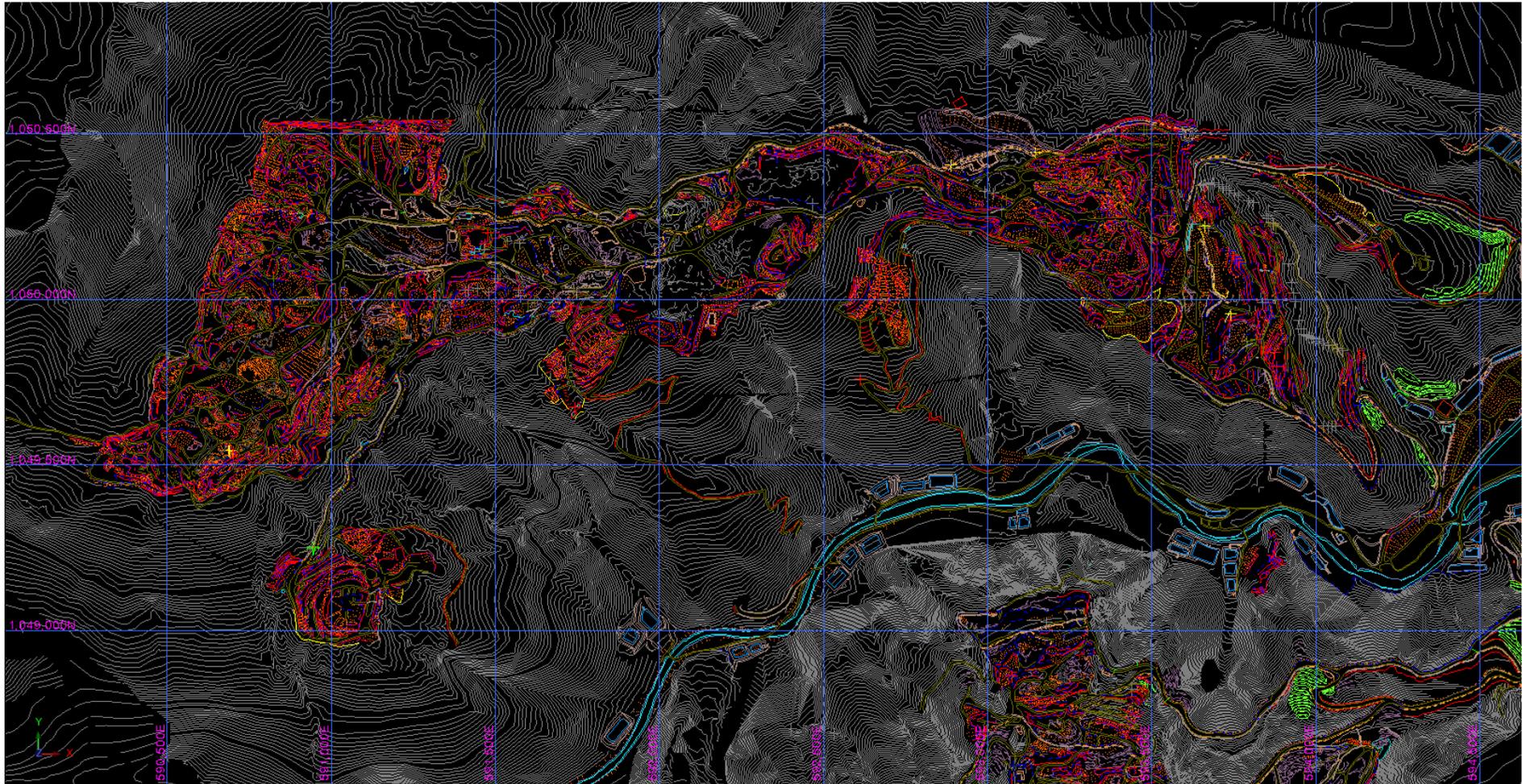


Figure-30. Topographic Survey of CAGA 4 as of 23th June 2017

8.4 Drilling

Several man-portable drill rigs of YBM-type were used for the recent drilling program. NQ diameter core was produced for the entire length of the hole using conventional wireline core drilling methods with 3-meter rods in a single tube arrangement and tungsten carbide drilling bits. The core was extracted from the core barrel normally after every one-meter drill run. The core was expelled into a half-tube PVC pipe before being placed into a wooden one-meter-long core box. The meterage and core recovery were measured by the drilling recorder before being written on a wooden core marker block which was placed in the core box at the end of the appropriate core run. All core drilling operations were supervised by a BOHRER supervisor. The CAGA-2 and CAGA-3 core drilling program details are given in **Table-20**.

Table-20. Core Drilling Details

Core Drilling Statistics							
Particulars	NEW			OLD			Total/Average
	CAGA-2	CAGA-3	CAGA-4	CAGA-2	CAGA-3	CAGA-4	
Total Holes	1,020	1,213	1,606	1,360	219	785	6,203
Total Depth	9,056.65	14,110.60	16,725.20	22,373.07	3,328.30	13,417.77	79,011.59
Average Depth	8.88	11.63	10.41	16.45	15.2	17.09	13.28
Total Core Recovered	8,691.63	13,176.61	15,870.98	22,104.00	22,104.00	11,693.00	93,640.22
Average Core Recovered	95.73%	93.22%	94.73%	97.10%	96.60%	87.30%	94.11%
Core Drilling Schedule							
Area	No. of Holes	Meterage	Date Started		Date Completed		
CAGA-2 (new)	1,020	9,056.65	January 25, 2016		May 11, 2017		
CAGA-3 (new)	1,213	14,110.60	September 06, 2016		June 15, 2017		
CAGA-4 (new)	1,606	16,725.20	October 10, 2015		May 30, 2016		

Core logging and core sampling were completed as per protocols provided in **Appendix A**.

Summary of drill hole statistics is given in **Table-21**.

Table-21. Drill Hole, Assay, Bulk Density and Moisture Statistics

Particulars	NEW			OLD			Total
	CAGA-2	CAGA-3	CAGA-4	CAGA-2	CAGA-3	CAGA-4	
Number of Drill holes	1,020	1,213	1,606	1,360	219	785	6,203
Total Meterage	9,056.65	14,110.60	16,725.20	22,373.07	3,328.30	13,417.77	79,012
Number of Assays	9,828	15,102	17,615	23,799	3,584	12,535	82,463
Number of Interval Logged	9,828	15,102	17,616	23,799	3,584	12,535	82,464
Core recovery Records	16,893	23,771	1,606	44,947	9,547	4,041	100,805
Bulk Density Samples	1,093	2,204	2,834	1,188	705	1,401	9,425
Moisture Content Samples	1,093	2,204	2,834	1,188	705	1,401	9,425

Flow charts of activities during the drilling program implementation are shown in **Figures- 31 to 32**. DH location maps are in **Figures-33 to 35**.



Figure-31. Exploration Protocol Flow Chart (Source: GPRI)



COREHOUSE ACTIVITY FLOW CHART

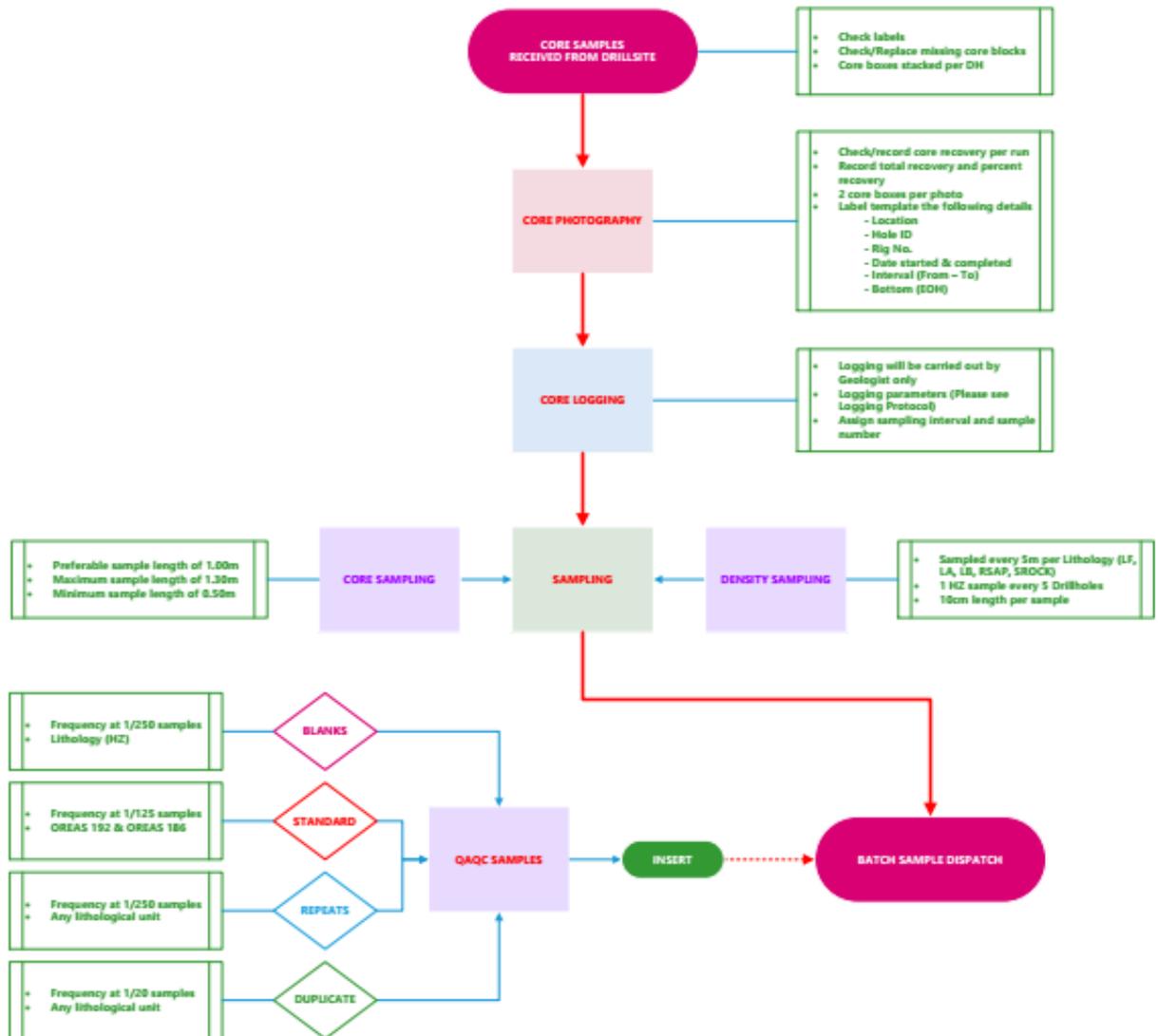


Figure-32. Flow sheet illustrating core logging, sampling, QAQC, and sample dispatch

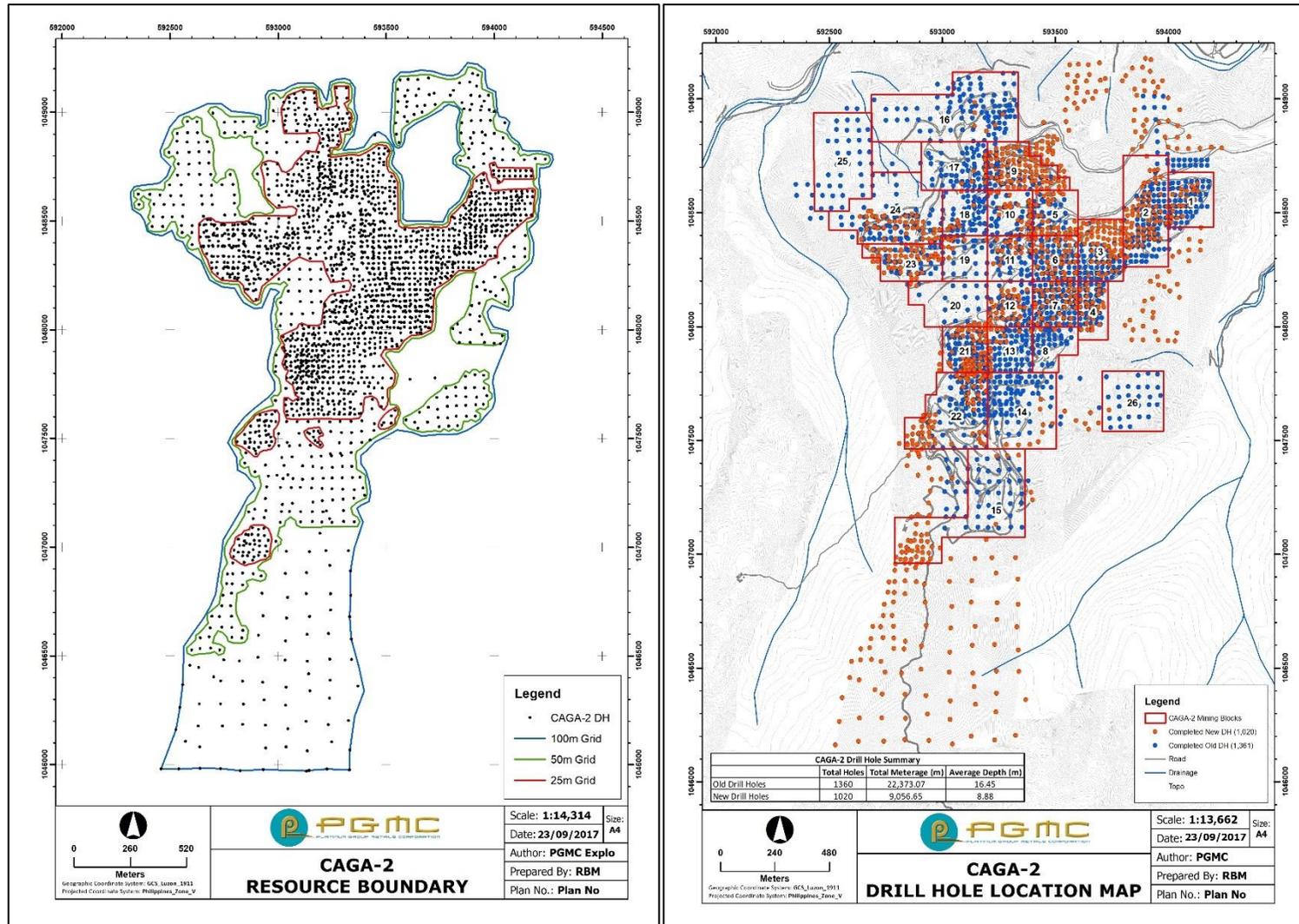


Figure-33. Drill Hole Location with Resource Boundary of CAGA 2

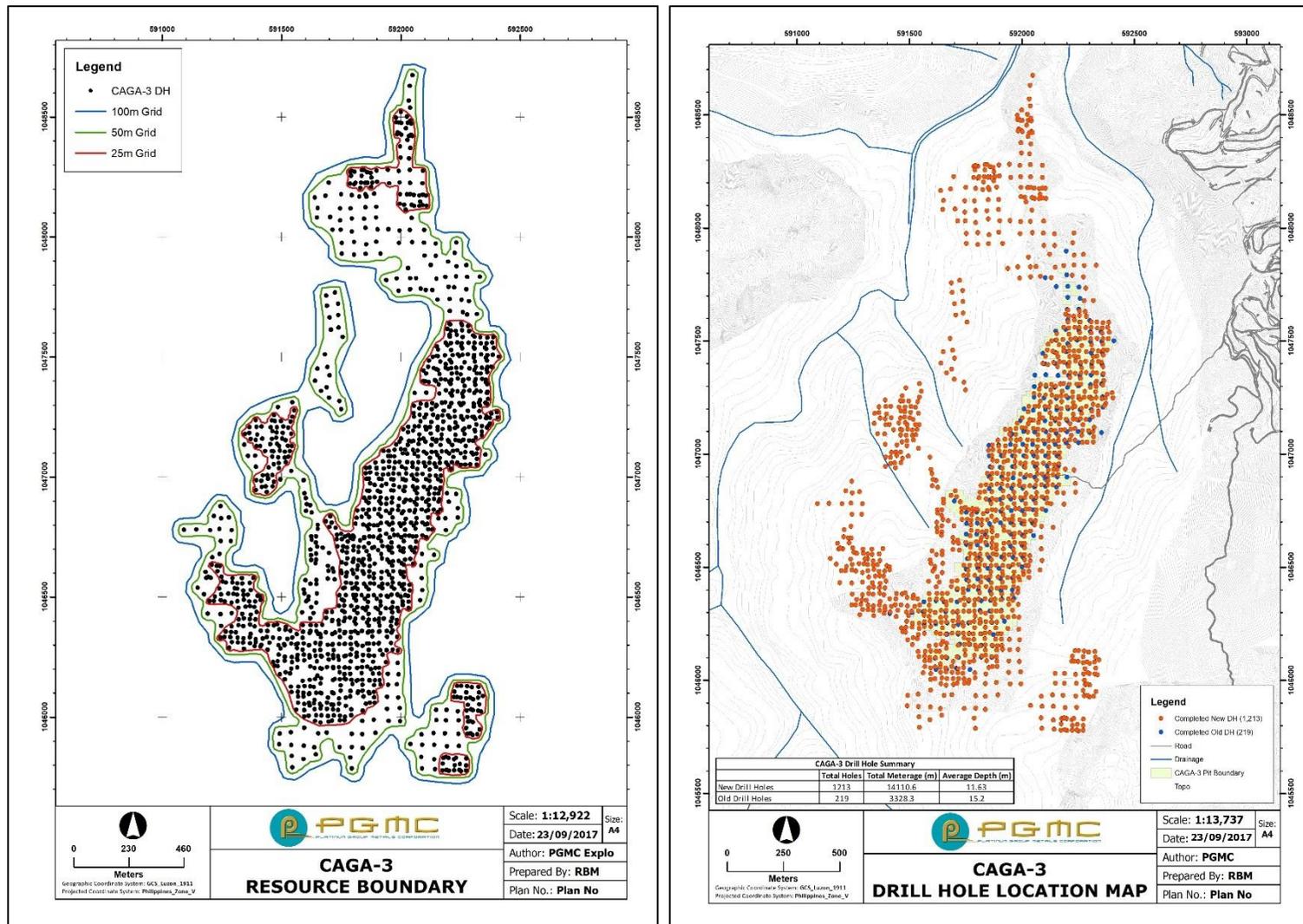


Figure-34. Drill Hole Location with Resource Boundary of CAGA 3

PGMC Mineral Resource Evaluation (PMRC-CP Report)

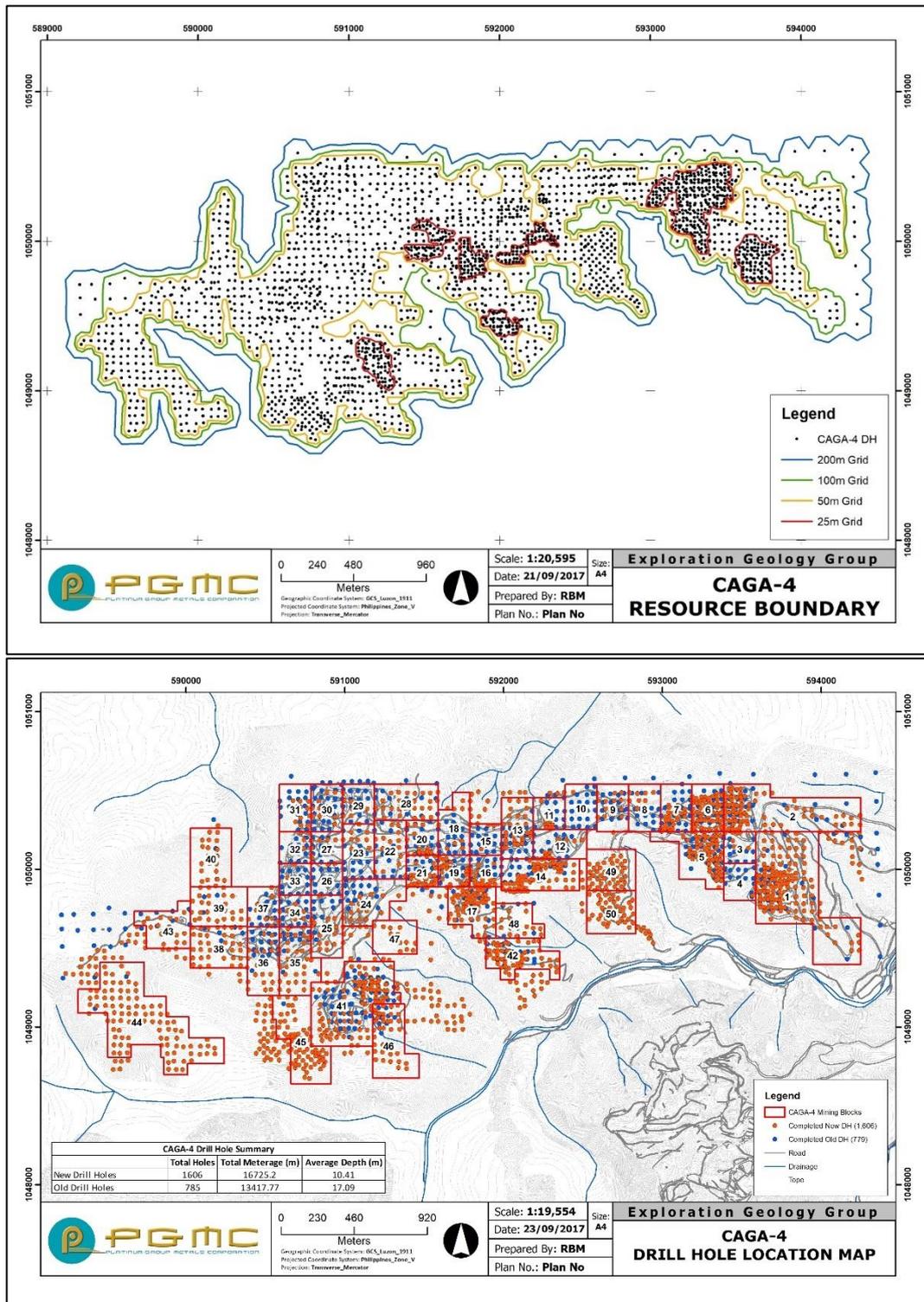


Figure-35. Drill Hole Location with Resource Boundary of CAGA-4

8.4.1 Core Logging

Core logging was done by the geologists implementing the standard protocol (**Appendix A**) for laterite exploration. Thickness of each horizon of material was measured and recorded, with brief lithological descriptions as to limonite, soft saprolite, rocky saprolite or bedrock (**Figure-36**). The presence and frequency of cavities and float boulders were also noted. Core recovered was measured to calculate the % core recovery and validate the measurements submitted by core checkers. Logging codes used for the different lithologic units are given in **Table-22**.

Table-22. Codes for Lithology

Lithology			
LF	Red-brown limonite (overburden)		
LA	Yellow limonite (without Mg staining or veins)		
LB	Yellow limonite (with Mg staining or veins)		
TM	Transition Material (Earthy)		
SAP	Saprolite (gritty clay with <10% boulders of weathered bedrock)		
R_SAP	Rocky saprolite (with 10 to 50% boulders of weathered bedrock)		
S_ROCK	Saprolitic rock (with 50-90% bedrock)		
SD	Serpentinized Dunite		
SS	Serpentinite		
HZ	Harzburgite		

Rock Size	
Code	Description
1	<20cm (will be acceptable for shipping)
2	20 - 50cm (will be screened at the grizzly)
3	>50cm (will be left in the pit)

Weathering			
Lithology	Classification	Degree	% Percent Rock
Fresh Rock	HZ, SD, SS	0	>95
Saprolite	SROCK	1,2	50-95
	RSAP	2,3	10-50
	SAP	4,5	5-10
Limonite	TM	5	<5
	LF, LA, LB	SF	0
Ferricrete		6	

Characteristics	
Black / green / light-dark grey, "unweathered", dense & hard.	
Black / orange-brown, "slightly weathered", discoloured, still hard.	
Pink / brown / light gray, green, friable, "moderately weathered".	
Brown, yellow / red, pink / green-gray, "moderate-intensely weathered", partly friable and gritty.	
Brown, yellow / red, pink / green-gray, mud to clay-like texture, "intensely weathered".	
Yellow - red, very soft, very low density to compact, "completely weathered", mud-like texture.	
Red-black, hard, includes pisolites	

Additional Comments	
Texture	Hardness
Grain Size	Minerals (Ex. Chrysotile, Antigorite, Goethite, Silicates)
Colour	Weathering Degree
Friability	Degree of Fracturing
Disking	Mineralization
Compactness	

Sphericity			
High Sphericity	Medium Sphericity	Low Sphericity	
Very Angular	Angular	Sub-Angular	Sub-Rounded
			Rounded
			Well Rounded

Grade Limits		Grade Name	
mm	Inches	U.S. Standard Sieve Series	Texture Description
76.2	3.0	75mm	Gravel
2.0	0.08	No. 10	Very Coarse Sand
1.0	0.04	No. 18	Coarse Sand
0.5		No. 35	Medium Sand
0.25		No. 60	Fine Sand
0.100		No. 140	Very Fine Sand
0.050		No. 270	Silt
0.002		N/A	Clay

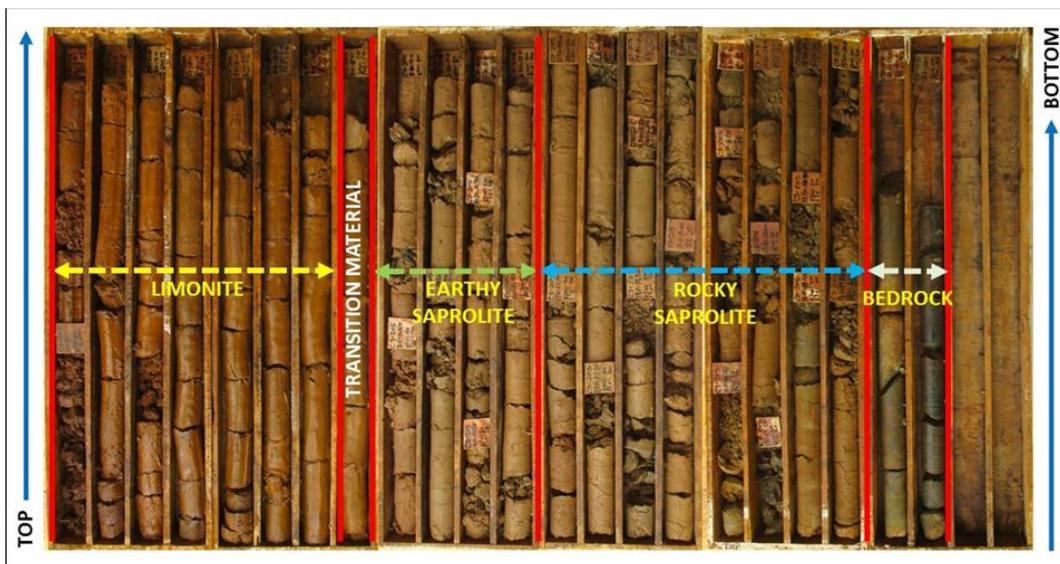


Figure-36. Typical Cores for Logging

8.4.2 Core Recovery

Core recovery was measured and recorded for each drill run by a designated core checker at the drill site. The information was then used by the geologist during actual core logging with attention given to proper placement of any lost core to its correct location in the run to avoid any bias.

The core recoveries for the recent CAGA-2, CAGA-3, and CAGA-4 drilling were exceptionally very good for all the drill holes with average total DH core recovery of 94.56%. Average DH core recoveries for all CAGA-2, CAGA-3, and CAGA- 4 holes are given in **Table-23** below.

Table-23. Average DH Core Recoveries (Old and new data)

DDH Summary	CAGA-2	CAGA-3	CAGA-4	Total/Average
Total Holes	2,380	1,432	2,391	6,203
Total Depth	31,429.72	17,438.90	30,142.97	79,011.59
Average Depth	12.67	13.42	13.75	13.28
Total Core Recovered	30,795.63	35,280.61	37,974.98	104,051.22
Ave. Core Recovery	96.42%	94.91%	91.02%	94.11%

Review of core recoveries concluded that:

- There is no significant bias on grades against recoveries;
- Limonite exhibited consistent high recoveries of up to 100% on each drill run;
- Saprolite has lower recoveries than limonite as expected due to variability in composition (alternating hard/soft material) and particle sizes (coarse/fine).

8.4.3 Core Photography

Core photography was done for digital archiving of the drill cores. The photos can serve as reference to validate/correlate with results of laboratory analyses when needed in the future.

8.4.4 Core Sampling

Sampling of the drill core was carried out according to the PGMC Exploration and Sample Preparation Protocols.

Whole drill core (NQ-BQ size) was used for analysis to avoid sample bias caused by core splitting and sampling was done at one (1) meter intervals down the hole, except at lithological boundaries. Sample lengths across the boundaries were taken in a range of 1.0 ± 0.30 m to avoid excessively short or long samples. In addition, the entire drill hole was sampled, leaving no core to view as a record. For some of the earlier holes for CAGA-1 and CAGA-2, the core was originally split and the half core was retained in the core box and stored.

Each sample was then placed in a plastic bag labeled with the sample number. All sample details such as hole ID and sample number ranges were recorded during the sampling process. When completed, the sample batch was sent to the on-site PGMC laboratory for sample preparation.

Core extraction after a drill run is shown in **Figure-37**.



Figure-37. Core Extraction Prior to Core Logging/Sampling (Source: GPRI)

8.5 Bulk Density and Moisture Content Data

A total of 5,190 new measurements (in addition to previous tests on cores from CAGA-2, and CAGA-3) for bulk density and moisture content determinations were taken on core samples before sampling. One sample was selected for every five meters of drill core for limonite and saprolite samples and one sample for every five drill holes for bedrock samples.

The samples were first selected then placed in plastic bags labeled with the hole ID and depth of the sample. For the wet bulk density measurement, the selected sample was weighed using a digital balance to obtain the weight of the sample in air. It was then immersed in water for three minutes before being weighed in the water. The sample was then dried in the oven and the procedure was repeated to obtain the dry weight and the dry bulk density measurement. The bulk density and moisture content were calculated according to the following formulas:

$$\text{Bulk Density} = \frac{\text{Weight in air}}{\text{Weight in air} - \text{Weight in water}}$$

$$\text{Moisture Content (\%)} = \frac{\text{Weight of wet sample} - \text{Weight of dry sample}}{\text{Weight of wet sample}}$$

After the bulk density and moisture content measurements, the sample was then returned to the plastic sample bag to be submitted for analysis. All bulk density and moisture content measurements were conducted according to the PGMC Exploration Protocol.

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Details of bulk density and moisture content samples taken for each deposit (2015- 2017) are in **Table-24**.

Table-24. Bulk Density and Moisture Content Samples (old and new)

	CAGA-2	CAGA-3	CAGA-4	TOTAL
No. of samples	2,281	2,909	4,235	9,425

Summary of derived dry density values used for block modelling in this report are shown in **Table-25**. The mean dry density values of each laterite material were used in the estimates.

Table-25. Block Model Dry Density Statistics

Statistics	CAGA-2			CAGA-3			CAGA-4		
	Limonite	Saprolite	Bedrock	Limonite	Saprolite	Bedrock	Limonite	Saprolite	Bedrock
Mean	1.35	1.34	1.87	1.20	1.15	2.40	1.01	1.16	2.04
Median	1.35	1.32	1.74	1.20	1.05	2.38	0.99	1.08	2.18
Standard Deviation	0.17	0.22	0.39	0.17	0.39	0.14	0.33	0.47	0.50
Variance	0.03	0.05	0.15	0.03	0.15	0.02	0.11	0.22	0.25
Kurtosis	2.35	12.39	0.57	5.07	6.56	4.79	0.24	0.44	0.76
Skewness	0.22	2.13	1.14	0.61	1.89	1.22	0.49	0.81	-0.53
Minimum	0.78	0.73	1.05	0.51	0.67	2.16	0.34	0.30	0.53
Maximum	2.17	2.90	2.95	2.02	2.58	2.81	2.72	3.15	4.44
BM Density	1.35	1.34	1.87	1.20	1.15	2.40	1.01	1.16	2.04

8.6 Metallurgical Test Work

Future metallurgical test work for ore samples from each of the CAGA deposits are recommended to confirm that products produced from these deposits can meet required market specifications.

8.7 Sample Preparation, Analyses and Security

All regular sample preparation and assaying were carried out by PGMC (in-house) for their core samples from exploration drilling and ore samples during mining/shipment. The wet samples were weighed then dried in the oven at 80 degrees Celsius for approximately four hours. The dried sample was then weighed and the sample was manually crushed to a 5mm size fraction. It was then blended thoroughly and split to obtain a 500g sample using a Jones riffle splitter. The coarse reject material was stored, while the split sample was pulverized to minus 80 mesh size fraction using a 'Pulverette 9' ring mill with a speed of 1,300 rpm. The pulverized sample was then extracted and the mill was cleaned using a compressed air blower and suction unit.

Check/External Repeat samples were sent to the Intertek in Manila which is an ISO-accredited laboratory. Remainder of each coarse sample (reject) was stored on-site (PGMC) in marked plastic bags for future reference. The remaining sample pulps were stored in labelled, paper kraft envelopes and sent back to the core processing facility where they were sealed in labelled plastic bags and stored. Older sample pulps were still stored on-site next to the laboratory in a dry storage facility.

Sample preparation was carried out according to accepted protocols of each of the laboratories involved and as per type of sample and analyses required.

Flowcharts/protocols for sample preparation of PGMC and Intertek are shown in **Figure-38** and **Table-26**, respectively.

The PGMC Exploration Protocols guaranteed the integrity and security of all samples right from sampling, handling, dispatch and analyses.

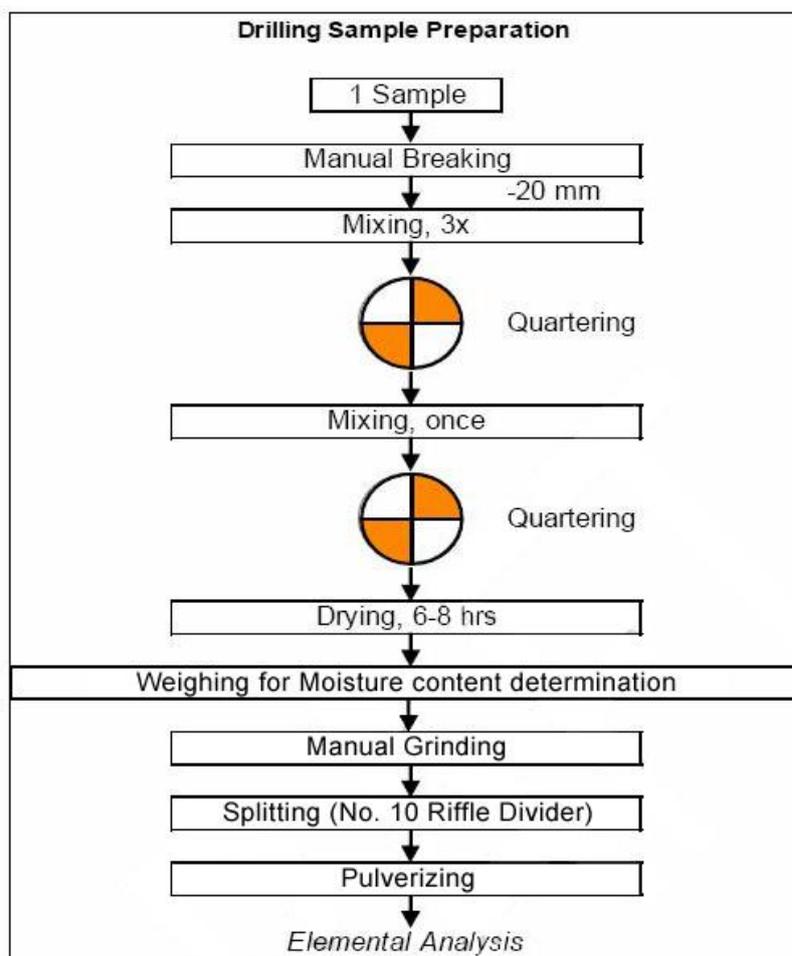


Figure-38. Flowchart of PGMC- Drilling Sample Preparation

Table-26. Intertek Laboratory Sample Preparation Protocol

<p>A. Sample Preparation Procedure</p> <ol style="list-style-type: none"> 1. Approximately 1 kg of sample received is transferred into a clean pan with its label. 2. The sample is dried in the oven @ 105-110 °C for 16-18 hours depending on its moisture content. 3. The dried sample is pulverized to 95% passing 200mesh using a Bico pulverizer. 4. The pulverized sample is thoroughly mixed by rolling 60 times on a rolling cloth. 5. The pulverized sample is leveled to a height of 3mm & a representative sample is taken by increment method. A 100g sample is taken for the laboratory analysis and another 100g sample is reserved for the client. 6. The analytical sample is submitted to the lab for analysis and the rest of the pulp sample is retained and stored in the sample preparation room. 7. Retained samples are kept for three months, thereafter disposed of properly unless otherwise requested by the client for continued storage.

8.7.1 Analytical Methods used

PGMC's laboratory used the XRF method or X-ray Fluorescence which is the measurement of secondary (or fluorescent) X-rays emitted from a material which have been bombarded with high X-rays or gamma rays. It is non-destructive and reliable, requires no, or very little, sample preparation and is suitable for solid, liquid and powdered samples. It can be used for a wide range of elements, from sodium (11) to uranium (92), and provides detection limits at the sub-ppm level.

The samples were analyzed at the PGMC laboratory using the pressed-pellet X-ray Fluorescence (XRF) method. This procedure involved weighing a 4 gram fraction from the sample pulp and mixing it with 0.9 grams of binder rocks. The sample was then prepared into a pressed (**Figure-39**) pellet under 10 tonnes of pressure in a Specac hydraulic press (**Figure-40**). The pressed pellet was labelled with the sample number marked on a sticker. The pressed pellet was then analyzed using an Ametek Spectro Xepos XRF instrument. The machine has a capacity of 12 samples that can be analyzed at any one time, but one sample was always an internal standard. The samples were analyzed for Ni, Fe, Co, LOI, P, Mn, MgO, Al₂O₃, SiO₂, CaO and Cr₂O₃. The samples were analyzed for 25 minutes per batch and the results were collated and exported to a CSV file. Other laboratory instruments are shown in **Figures-41 and 42**.



Figure-39. Pressed Pellets at PGMC Laboratory



Figure-40. Hydraulic Press



Figure-41. START D Microwave



Figure-42. MEMMERT Drying Ovens

The check samples sent to the Intertek laboratory were analyzed by the Atomic Absorption Spectroscopy (AAS) method. The sample pulp was pulverized to minus 200 mesh to ensure homogeneity then a 25 gram split was taken. The split sample was digested by a combination of HNO₃, HClO₄, HF and HCl acids then submitted for AAS. The results for Ni, Co, Fe, Mg and Al were obtained while a gravimetric process was used to obtain the results for SiO₂. Details of test procedure for Ni, Co, and Fe determination using this method are given below, **Table-27**.

Table-27. Intertek Laboratory Analysis Protocol

<p>B. Test Procedure for Nickel, Cobalt & Iron determination by AAS method.</p> <ol style="list-style-type: none"> 1. Weigh out 0.25g of sample into a 100 ml nalgene beaker. 2. Weigh out 0.25 g of Ref. Material into a 100 ml nalgene beaker. 3. To each sample, add 15 ml of HCl, 10 ml HNO₃, 5 ml HClO₄, & 1 ml of Hf 4. Swirl to mix. Wash down the walls of the nalgene beaker and digest on the hotplate. 5. Digest to near dryness. 6. Remove from the hotplate and allow cooling. Rinse down the walls of the beaker with DI water. 7. Heat to dissolve the salts. 8. Remove from the hotplate & allow to cool 9. Carry out a blank test in parallel with the analysis. 10. Dilute the sample to 250 ml with DI water and aspirate in the AAS to determine Ni, Co & Fe.
--

The detection limits for XRF and AAS analytical methods are shown in **Table-28**.

Table-28. Detection Limits

Method	Ni, %	Fe, %
XRF (PGMC)	0.01	0.01
AAS (External Lab)	0.20	0.20

8.8 Data Exclusion

CAGA-2 drill hole sample intervals located within the waste dump and rehabilitated areas are removed from the geology and sample tables.

9.0 Quality Assurance /Quality Control (QA/QC)

The objective of Quality Assurance and Quality Control program is to ensure that data from sampling, assaying, and recording of geological observations are of high integrity for the purpose of obtaining reliable mineral resource and reserve estimates. The program should adhere to standards that are high enough to ensure that the accuracy and precision of the sampling and analytical process are at an acceptable level. The legal aspects of mining disclosure are governed by Standards of Disclosure for Mineral Projects such the Joint Ore Reserve Committee (JORC) for international projects and Philippine Mineral Reporting Code (PMRC) for local projects, which states that all scientific and technical reports must be prepared and certified by a Qualified Person in accordance with professional and industry standards following Mineral Exploration Best Practices Guidelines and Definitions, and Guidelines of the JORC/PMRC Standards on Mineral Resources and Reserves.

Quality control studies were initiated to:

- Determine the reliability and accuracy of the field sample preparation technique, i.e. homogenization of the sample during preparation (analysis of duplicate field samples).
- Determine the accuracy of the analytical data supplied by PGMC (check assaying by other independent laboratories).

To establish the QA/QC procedure, pulp samples of the drill cores were randomly selected from the PGMC laboratory. In order to have a representative analysis of the Cagdianao nickel laterite profile, samples were selected (if applicable) as follows:

- Samples from high nickel values

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- Samples from median nickel values
- Samples from low nickel values

The QA/QC data supplied to the geologist-CP included internal repeats, external repeats, standard reference material and blank sample results. The number of QA/QC samples for each deposit is summarized in **Table-29**.

Table-29. Summary of QA/QC Samples

TYPE	CAGA-2	CAGA-3	CAGA-4	TOTAL
No. of Internal repeats/Duplicates	784	940	903	2,627
No. of External repeats/Checks	167	134	137	438
No. of Standards	111	78	174	363
No. of Blanks	37	62	58	157
GRAND TOTAL				3,585

9.1 Internal Repeats

A total of 2,627 internal duplicates were analyzed as shown in **Table-29**. Internal repeats were selected by the Project Geologist to cover the full range of lithologies. Around 3.19% of the sample pulps were selected as internal repeat samples and blindly submitted to the primary laboratory to check the homogenization process and the assay precision. Internal repeat samples were analyzed by the pressed-pellet XRF method as outlined previously for the on-site PGMC laboratory.

9.2 External Repeats

A total of 438 (**Table-29**) external repeat samples were taken by the Client and submitted to the Intertek laboratory in Manila for new drill holes, while repeat samples from old drill holes were submitted to Ostrea laboratory. External repeats were planned to be taken at a frequency of one every 50 samples (2% of total samples) but was not achieved for both CAGA-2 and CAGA-4 drill holes. The external repeats were taken from the sample pulps and analyzed by the AAS method by Intertek Laboratory.

9.3 Standards

A total of 363 (**Table-29**) standard reference material samples ("standard samples") were assayed for QA/QC purposes. Three standard samples covering a range of nickel values were provided by Intertek. One standard sample was included with each batch of 125 samples (on-site PGMC laboratory).

9.4 Blanks

A total of 157 blank samples were assayed by PGMC as part of QA/QC.

9.5 QA/QC Analysis Methodology

There were 2,627 duplicate samples, 438 check samples, 363 standards and 157 blank samples collected and used in the QA/QC analysis. The PMRC protocol requires at least

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5% for duplicate and 2% for check/standard samples and hence the sample population is quite represented in this analysis.

The relative and half absolute difference between assay results were analyzed and results are presented in the succeeding sections.

Relative Error Analysis (RE)

The objective of this analysis is to establish and quantify any bias which may exist between the different assays of identical raw samples (duplicates) or pulps (independent laboratory checks)

Relative Percentage Error (RPE):

The relative percentage error (RPE) indicates the variability between samples, and the average error measures any bias that may occur. An unbiased comparison has an average RPE of zero, with a minimal spread of values about this average.

The formula used was:

$$RE\% = (A - B) / 0.5(A + B) \times 100 \text{ where,}$$

A = original assay

B = duplicate assay

Half Absolute Relative Difference (HARD):

The Half Absolute Relative Difference (HARD) also measures the average error of any bias that may occur within a paired data. An unbiased comparison has also an average HARD of zero.

$$HARD\% = 1/2 \times ((ABS(A-B))/(0.50 \times (A+B))) \times 100 \text{ where,}$$

A = original assay

B = duplicate assay

9.6 QA/QC Results

The results of QA/QC are summarized in **Table-30** below.

Table-30. QA/QC Results for CAGA-2, CAGA-3, and CAGA-4 Exploration Samples

Sample	Test	CAGA-2			CAGA-3			CAGA-4		
		Average	Ni	Fe	Co	Ni	Fe	Co	Ni	Fe
Duplicates (PGMC Internal Duplicates)	No. Pairs	495	495	495	761	761	761	903	903	903
	RPE	0.43%	0.44%	0.56%	-0.29%	0.36%	0.19%	0.16%	0.83%	2.07%
	HARD	0.80%	0.85%	6.20%	0.94%	1.04%	6.48%	1.07%	1.44%	6.80%
	Correlation (R2)	0.999	1.000	0.907	1.000	1.000	1.000	0.934	0.973	0.636
Checks (PGMC Internal Duplicates) PGMC vs. Intertek	No. Pairs	52	52	52	63	63	63	137	137	137
	RPE	-0.43%	-0.61%	48.06%	-3.02%	-5.43%	16.90%	-0.56%	2.16%	50.86%
	HARD	2.26%	4.22%	28.00%	2.12%	3.73%	20.39%	2.32%	3.48%	29.71%
	Correlation (R2)	0.995	0.994	0.740	0.994	0.997	0.827	0.965	0.953	0.746
Blanks (PGMC Blanks)	No. Pairs	36	36	36	54	54	54	58	58	58
	RPE	-3.81%	1.13%	0.18%	2.25%	-0.29%	-3.71%	-4.63%	0.28%	20.61%
	HARD	3.13%	4.62%	10.96%	1.87%	0.86%	5.94%	3.31%	7.04%	13.63%
	Correlation (R2)	0.865	0.370	0.271	0.839	0.972	0.603	0.969	0.382	0.197
Standards (OREAS vs. PGMC) OREAS 186	No. Pairs	46	46	46	63	63	63	88	88	88
	RPE	-0.84%	-4.07%	-0.99%	-0.60%	-3.41%	1.85%	-0.11%	-4.07%	20.98%
	HARD	0.59%	2.04%	8.97%	0.52%	1.71%	4.02%	0.42%	2.04%	10.68%
	Correlation (R2)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

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Findings of the QA/QC for CAGA2 and CAGA 4 deposits include:

- OREAS (Standard) analysis as compared with PGMC is within -4.07% to 1.85% and RPE showing good repeatability for nickel, iron;
- External duplicates (check samples) analysis by Intertek shows good correlation with PGMC samples to within 0.002% difference with an RPE of \pm -1% for nickel, \pm 2% for iron;
- Nickel and Iron internal duplicates (PGMC analysis) are within acceptable +10% RPE;
- Cobalt, however, shows a very poor repeatability with a significant bias in external duplicates and blanks possibly due to sample preparation concerns and XRF detection limits;
- RPE outliers were noted for extremely low nickel values and were mostly found in the bedrock domain. These maybe possibly due to XRF detection limits;
- RPE outliers were also observed for the lowest values of iron mostly found in the bedrock domain. These may be due possibly due to XRF detection limits;
- The PGMC laboratory analysis of samples generally shows acceptable precision and accuracy to be acceptable for use in resource estimation. However, regular review of sampling and sample preparation protocols and calibration of XRF instruments are proposed to improve laboratory performance in performing regular mine sample and future exploration sample analyses.

QA/QC results (RPE/HARD and linear correlation plots) for the recent updates (CAGA-2 and CAGA-3) are shown in **Figure-43 to Figure-78**.

9.7 Statement of CP on QA/QC

The QA/QC process indicated the following: that there is no significant assay bias; that with the significant number of samples used in the estimation and the normal distribution and small range of sample grades within each estimation domain, the observed scatter of repeat data have no material and adverse impact on the resource estimate. Using the results of QA/QC, considerations were made when assigning PMRC classifications to the resource estimates.

The CP deems that the QA/QC protocols implemented is sufficient and acceptable for the purpose of the block modelling resource estimation.

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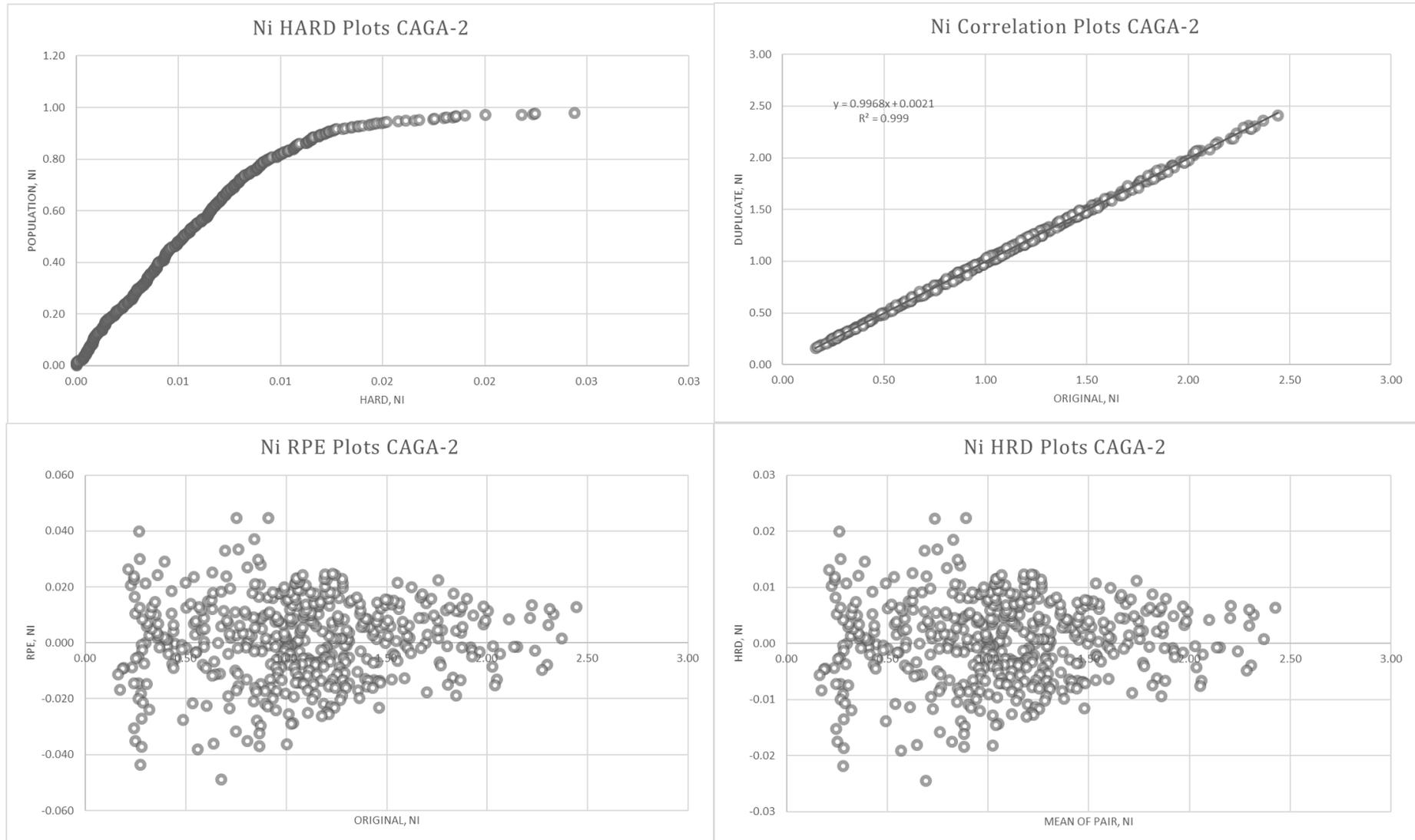


FIGURE-43. QAQC – CAGA-2 DUPLICATE SAMPLES (Ni)

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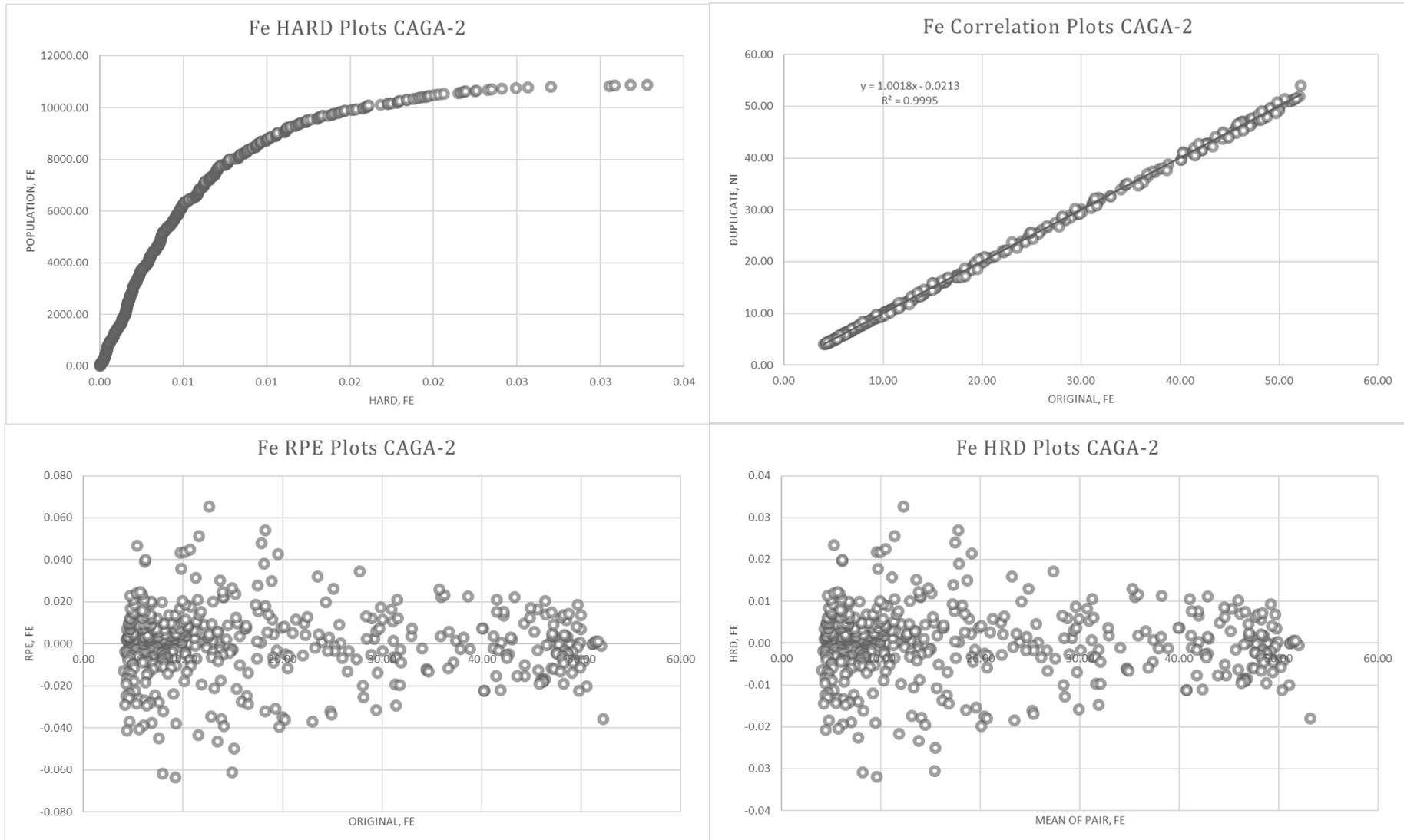


FIGURE-44. QAQC – CAGA-2 DUPLICATE SAMPLES (Fe)

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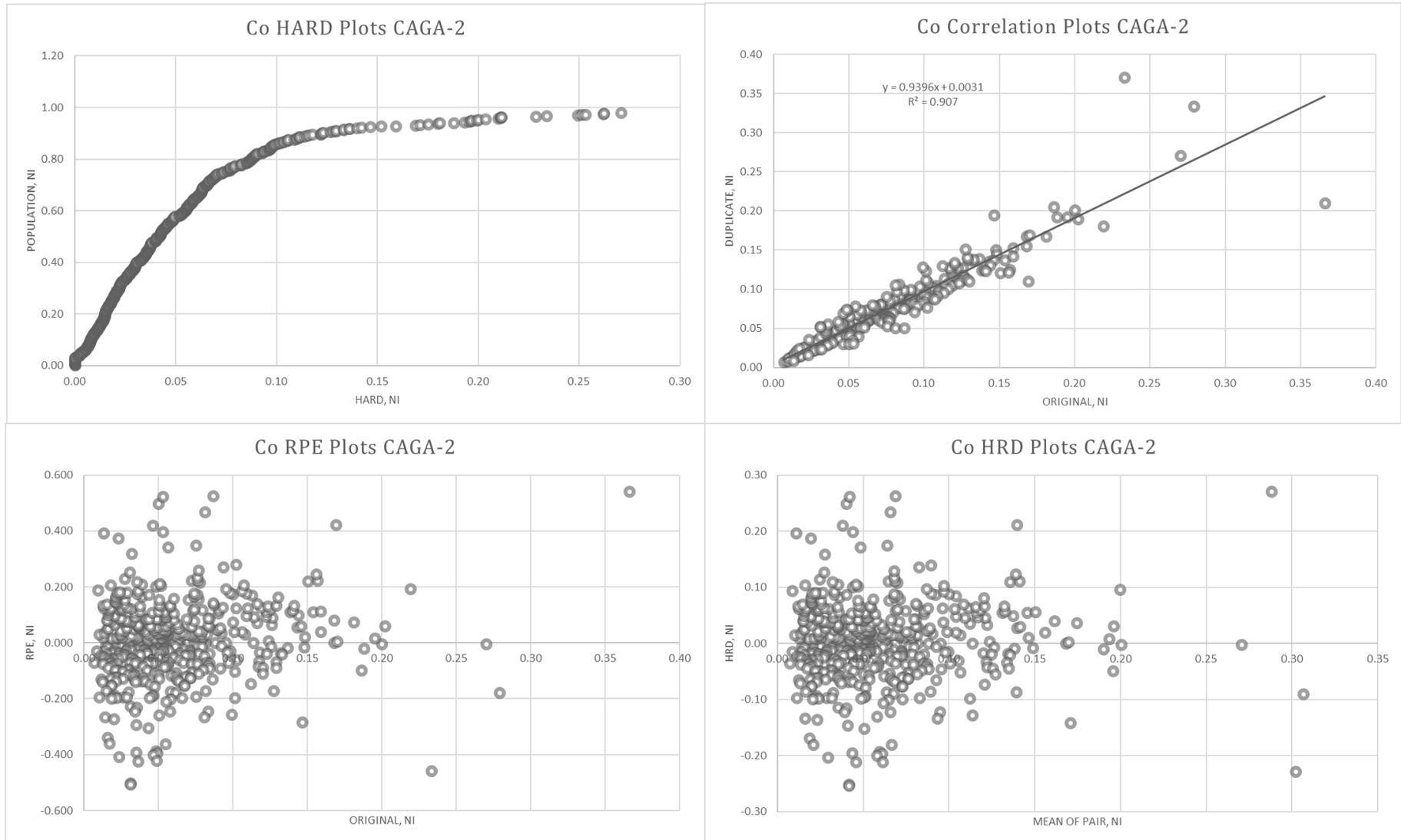


FIGURE-45. QAQC – CAGA-2 DUPLICATE SAMPLES (Co)

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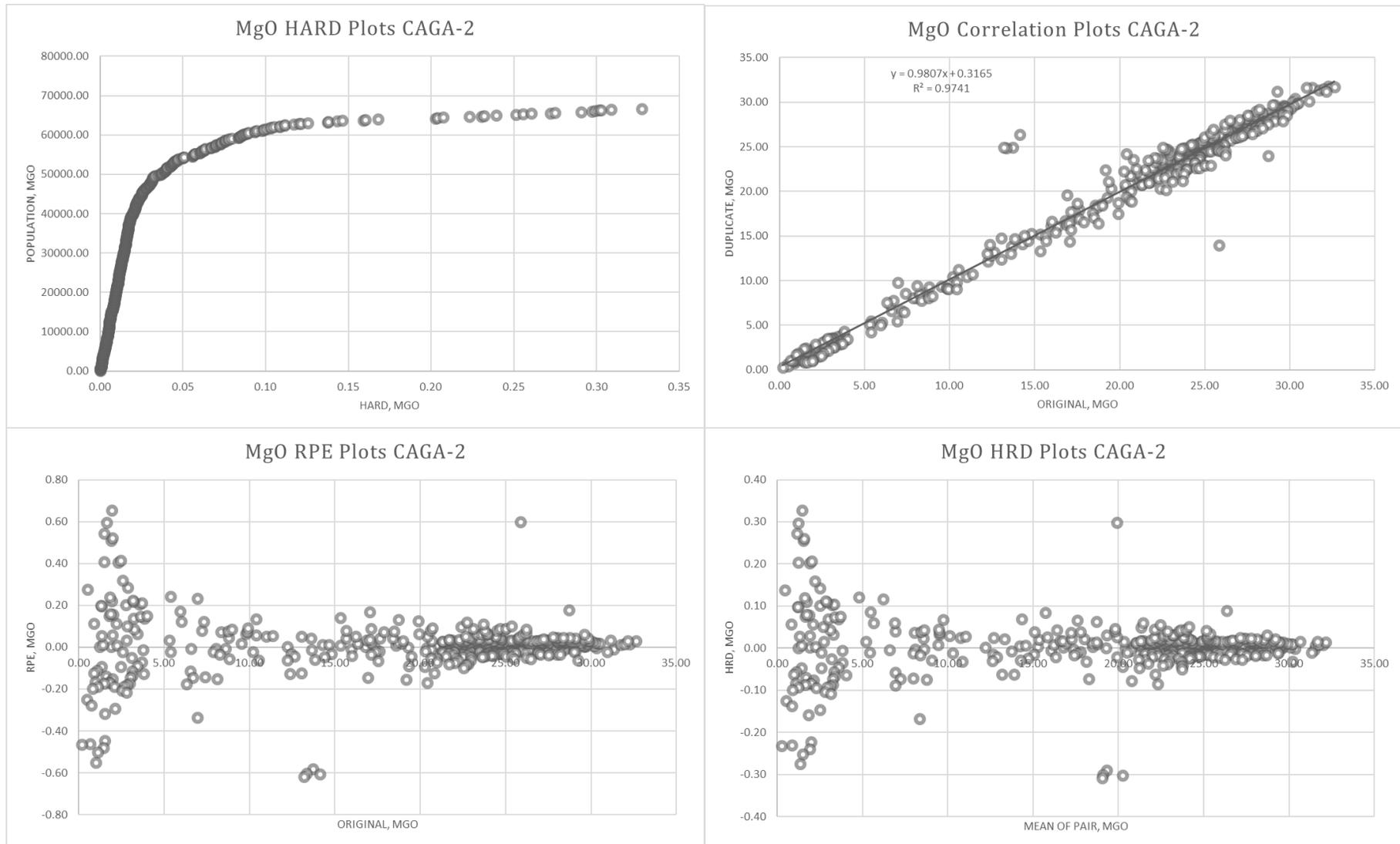


FIGURE-46. QAQC – CAGA-2 DUPLICATE SAMPLES (MgO)

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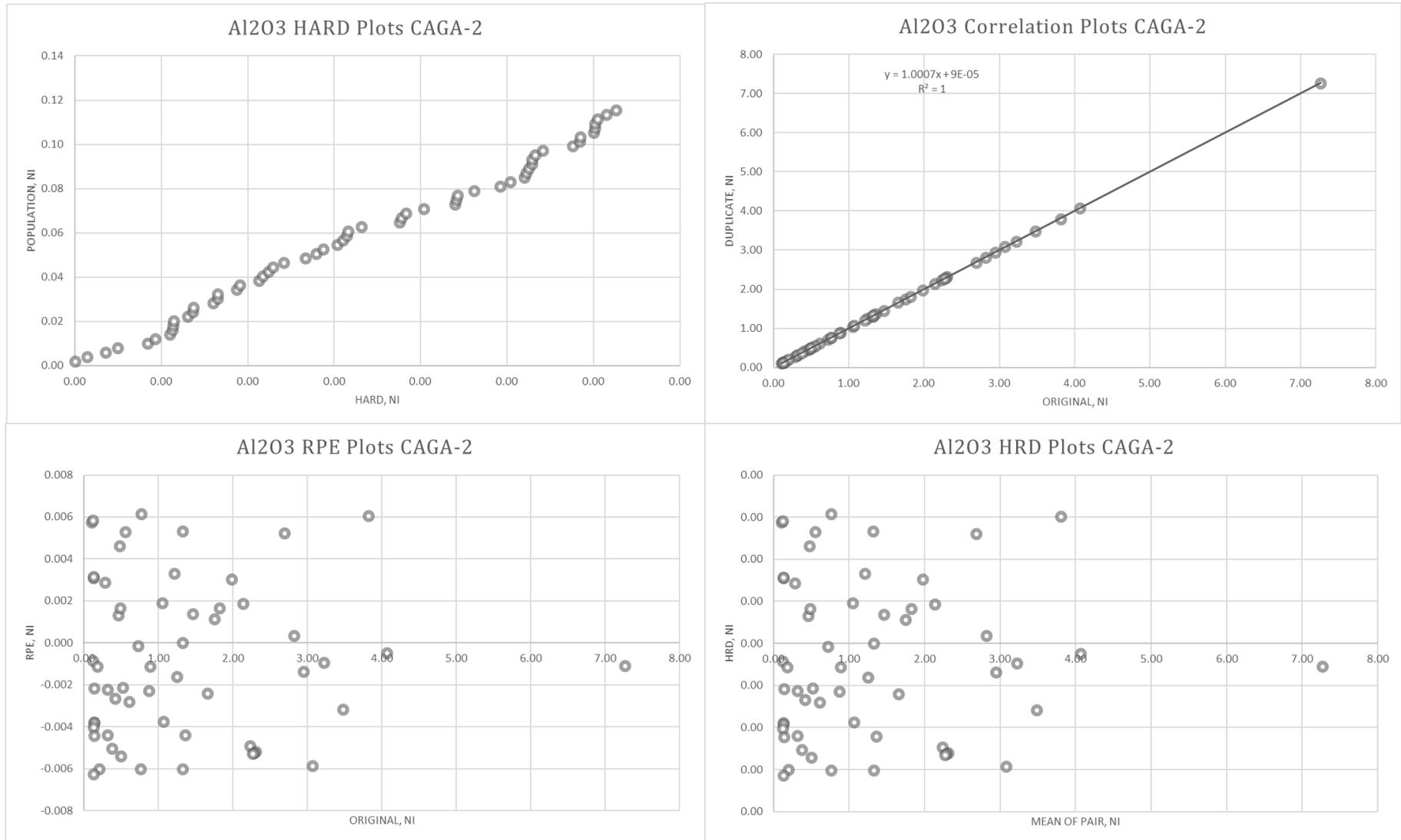


FIGURE-47. QAQC – CAGA-2 DUPLICATE SAMPLES (Al₂O₃)

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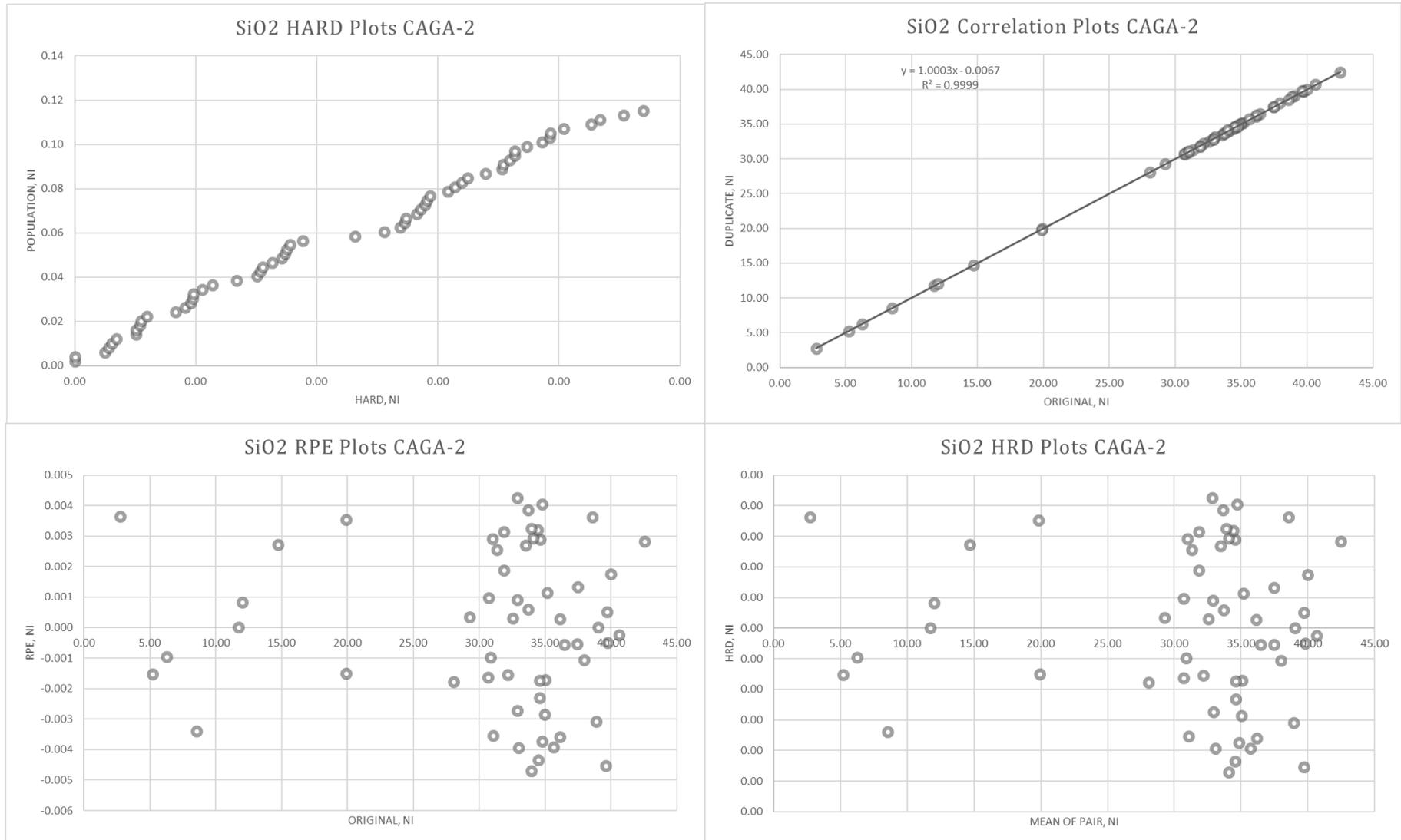


FIGURE-48. QAQC – CAGA-2 DUPLICATE SAMPLES (SiO₂)

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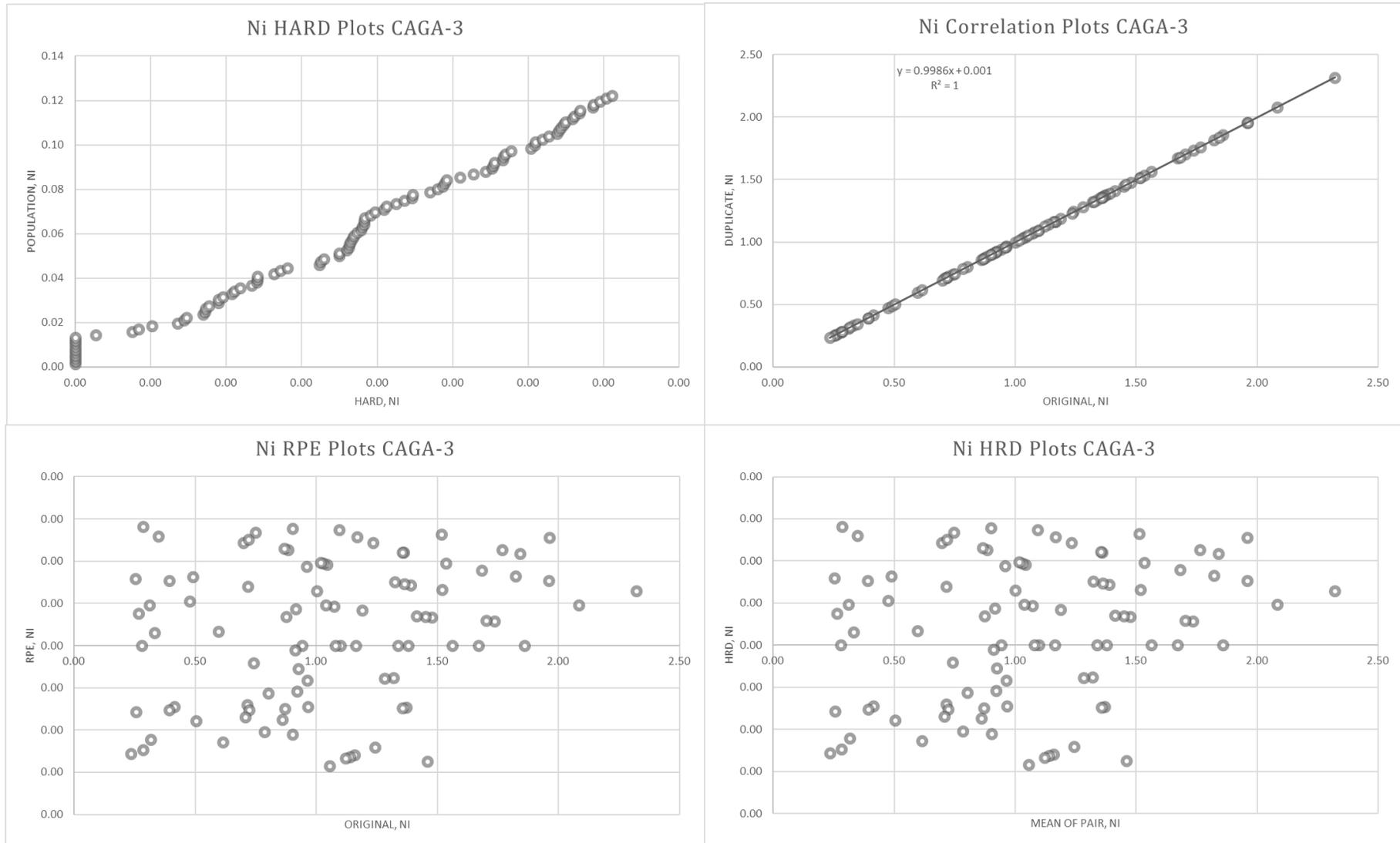


FIGURE-49. QAQC – CAGA-3 DUPLICATE SAMPLES (Ni)

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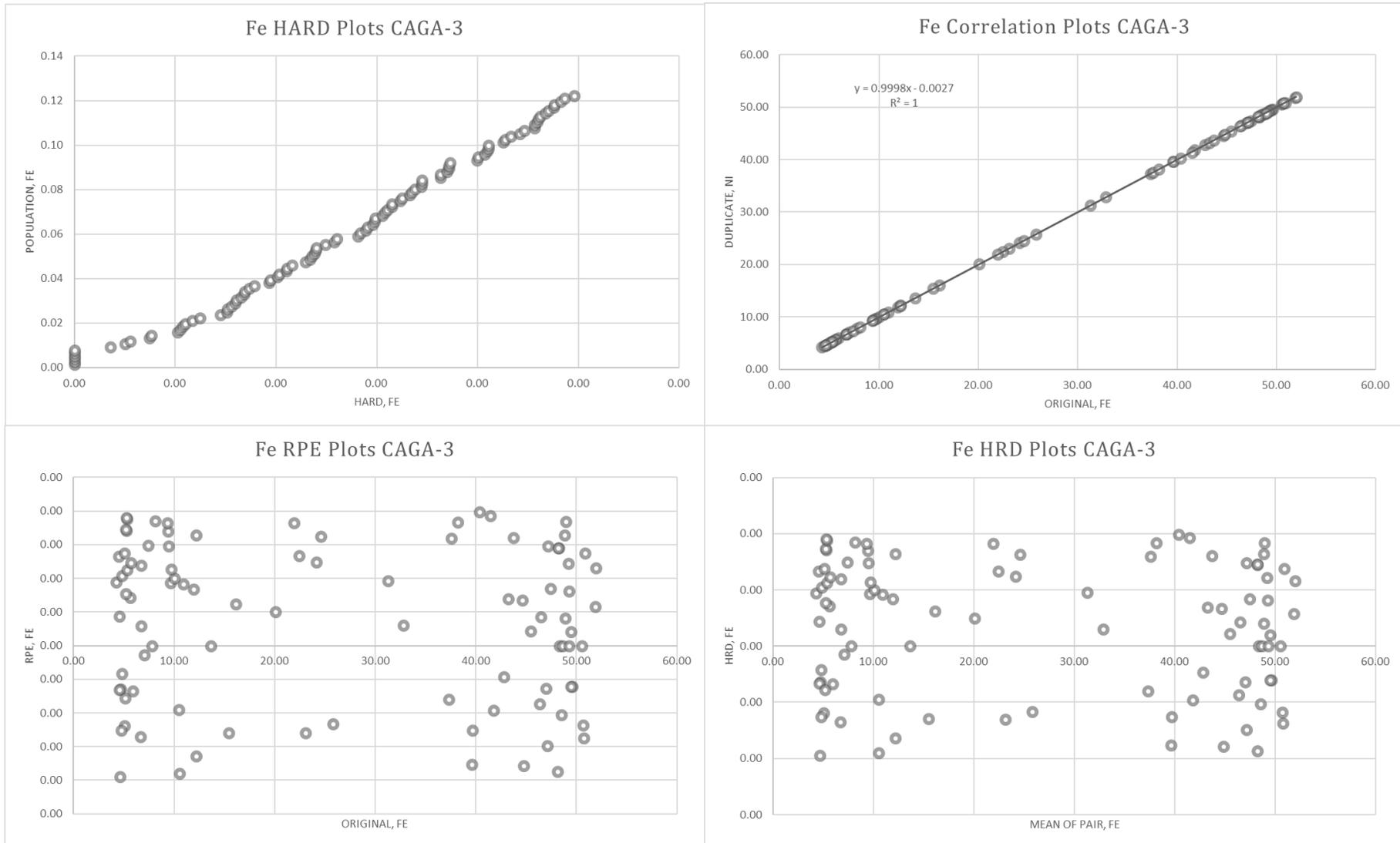


FIGURE-50. QAQC – CAGA-3 DUPLICATE SAMPLES (Fe)

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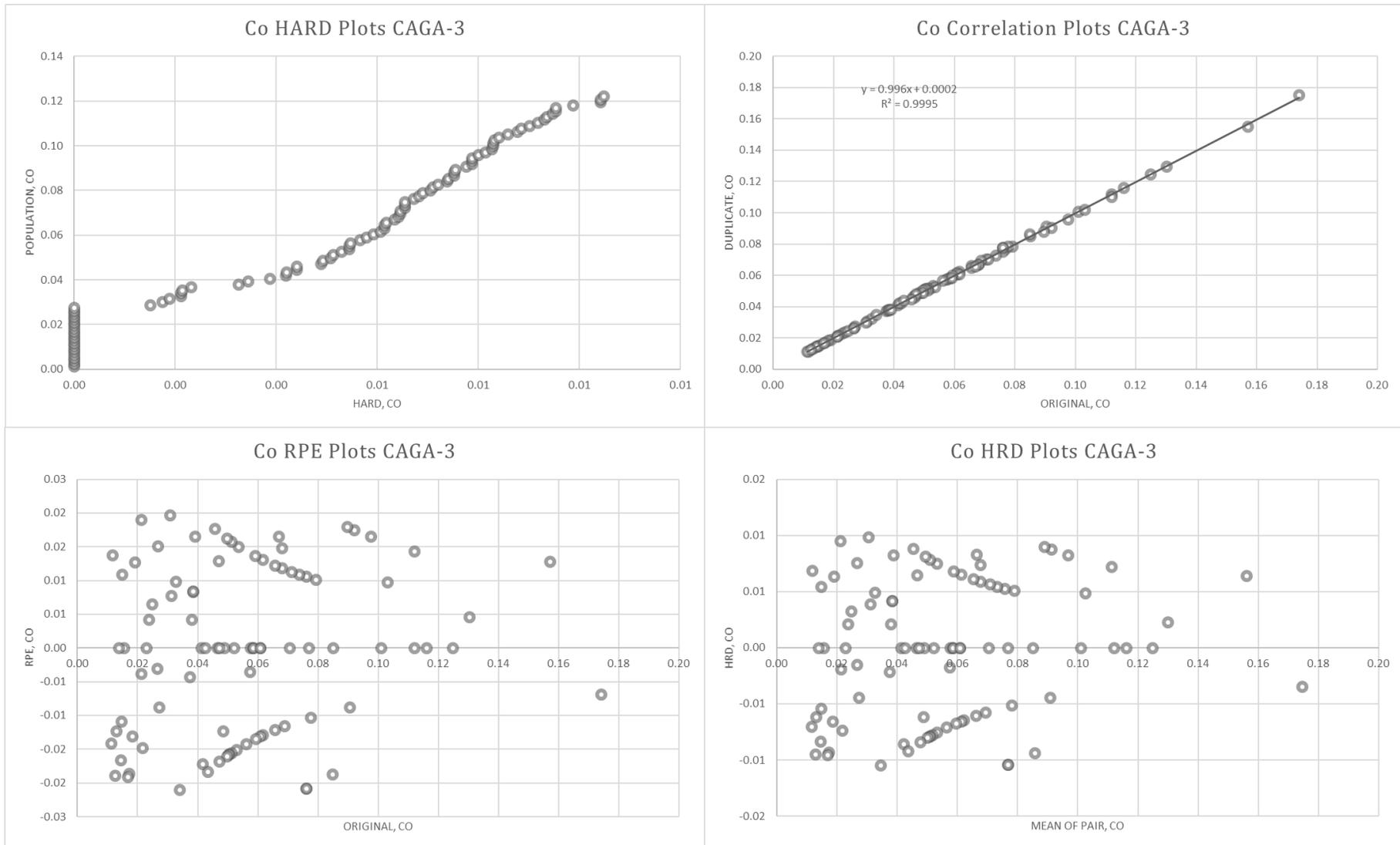


FIGURE-51. QAQC – CAGA-3 DUPLICATE SAMPLES (Fe)

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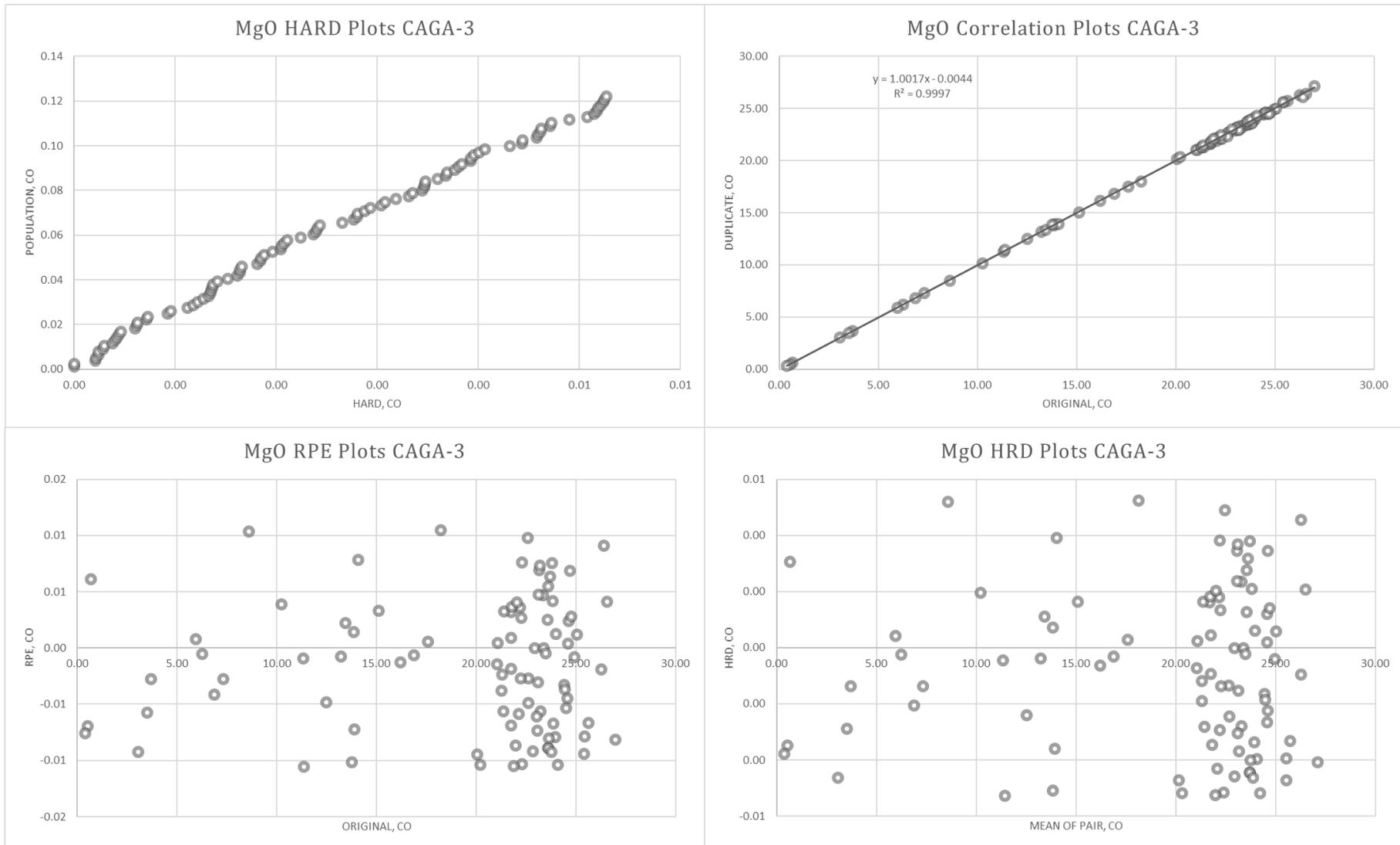


FIGURE-52. QAQC – CAGA-3 DUPLICATE SAMPLES (MgO)

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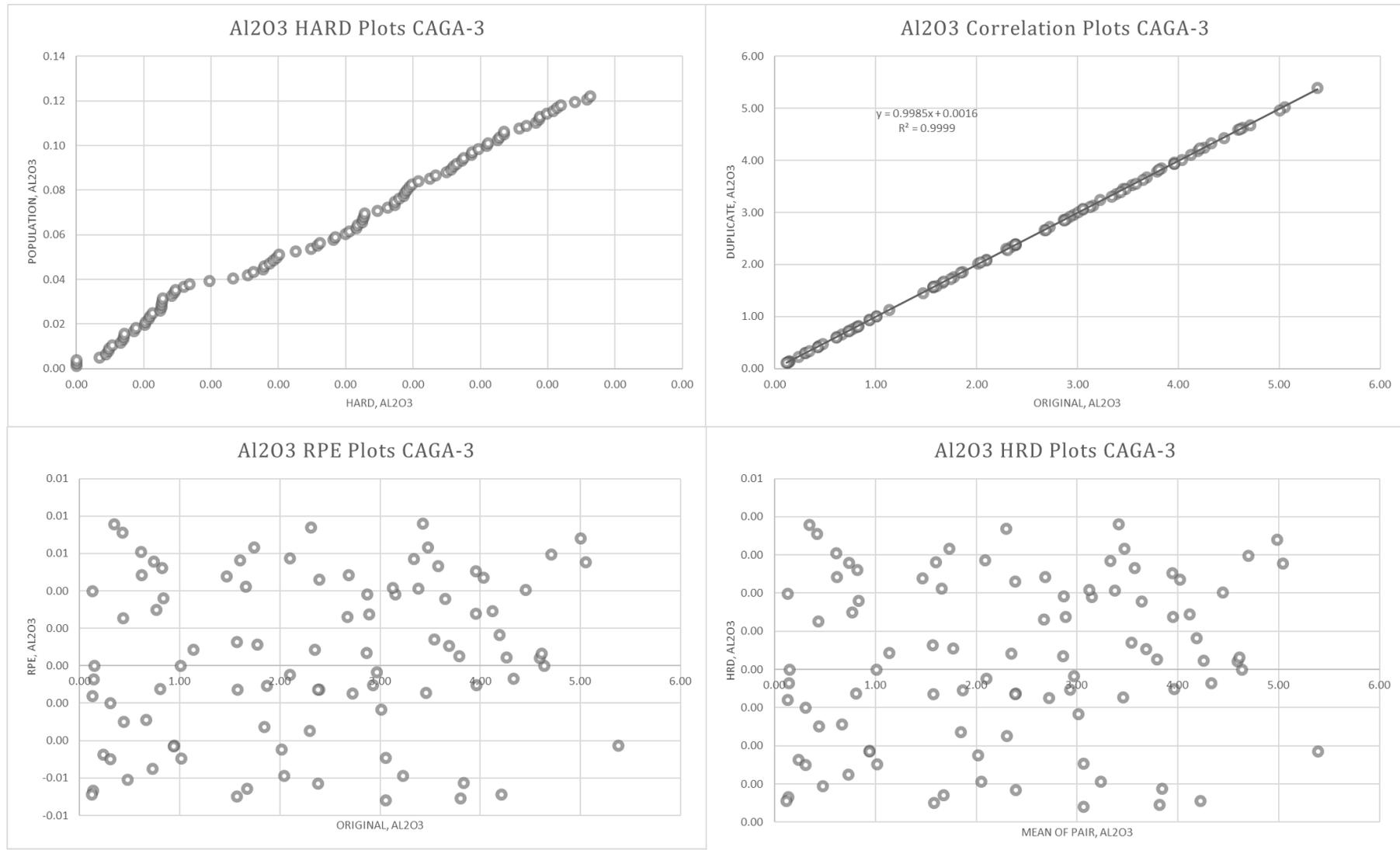


FIGURE-53. QAQC – CAGA-3 DUPLICATE SAMPLES (Al_2O_3)

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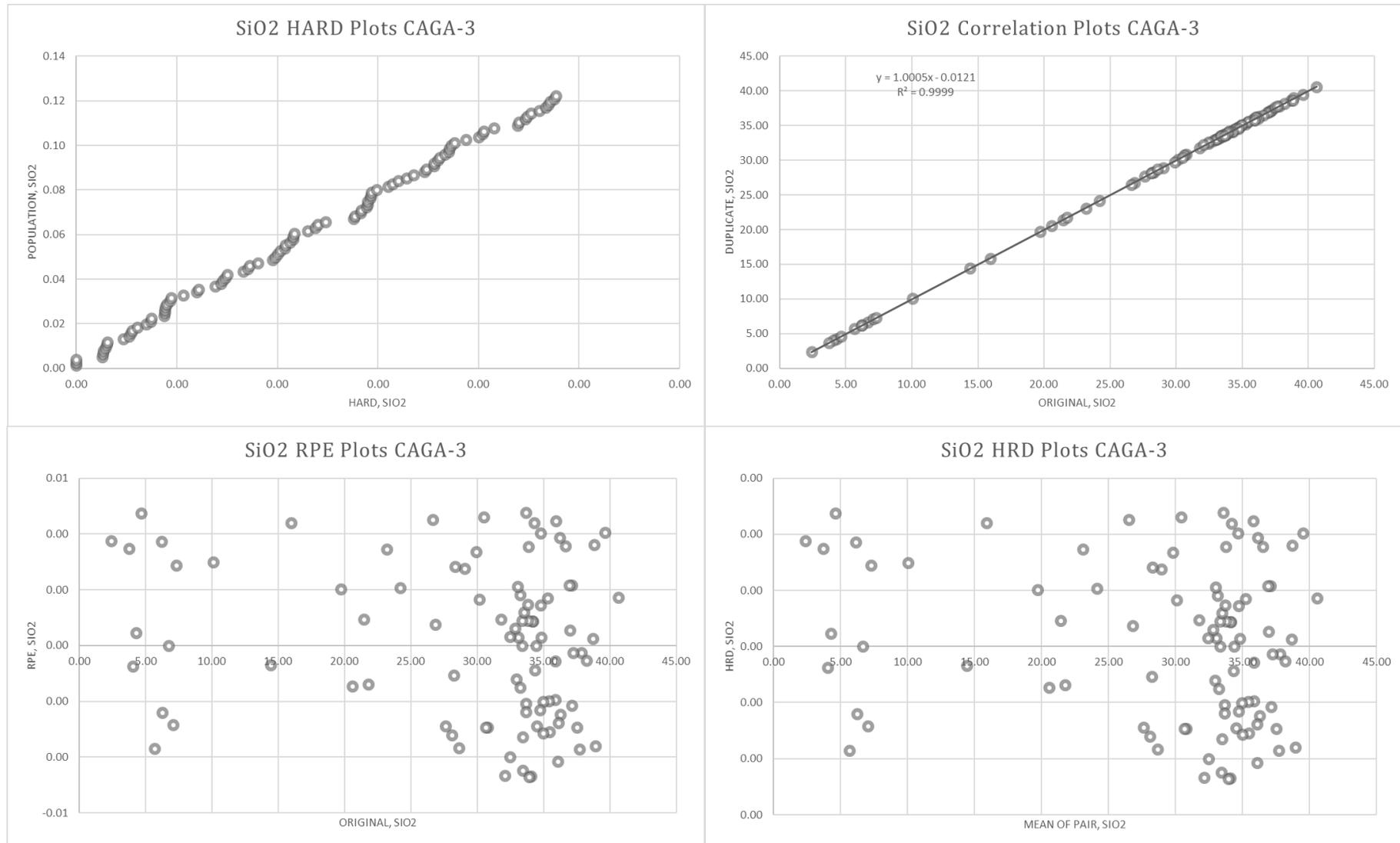


FIGURE-54. QAQC – CAGA-3 DUPLICATE SAMPLES (SiO₂)

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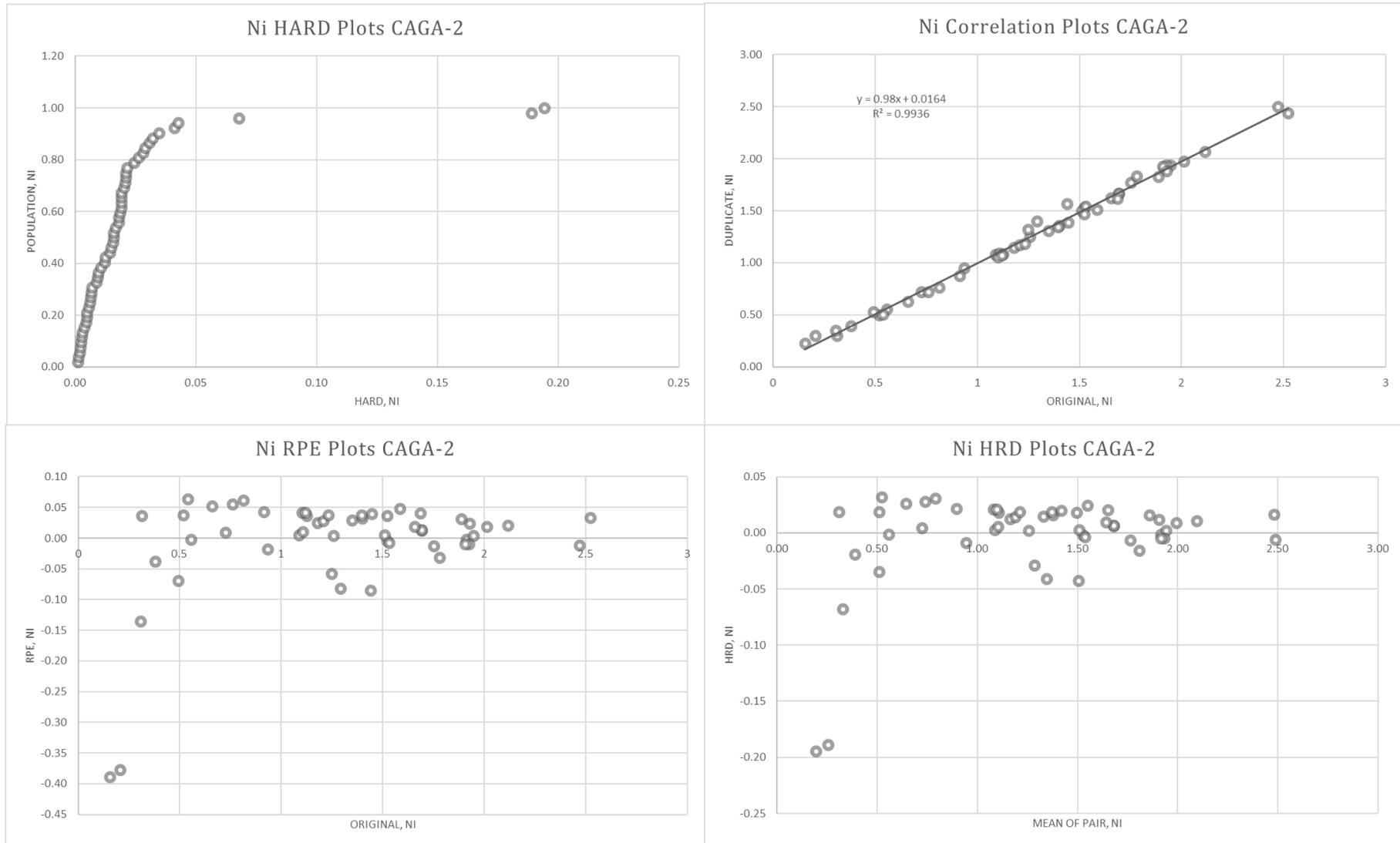


FIGURE-55. QAQC – CAGA-2 CHECK/EXTERNAL REPEATS SAMPLES (Ni)

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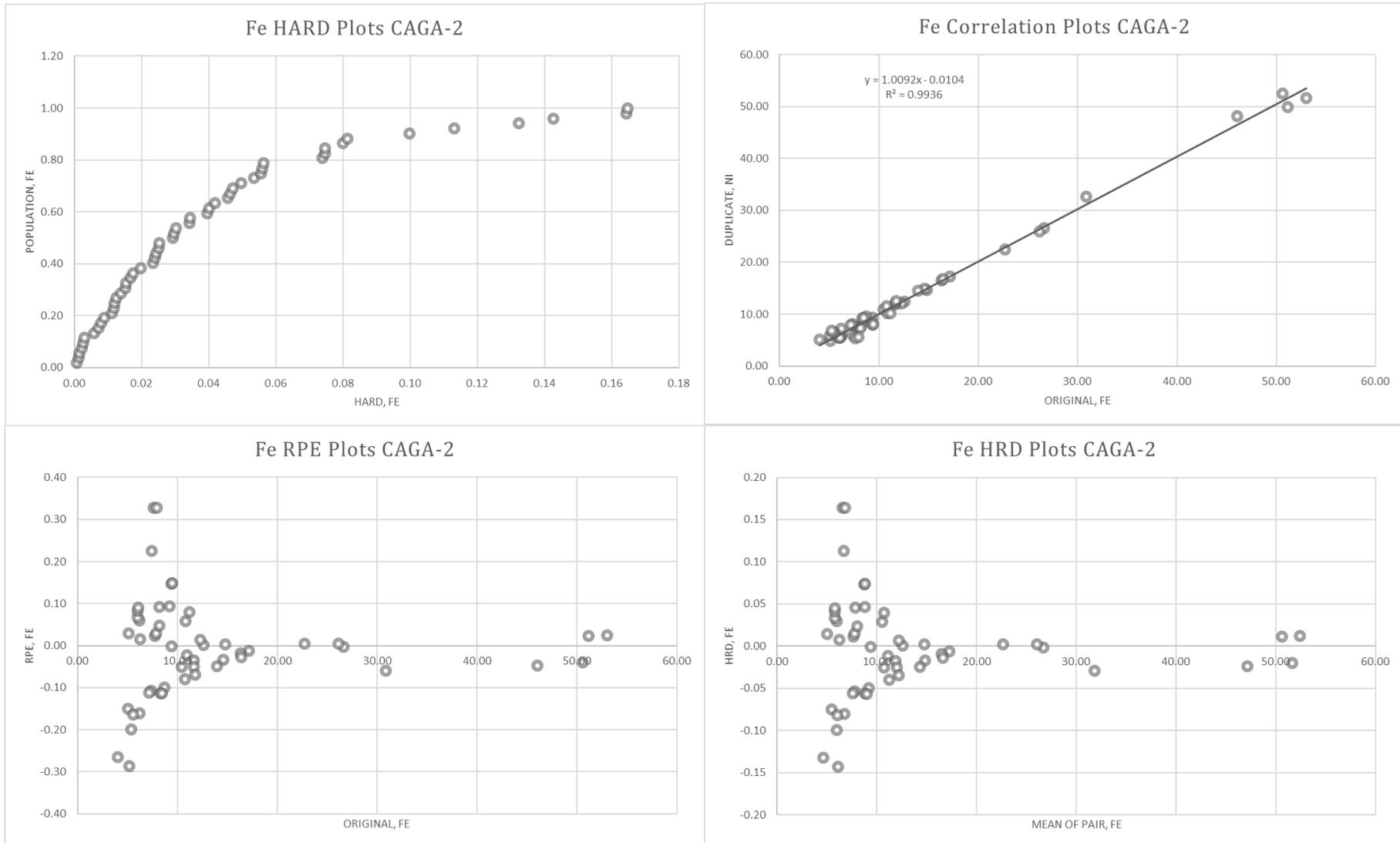


FIGURE-56. QAQC – CAGA-2 CHECK/EXTERNAL REPEATS SAMPLES (Fe)

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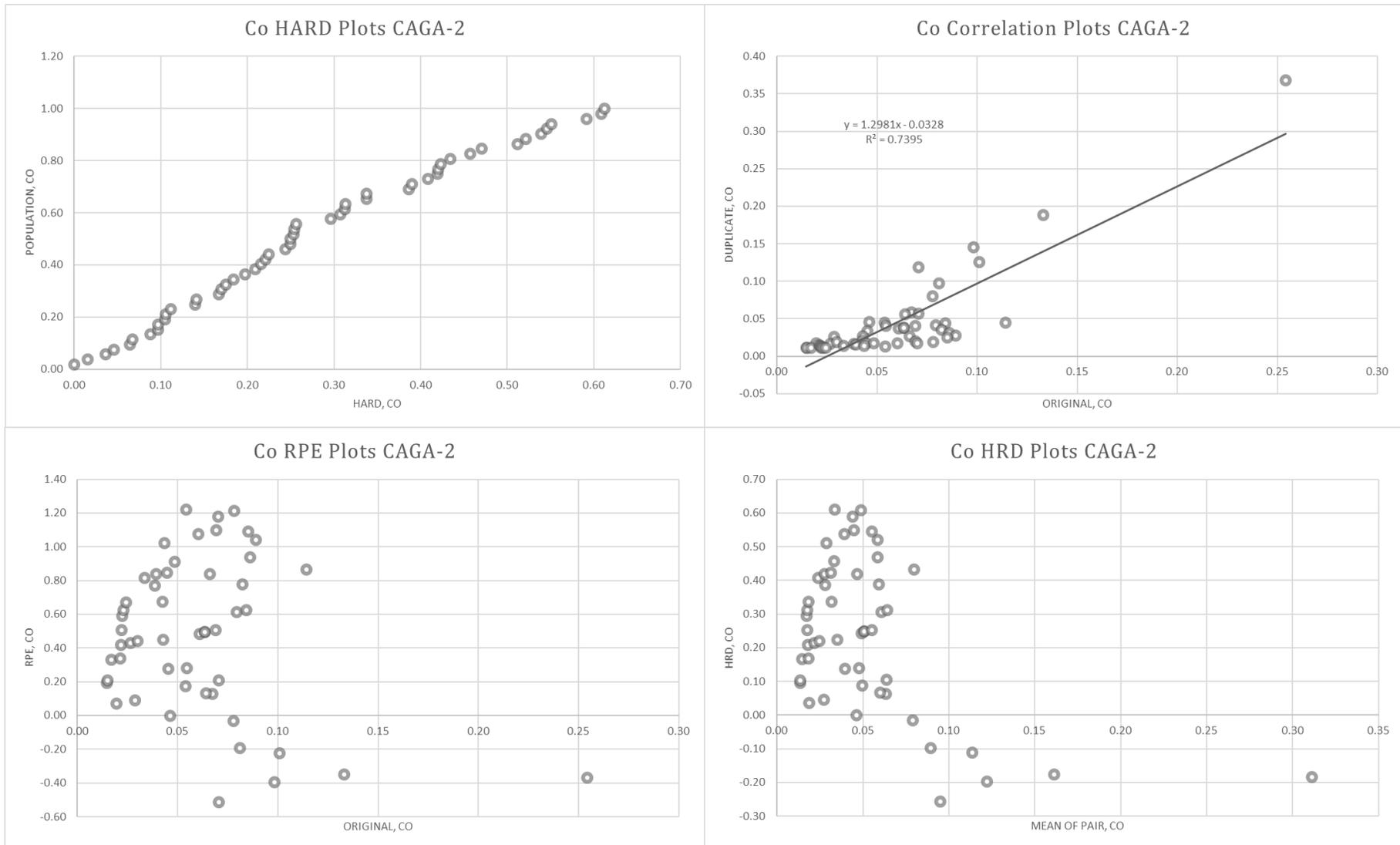


FIGURE-57. QAQC – CAGA-2 CHECK/EXTERNAL REPEATS SAMPLES (Co)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

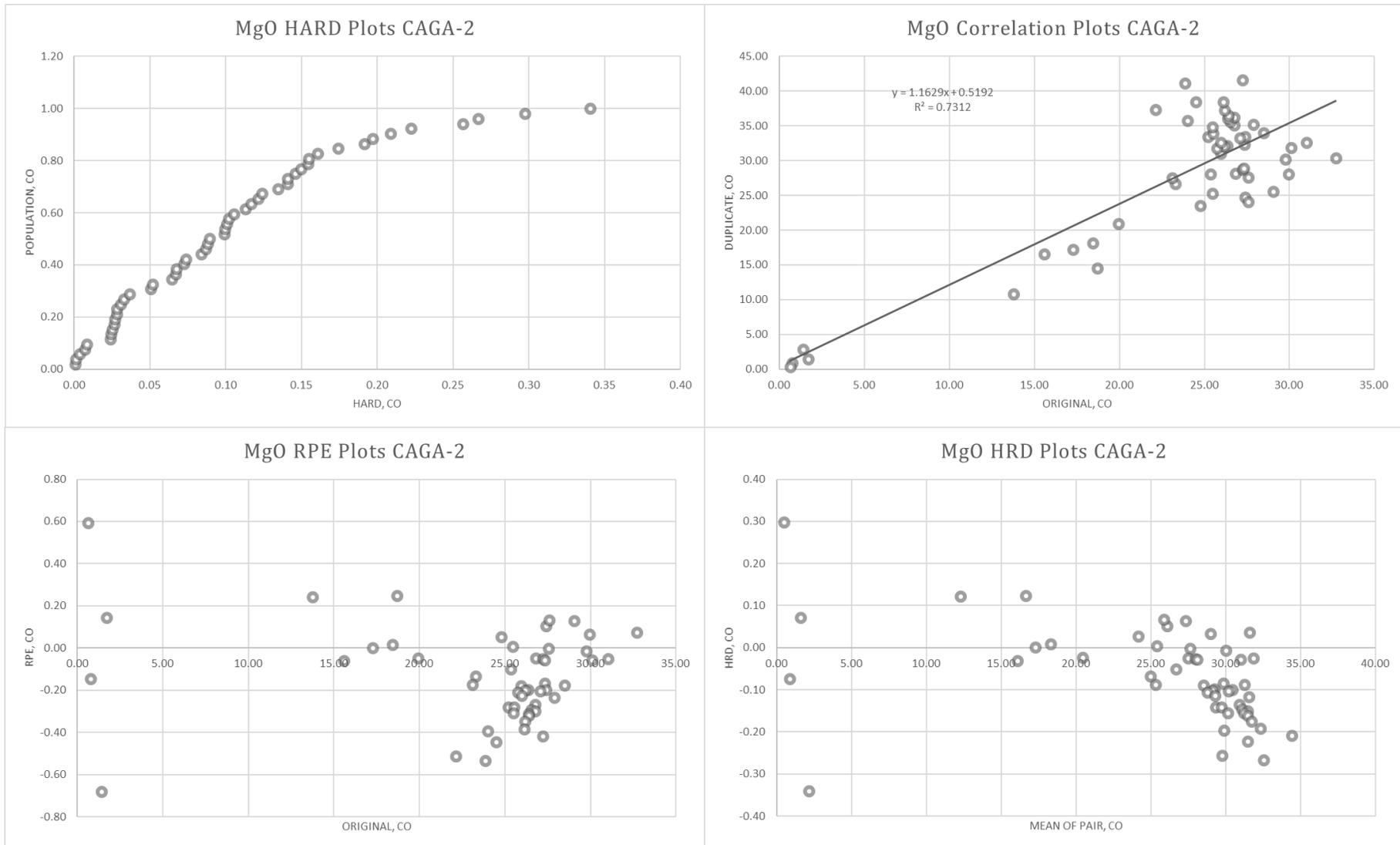


FIGURE-58. QAQC – CAGA-2 CHECK/EXTERNAL REPEATS SAMPLES (MgO)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

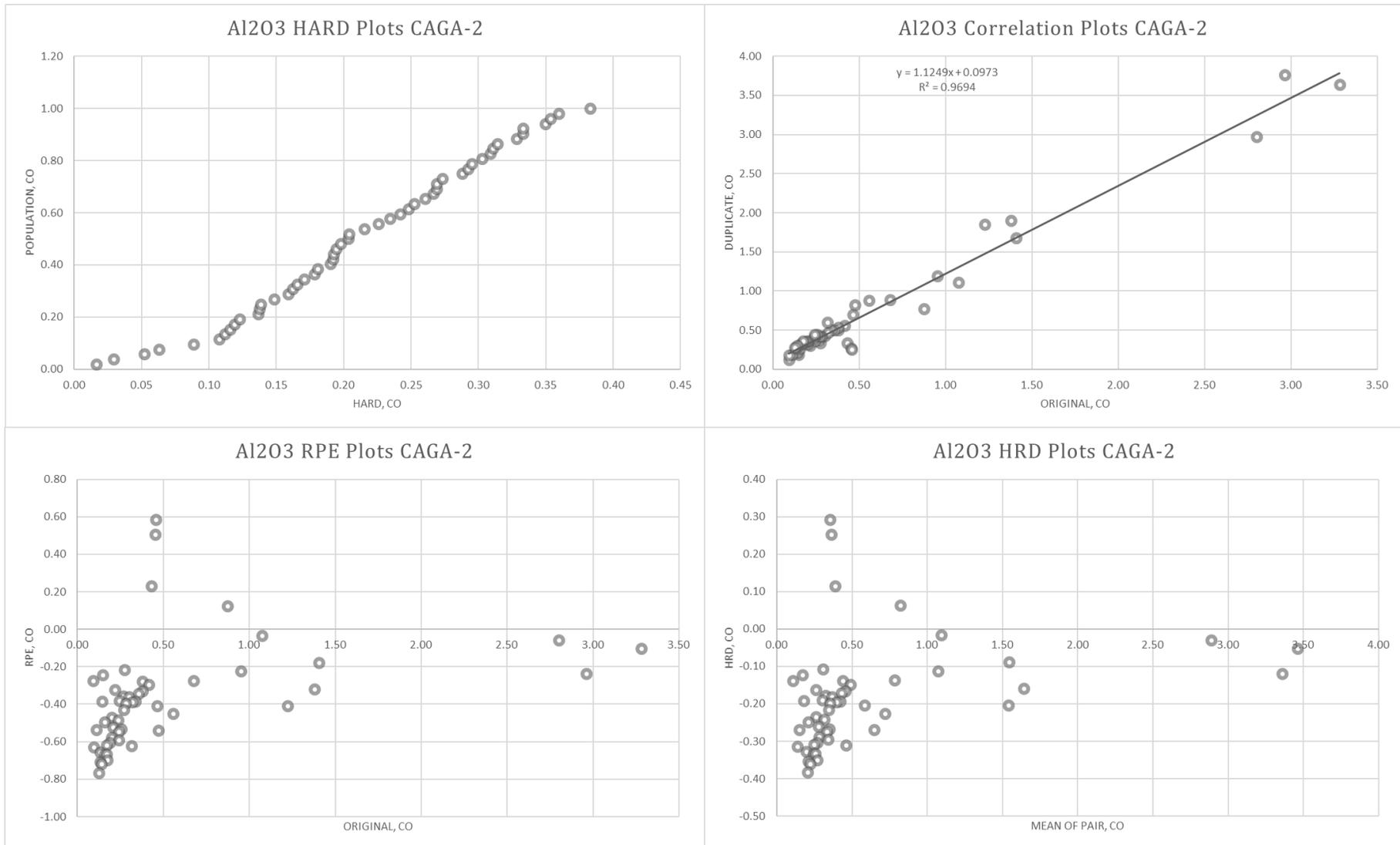


FIGURE-59. QAQC – CAGA-2 CHECK/EXTERNAL REPEATS SAMPLES (Al_2O_3)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

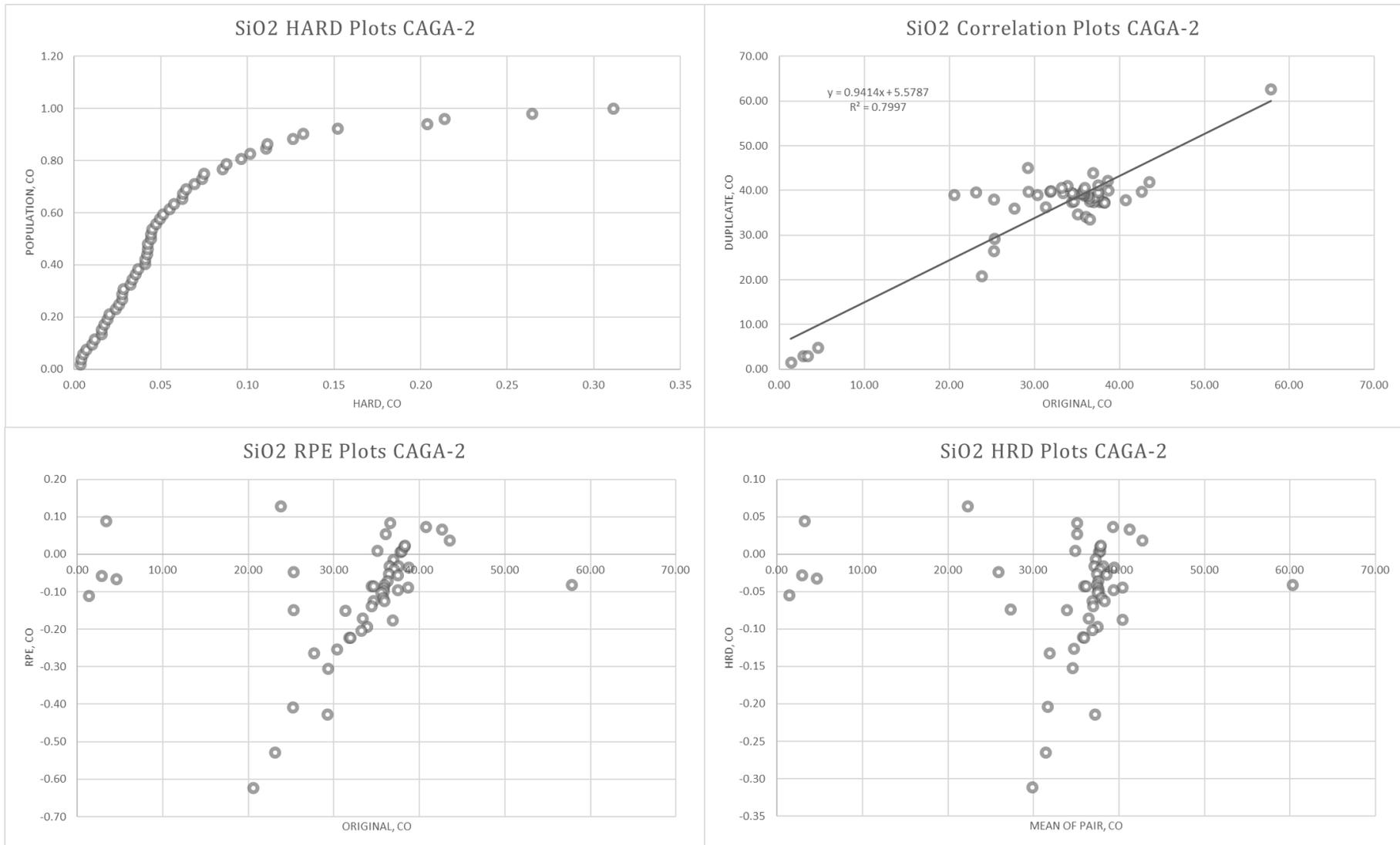


FIGURE-60. QAQC – CAGA-2 CHECK/EXTERNAL REPEATS SAMPLES (SiO₂)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

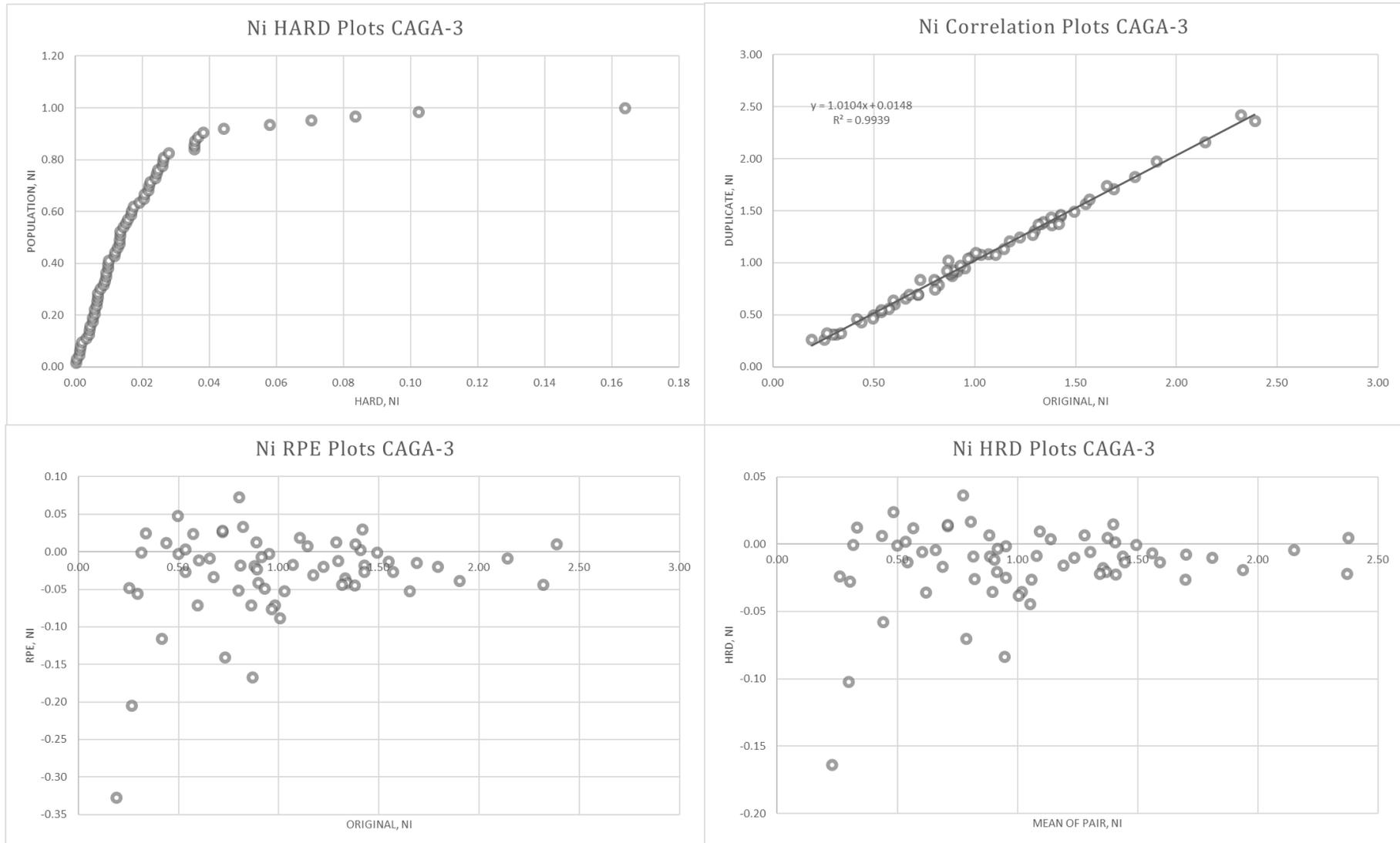


FIGURE-61. QAQC – CAGA-3 CHECK/EXTERNAL REPEATS SAMPLES (Ni)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

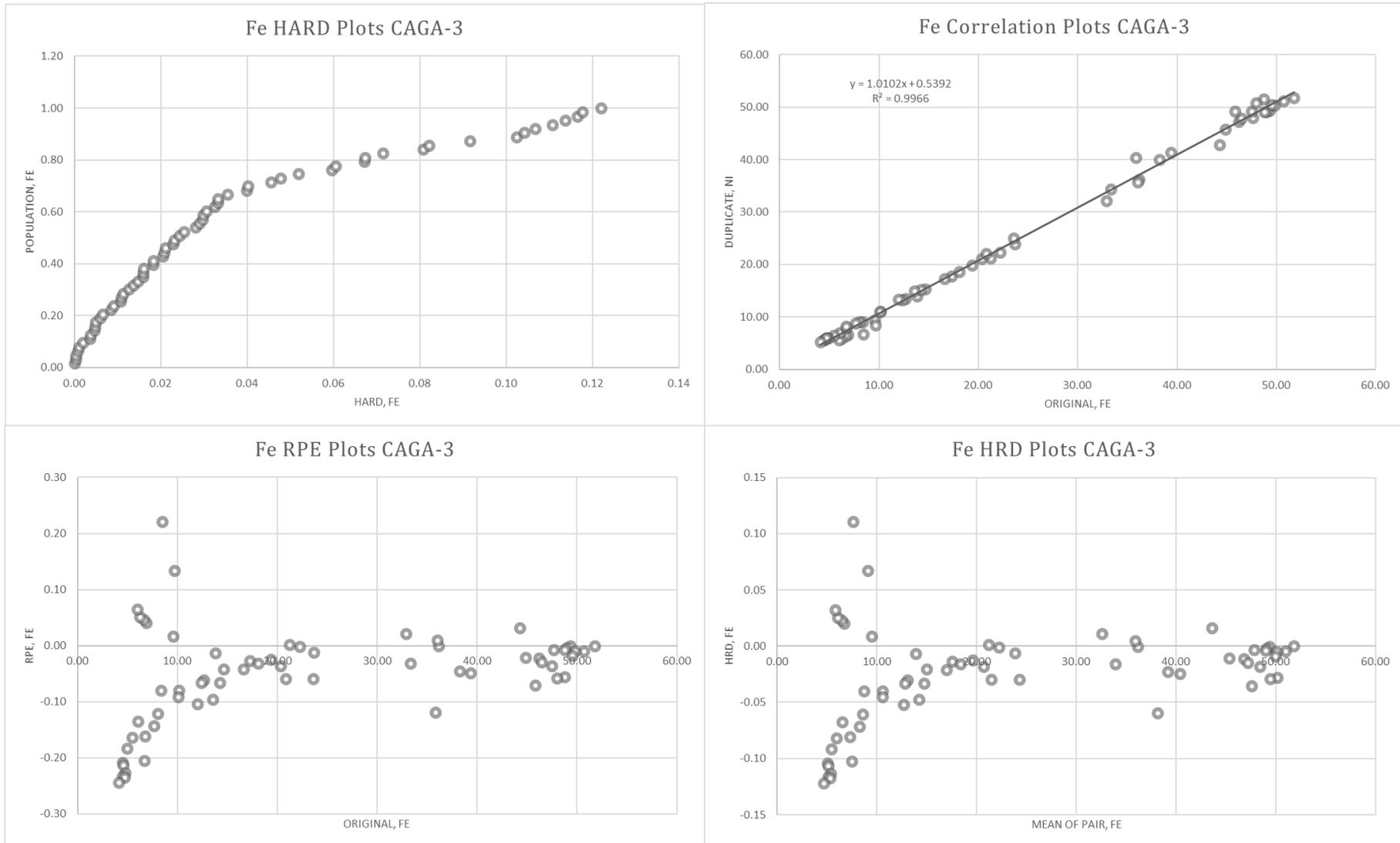


FIGURE-62. QAQC – CAGA-3 CHECK/EXTERNAL REPEATS SAMPLES (Fe)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

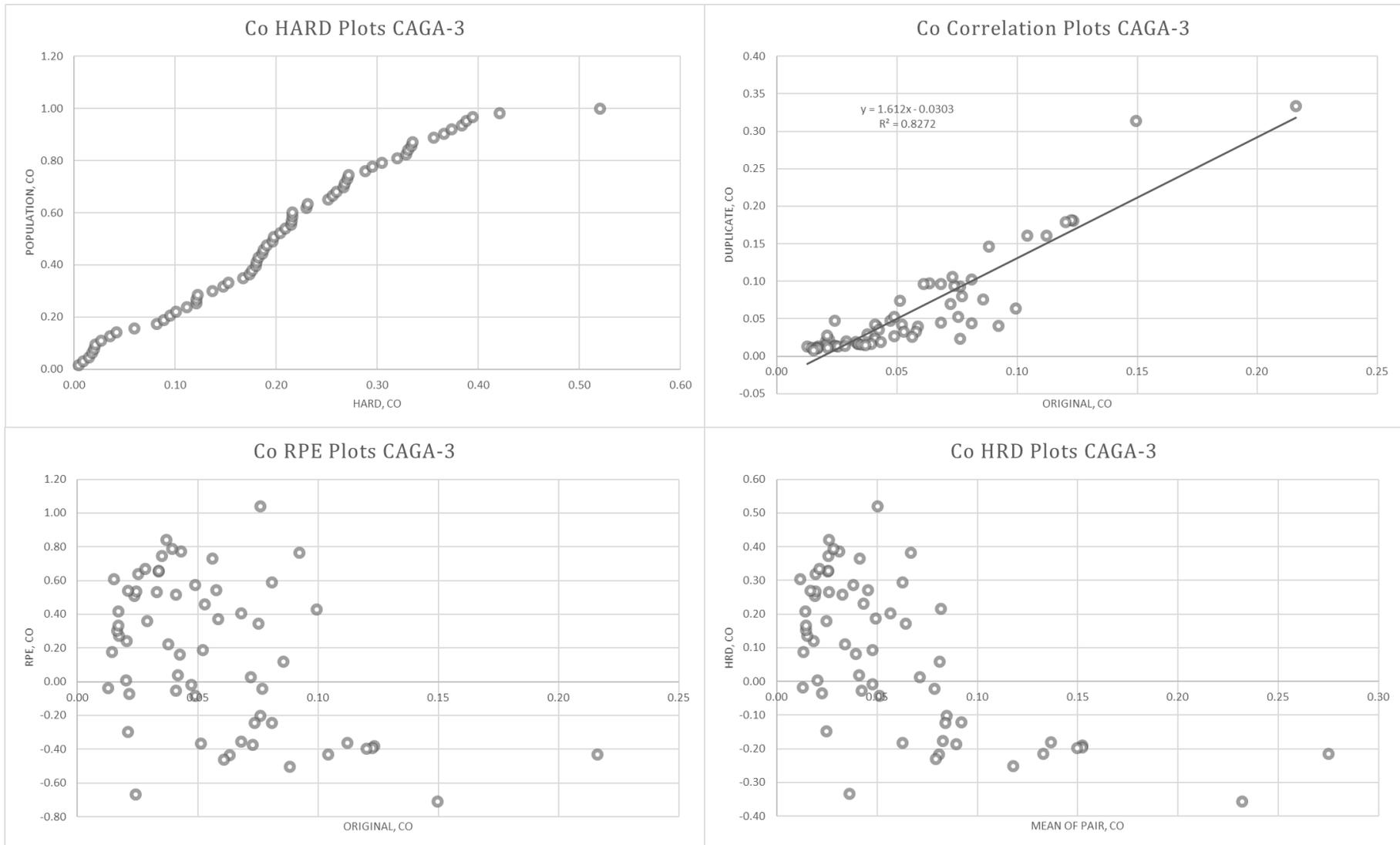


FIGURE-63. QAQC – CAGA-3 CHECK/EXTERNAL REPEATS SAMPLES (Co)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

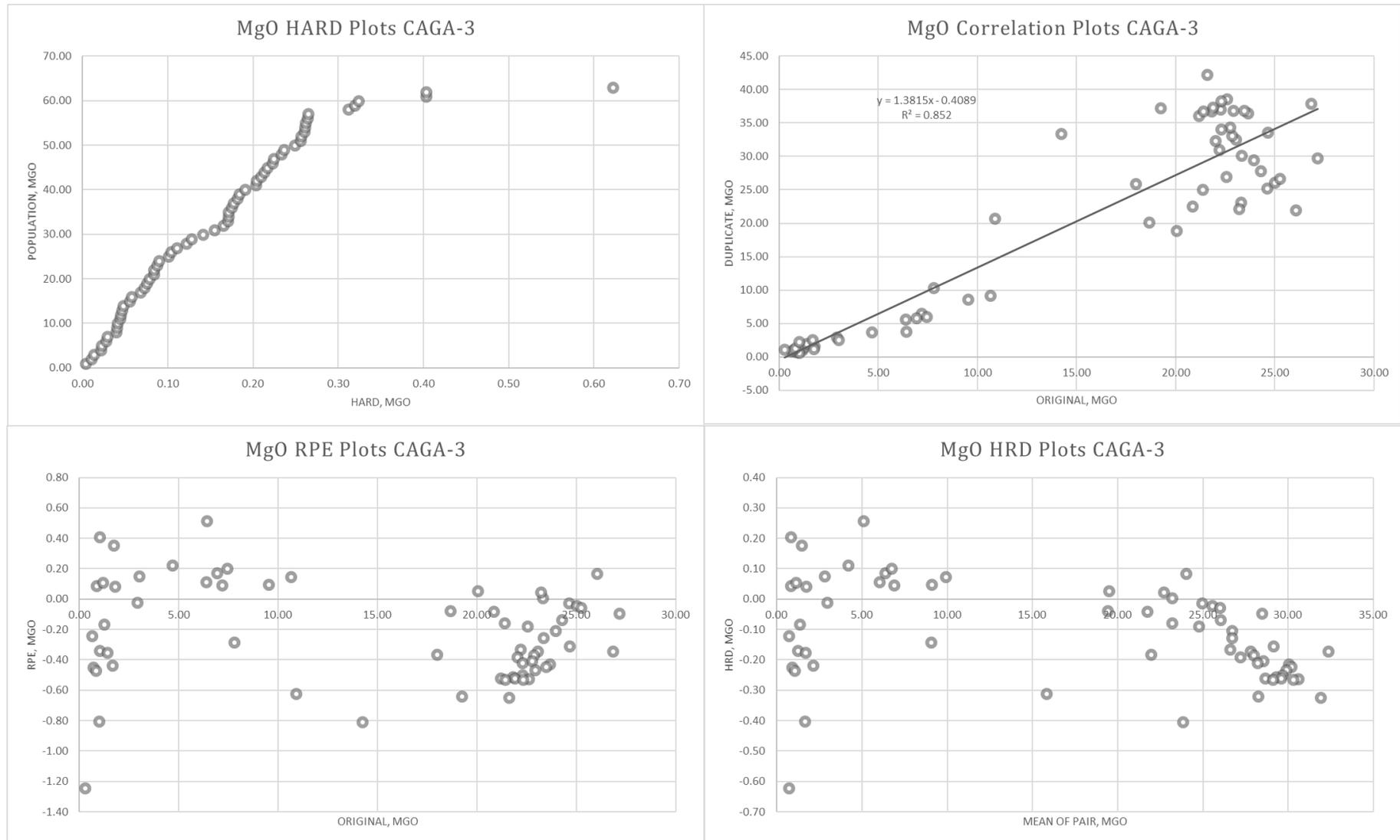


FIGURE-64. QAQC – CAGA-3 CHECK/EXTERNAL REPEATS SAMPLES (MgO)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

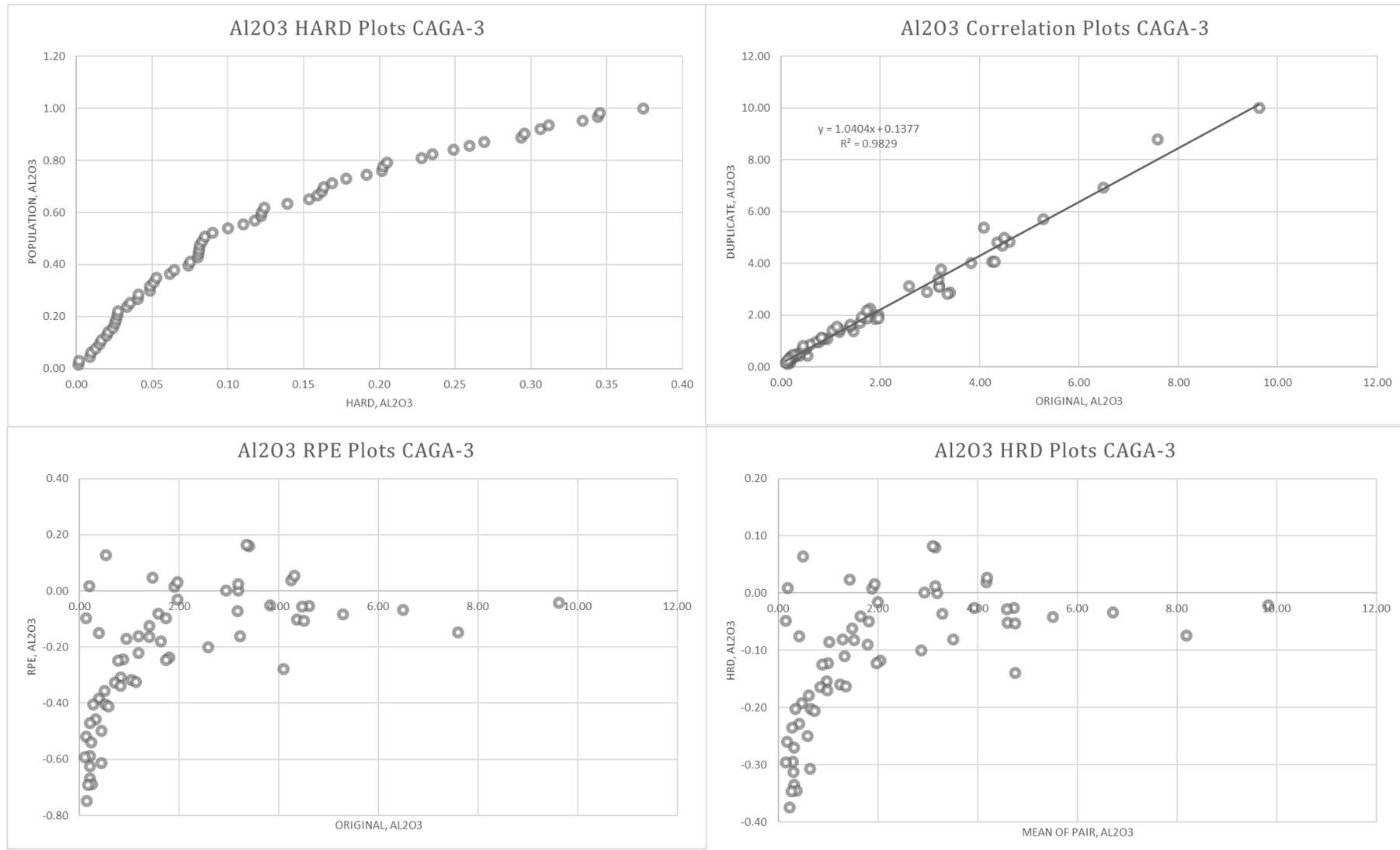


FIGURE-65. QAQC – CAGA-3 CHECK/EXTERNAL REPEATS SAMPLES (Al₂O₃)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

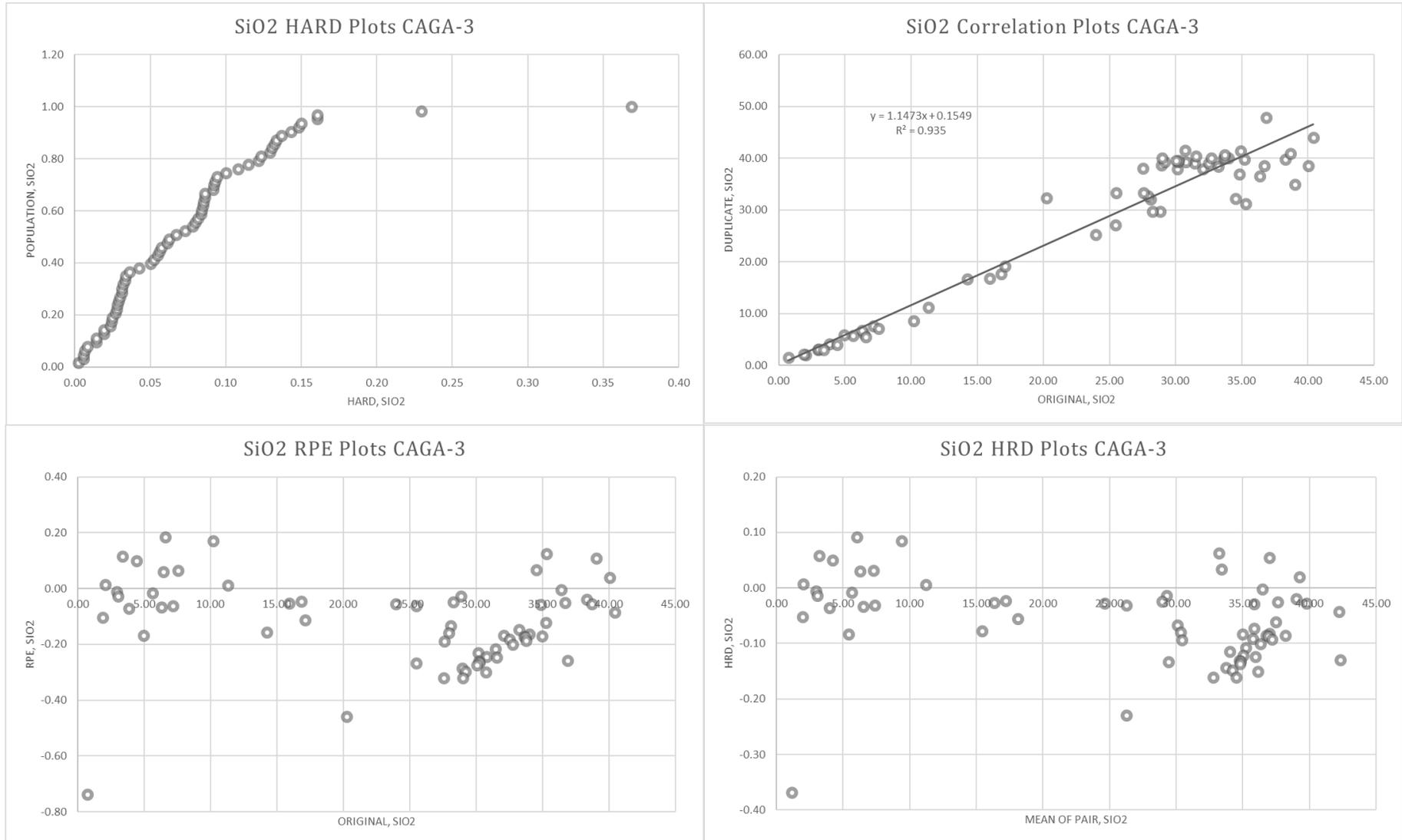


FIGURE-66. QAQC – CAGA-3 CHECK/EXTERNAL REPEATS SAMPLES (SiO₂)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

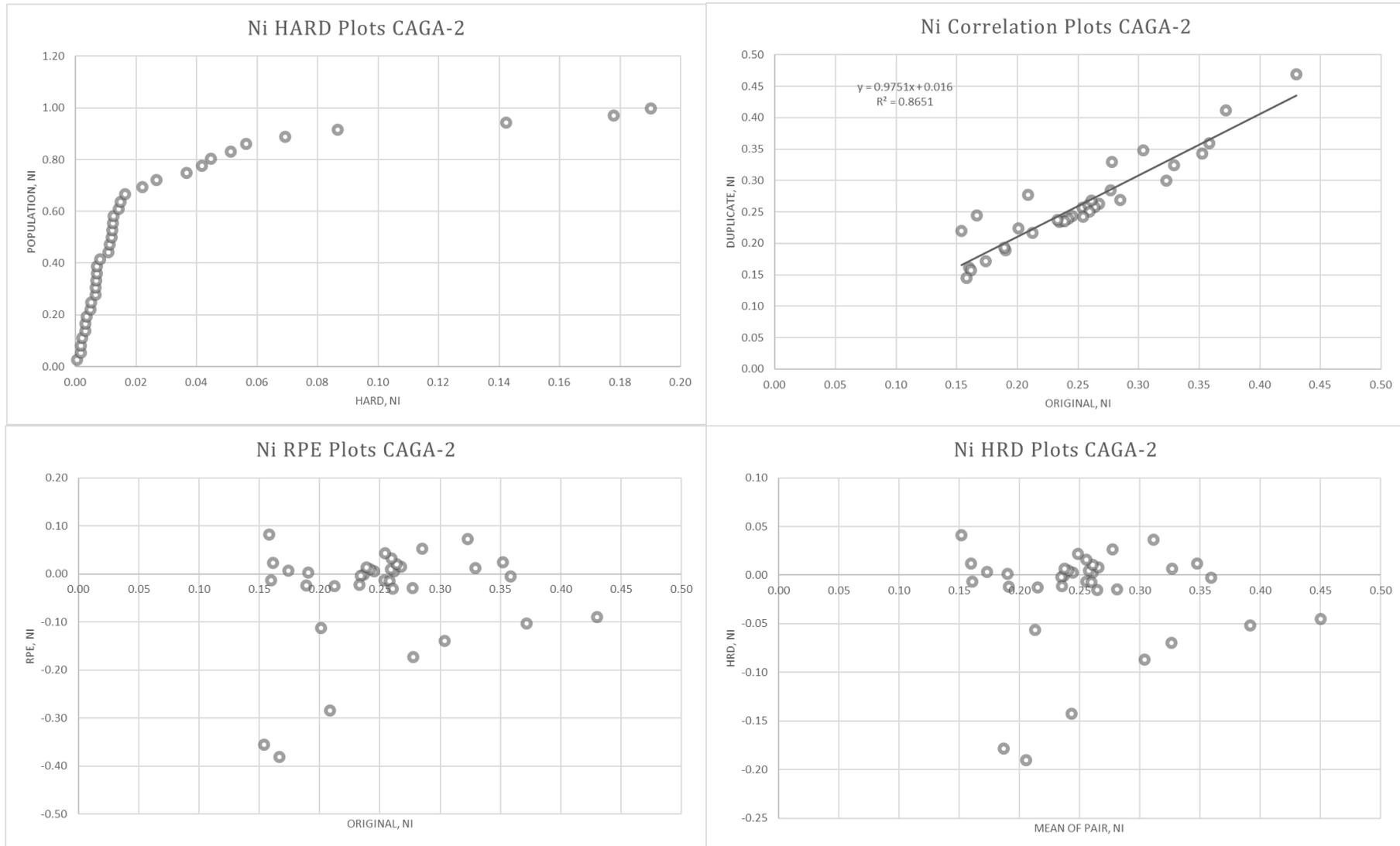


FIGURE-67. QAQC – CAGA-2 BLANK SAMPLES (Ni)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

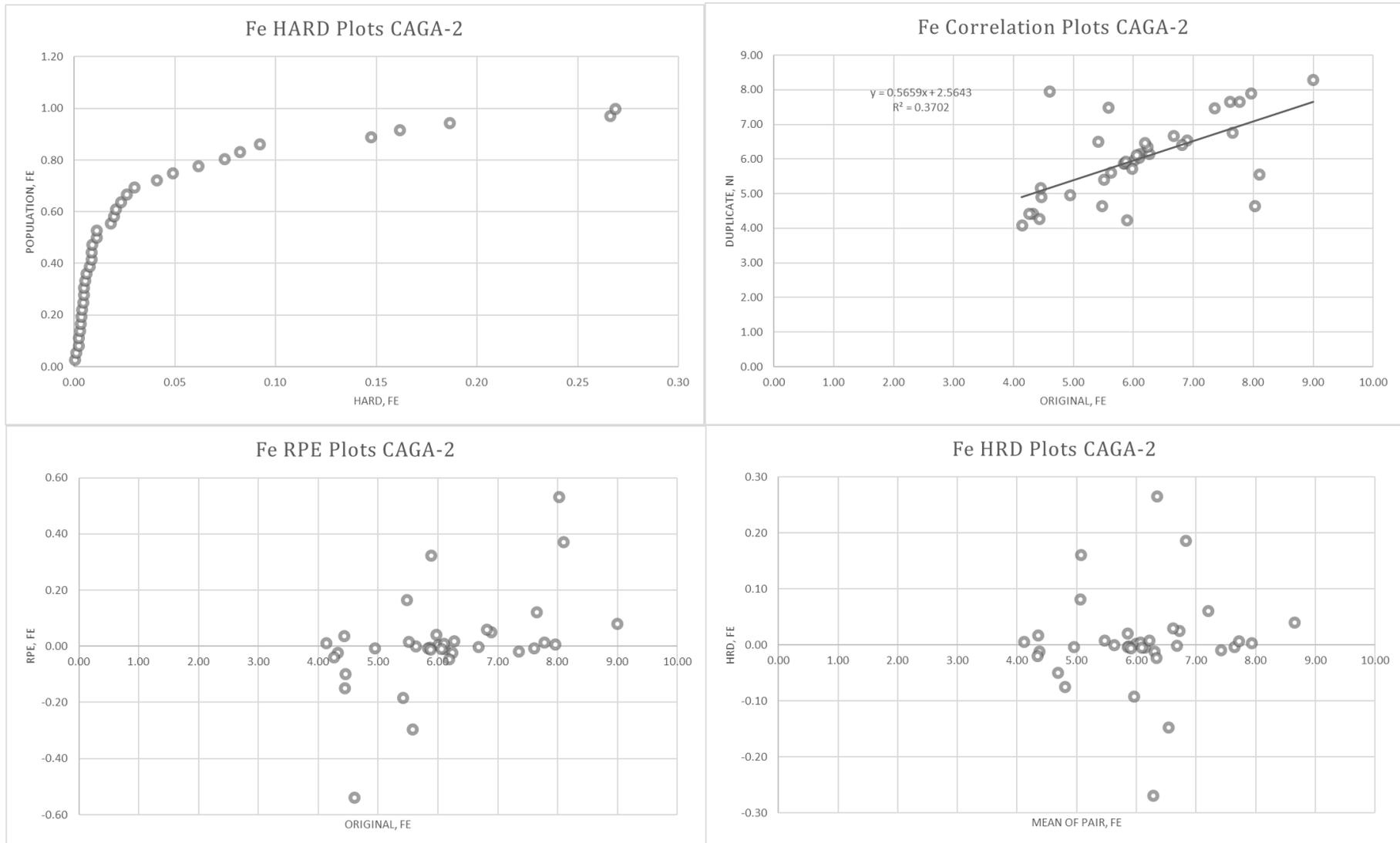


FIGURE-68. QAQC – CAGA-2 BLANK SAMPLES (Fe)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

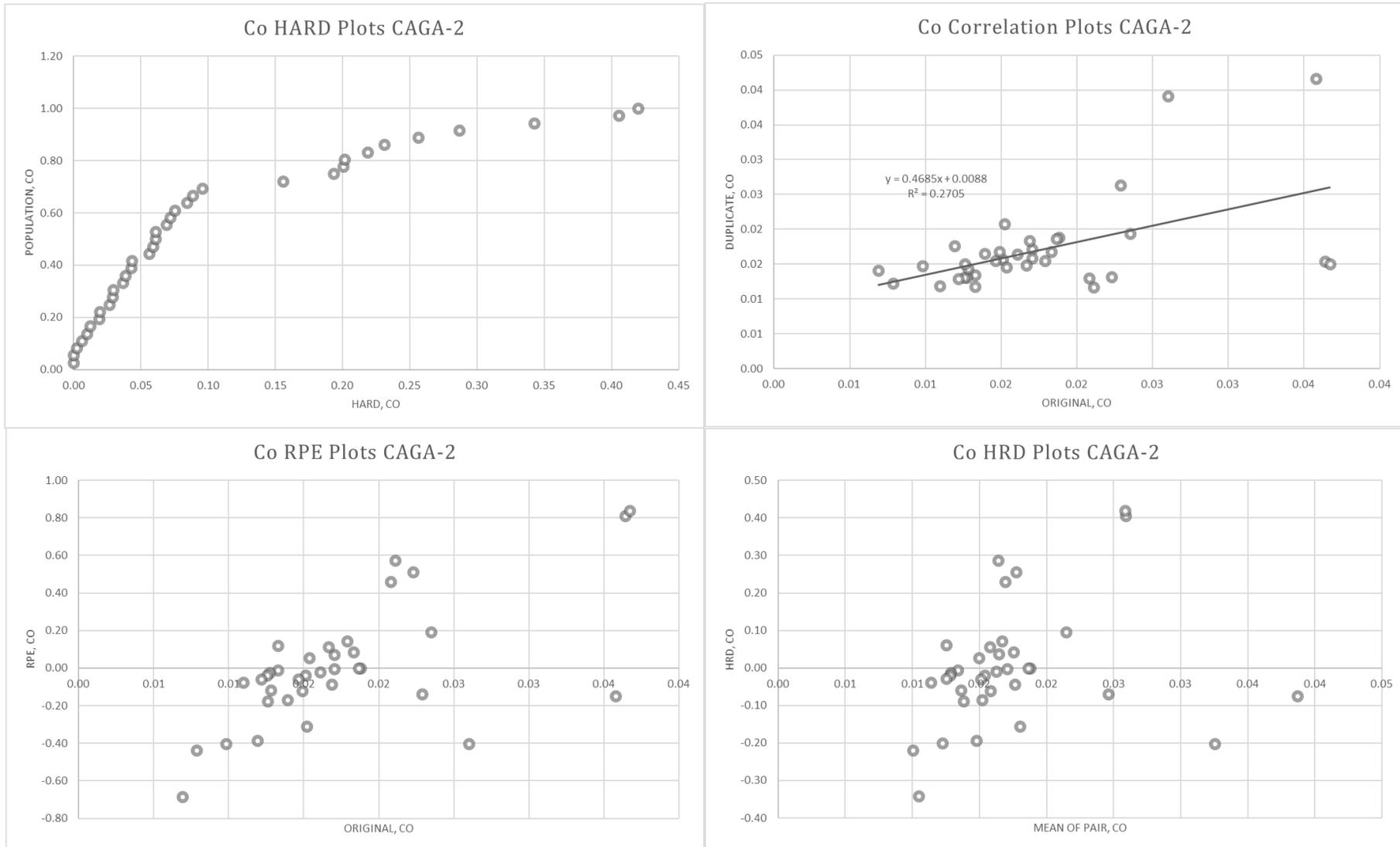


FIGURE-69. QAQC – CAGA-2 BLANK SAMPLES (Co)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

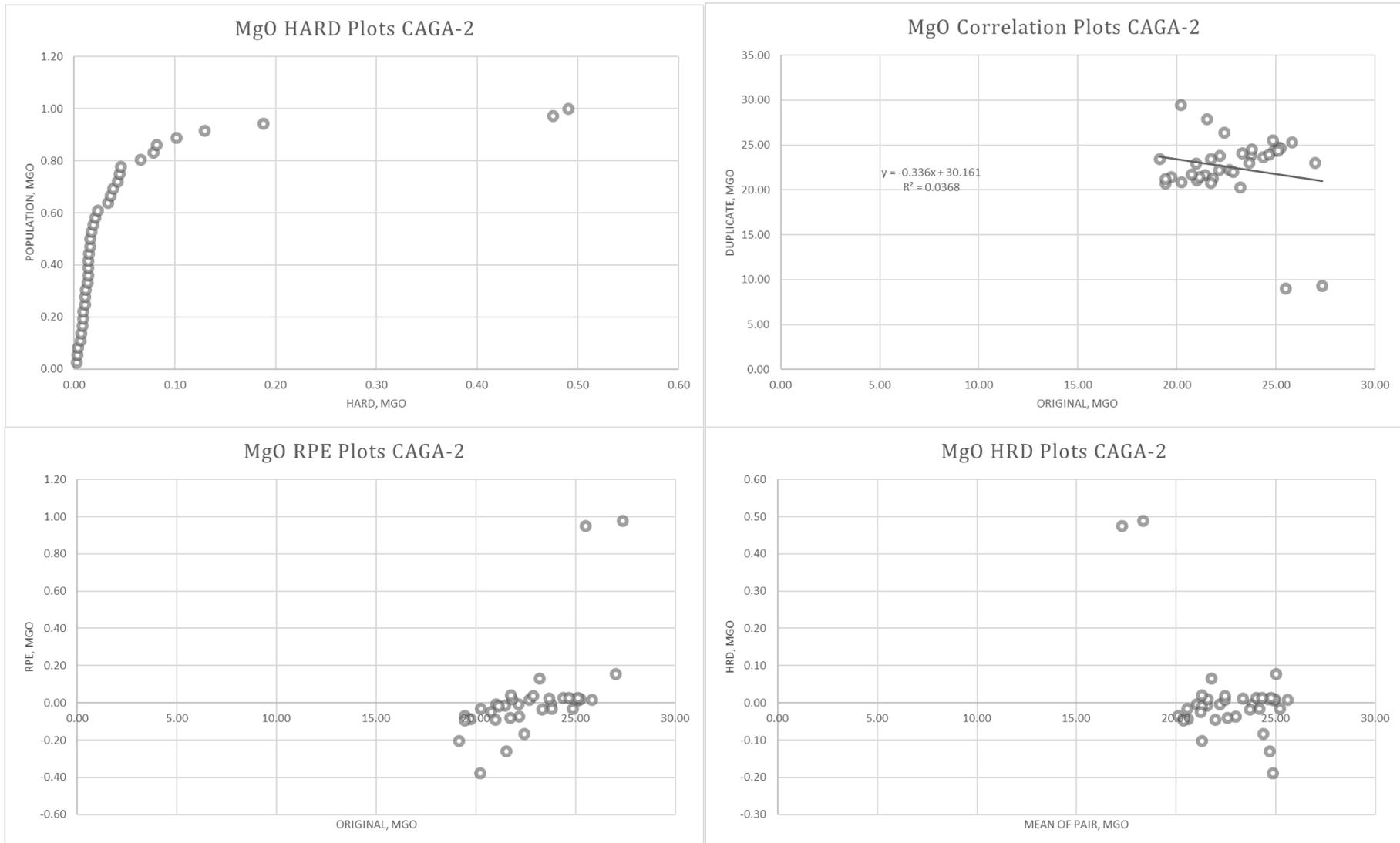


FIGURE-70. QAQC – CAGA-2 BLANK SAMPLES (MgO)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

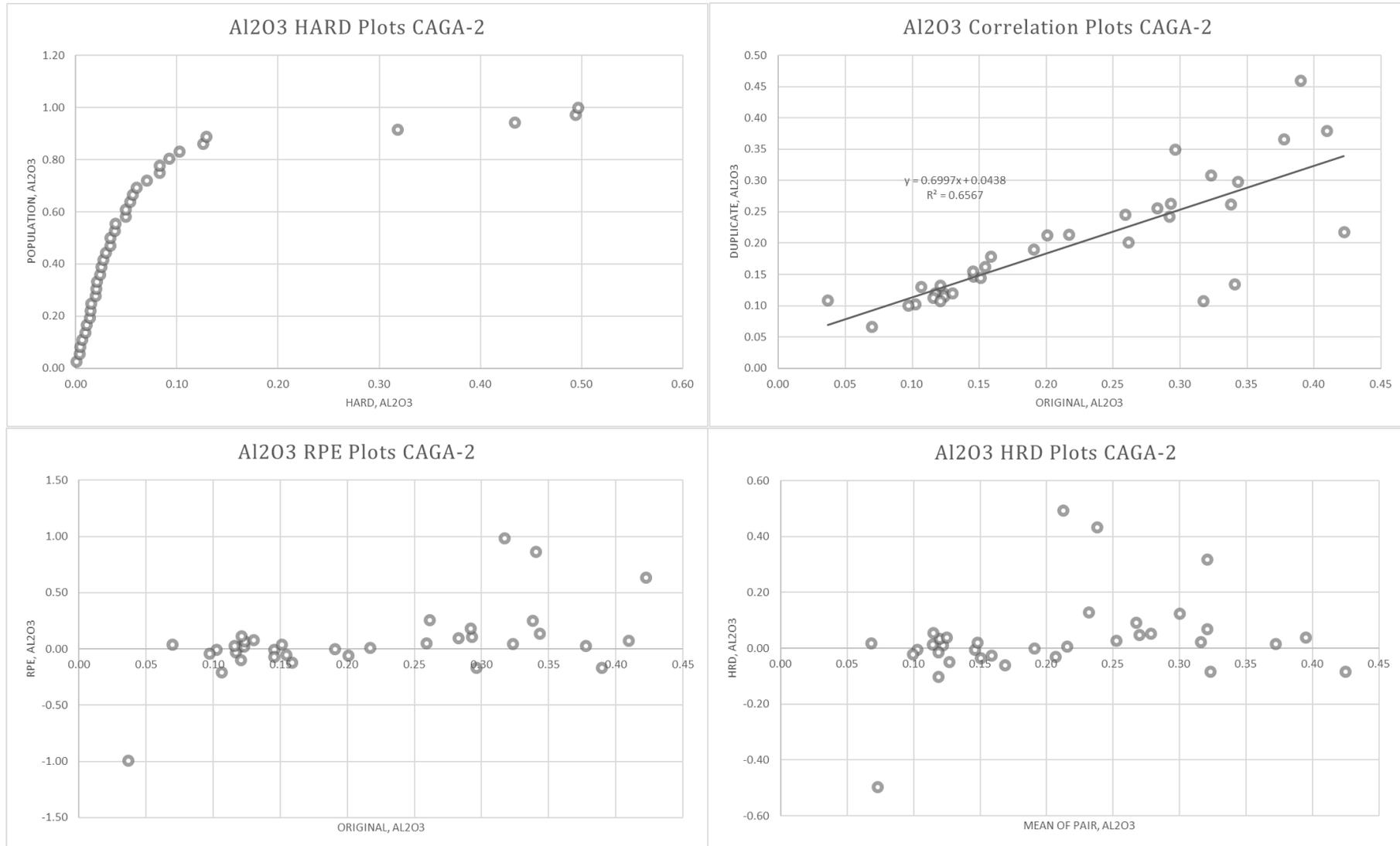


FIGURE-71. QAQC – CAGA-2 BLANK SAMPLES (Al₂O₃)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

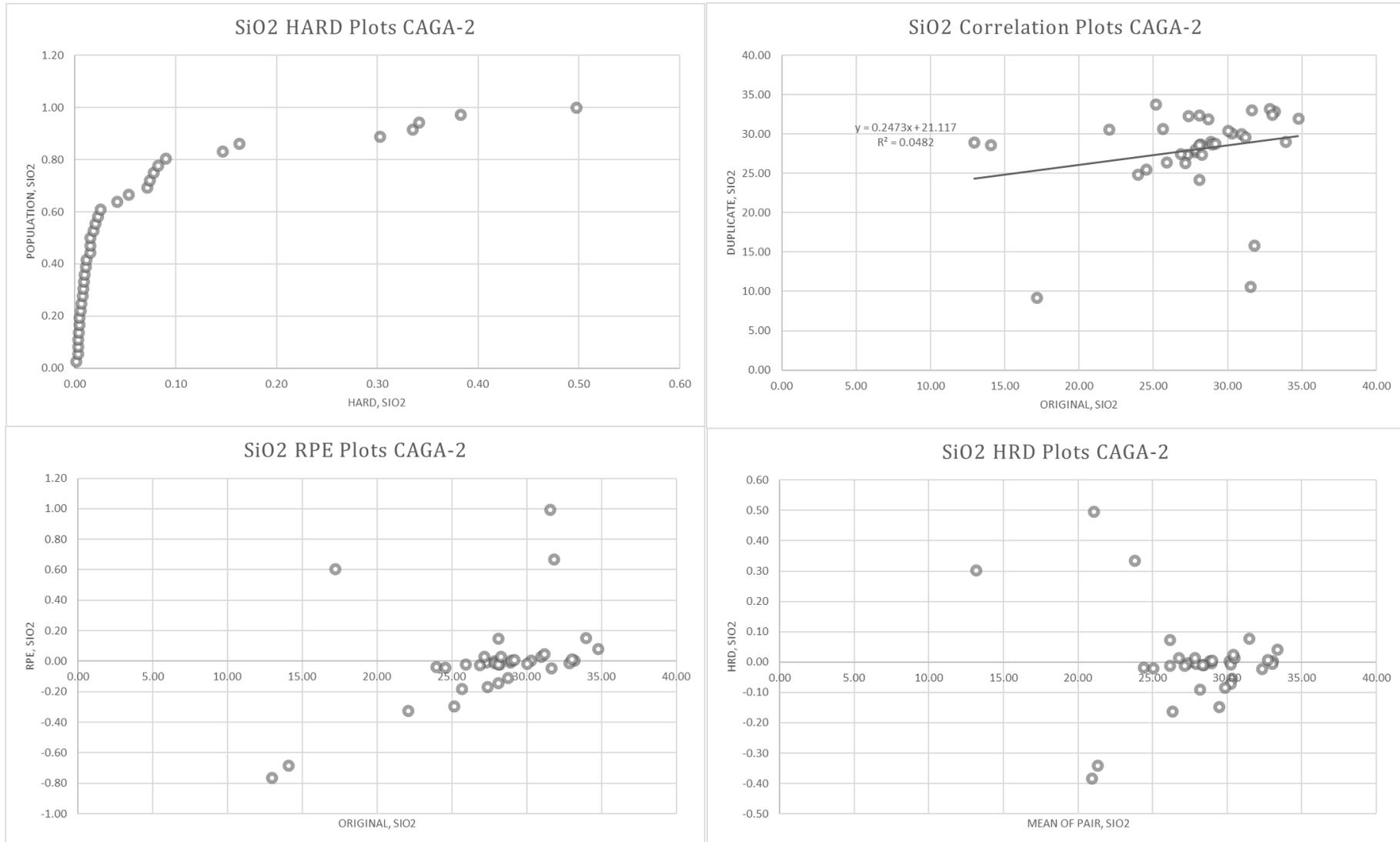


FIGURE-72. QAQC – CAGA-2 BLANK SAMPLES (SiO₂)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

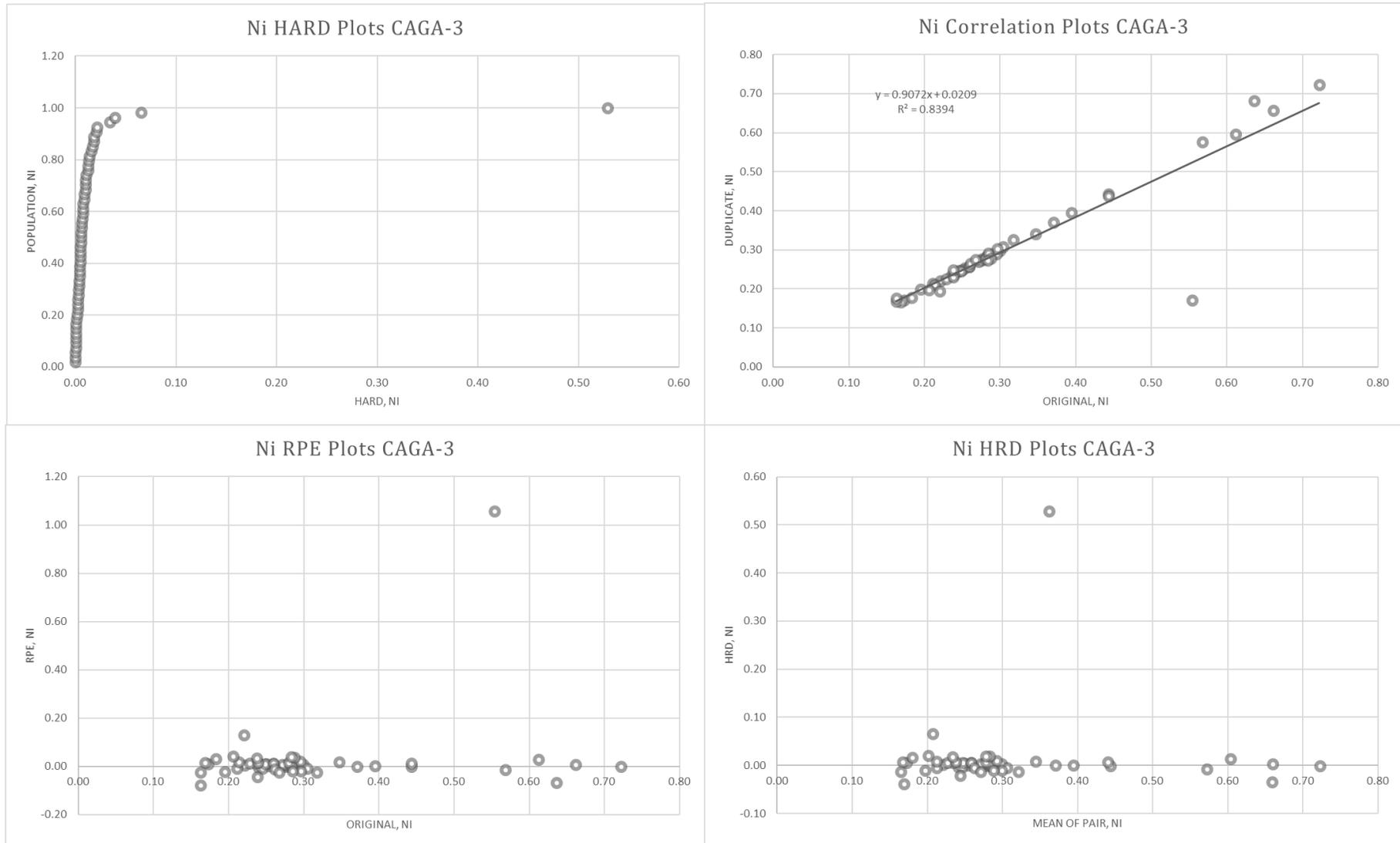


FIGURE-73. QAQC – CAGA-3 BLANK SAMPLES (Ni)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

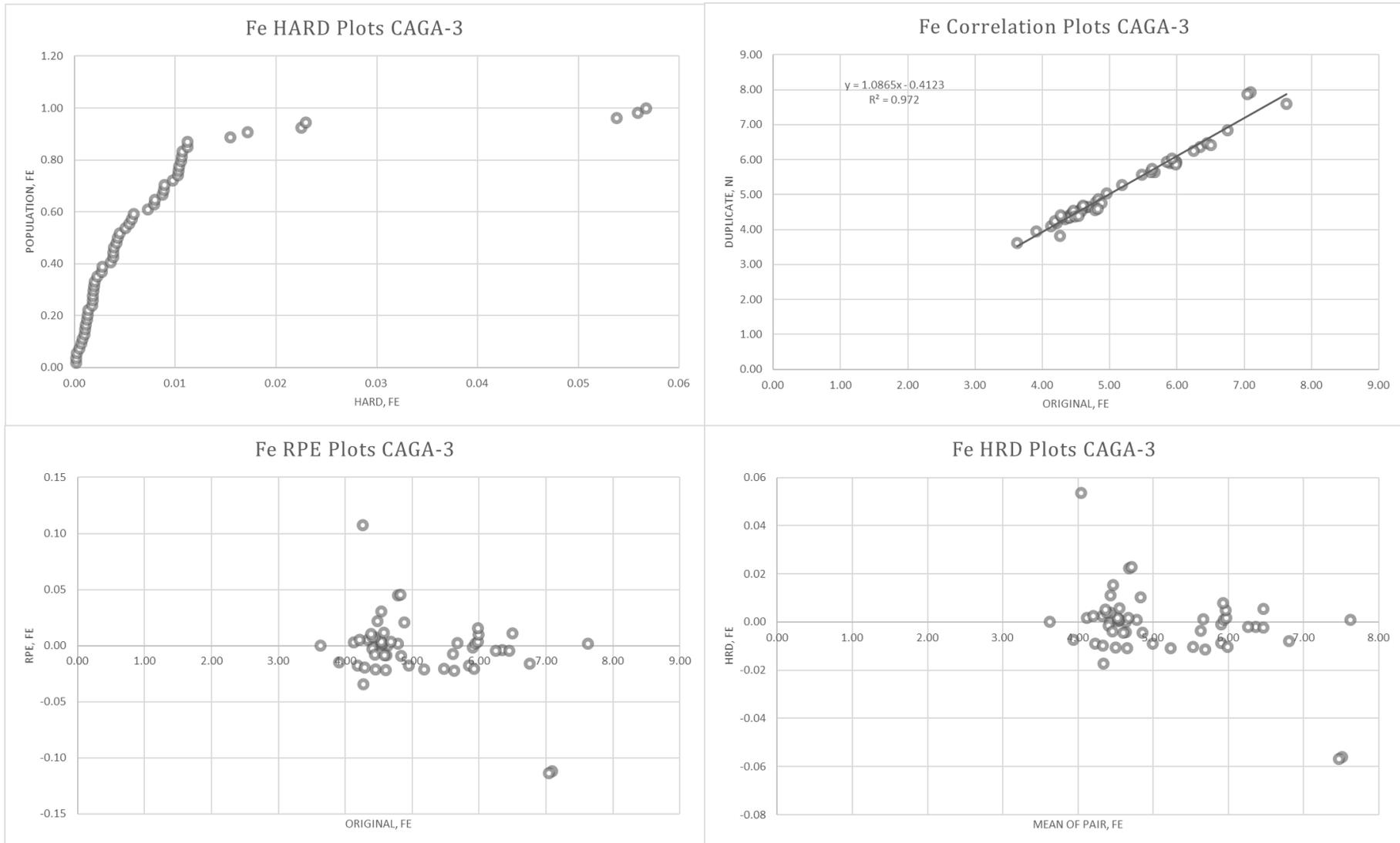


FIGURE-74. QAQC – CAGA-3 BLANK SAMPLES (Fe)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

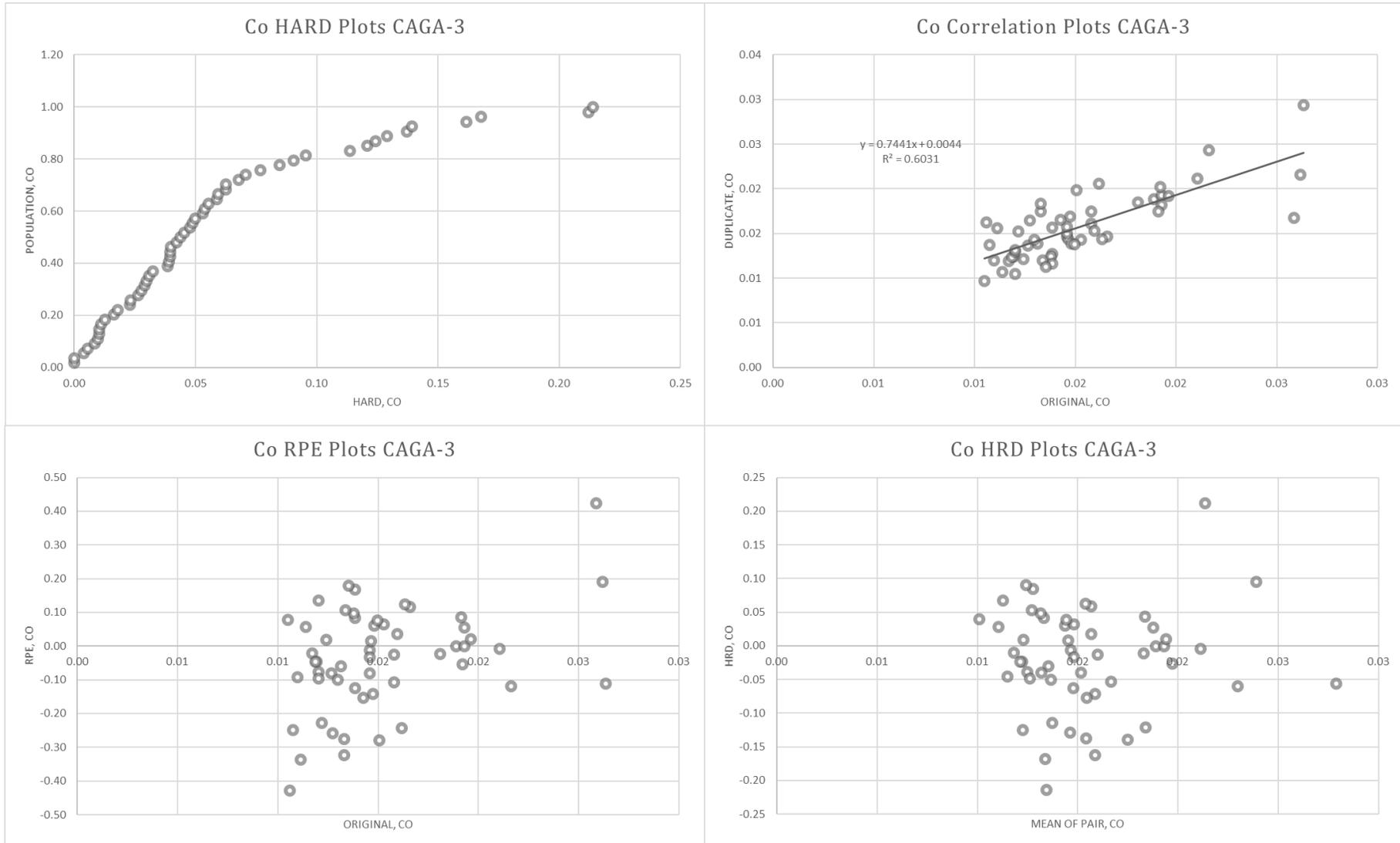


FIGURE-75. QAQC – CAGA-3 BLANK SAMPLES (Co)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

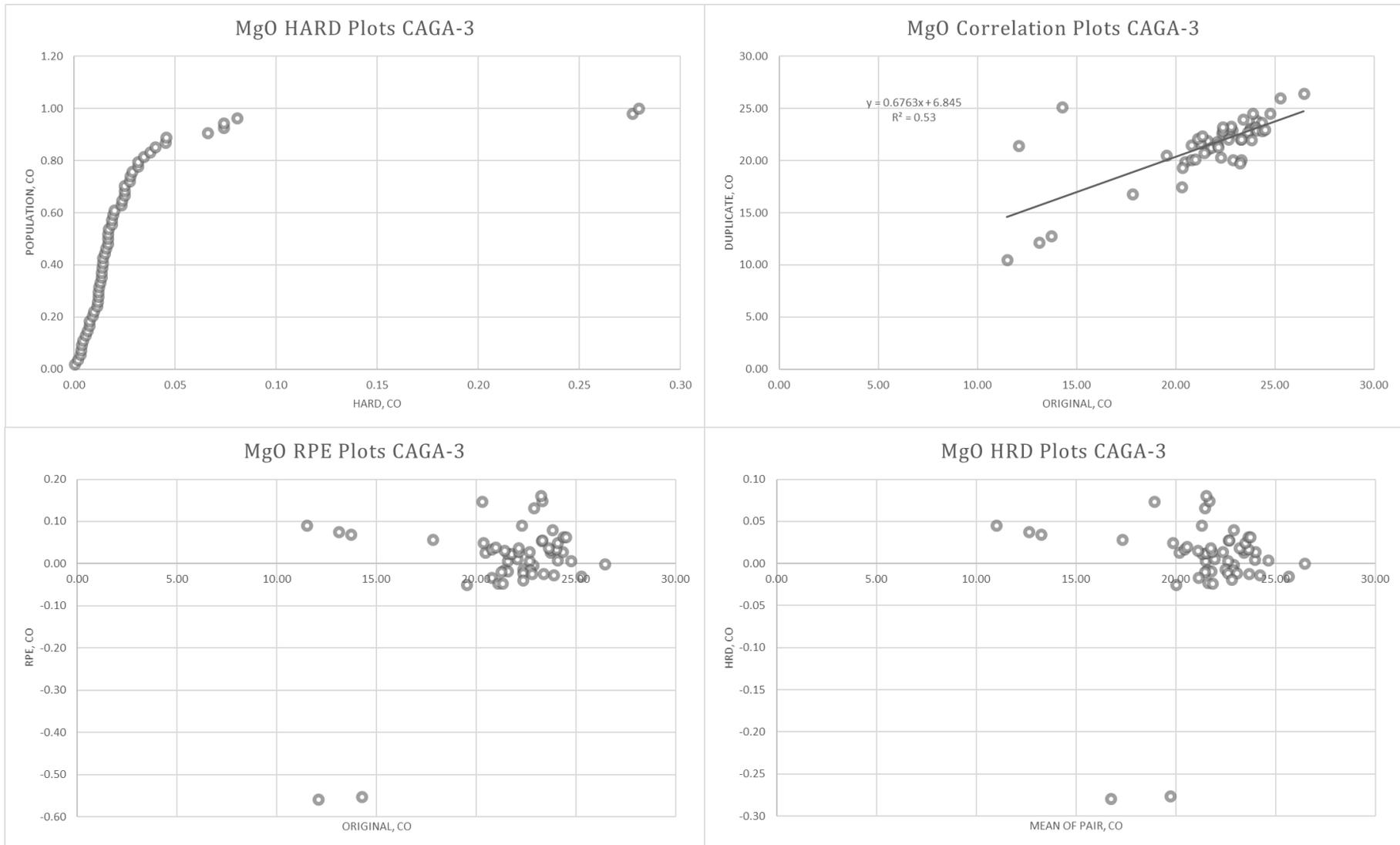


FIGURE-76. QAQC – CAGA-3 BLANK SAMPLES (MgO)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

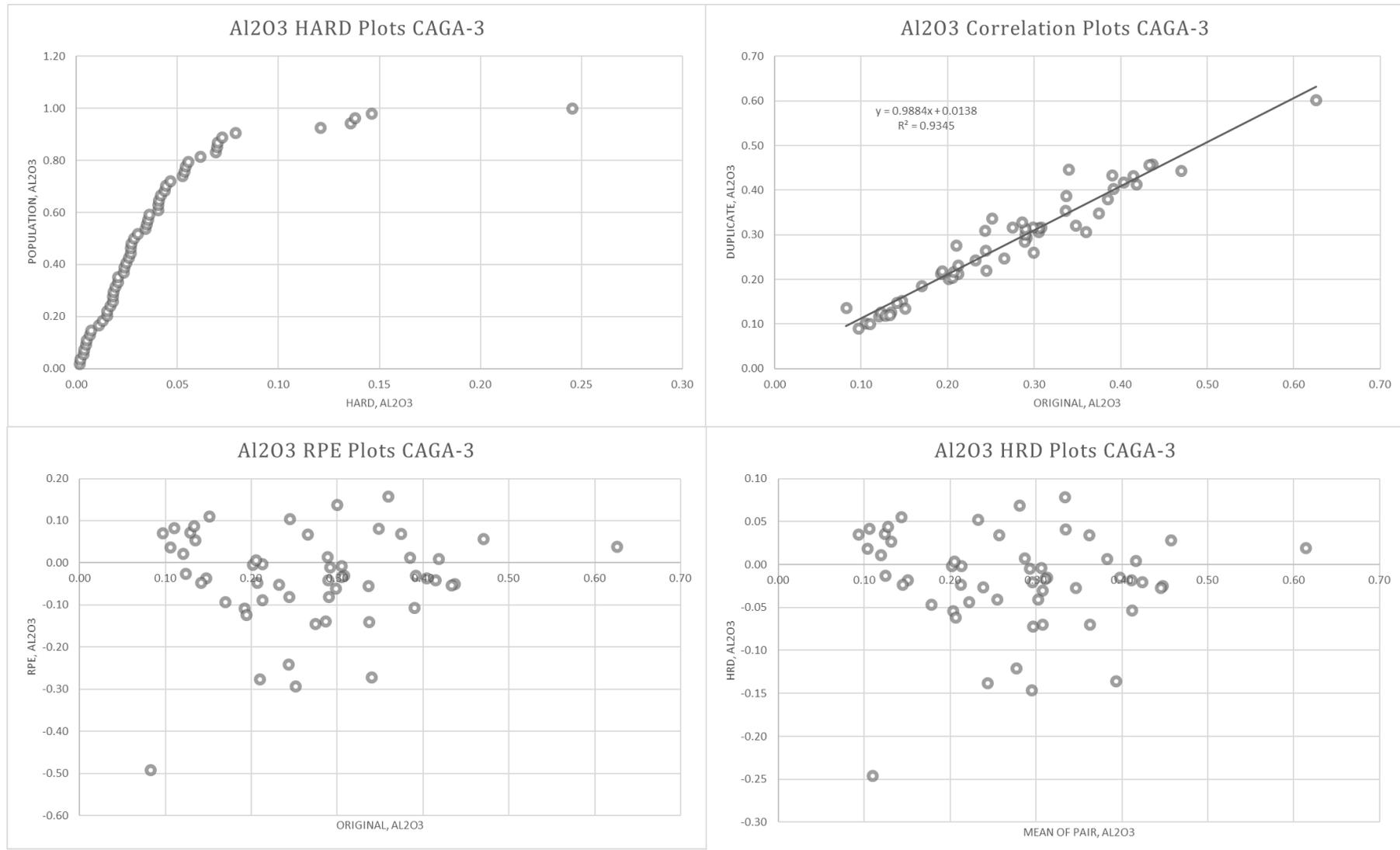


FIGURE-77. QAQC – CAGA-3 BLANK SAMPLES (Al₂O₃)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

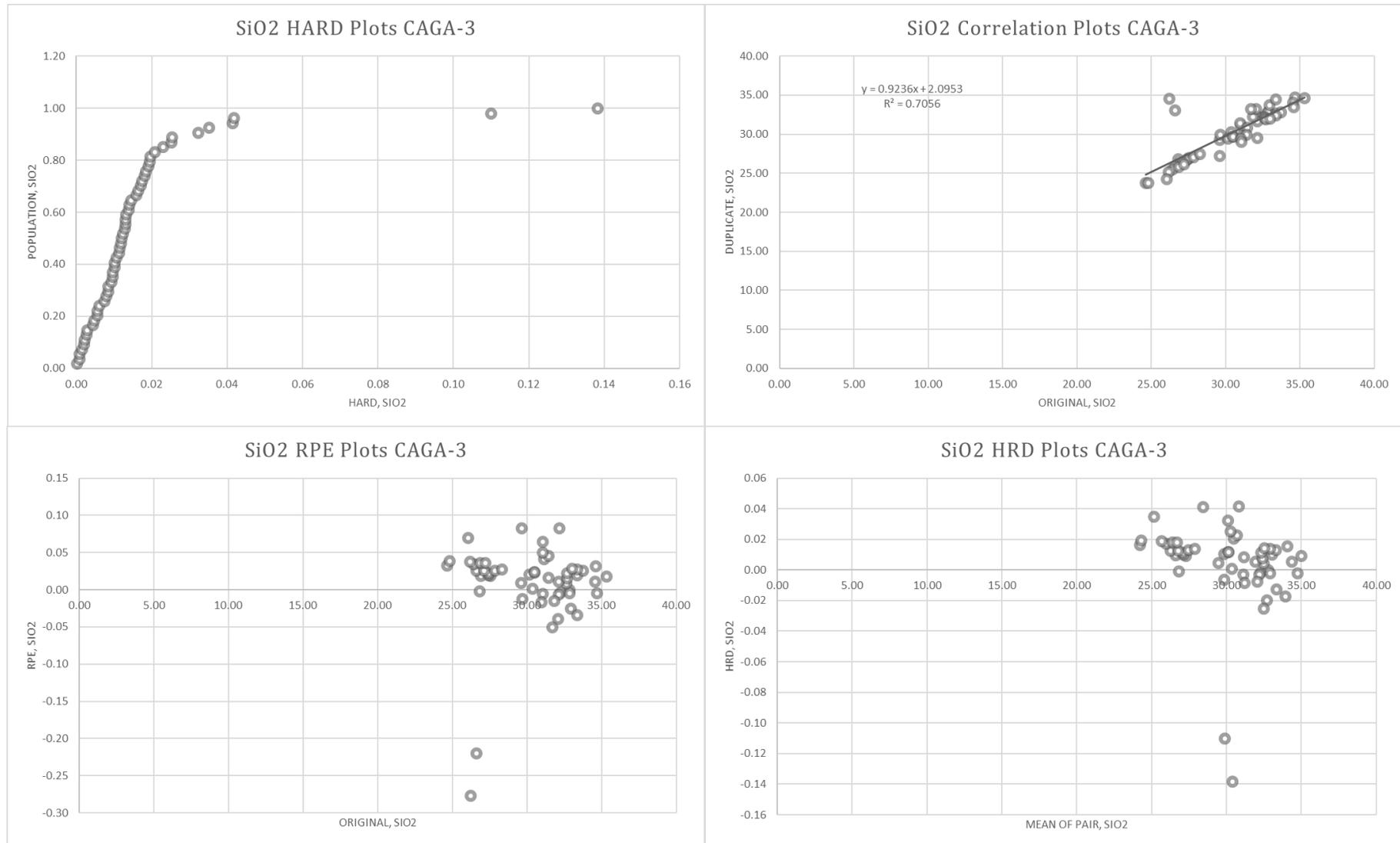


FIGURE-78. QAQC – CAGA-3 BLANK SAMPLES (SiO₂)

10.0 MINERAL RESOURCE ESTIMATE

10.1 PGMC Database Preparation

Database preparation/update focused on the recent exploration completed by BOHRER Mining Consulting Services (BMCS) on CAGA-2 and CAGA-3 deposits. The old and new holes of CAGA-2 and CAGA-3 were integrated into a new database and used for the estimation update of the mineral resources.

A database was created in MS Excel format incorporating all information such as hole ID, coordinates, collar elevation, intervals, depth, lithology, sample analyses, etc. The database was grouped into four main tables: collar, sample, survey, and geology.

The collar table contains HoleID, Coordinates, Elevation, Projection and Total Depth. The sample table contains HoleID, SampleID, Depth From, Depth To, and Assays of Ni, Co, Fe, Al₂O₃, MnO, MgO, CaO, Cr₂O₃, SiO₂ (excluding results of duplicates, check and standard samples). The geology table contains HoleID, Depth From, Depth To, and Lithology. The survey table contains HoleID, Azimuth, Dip and Total Depth. These table structures are necessary to generate and calculate mineral resource. The fields were then re-formatted to MS Access database and imported into the GEOVIA Surpac v6.6 database. Samples intervals located within the waste dump and rehabilitated areas are removed from the geology and sample tables.

All 3,812 drill holes and 52,011 samples/assays from CAGA-2 and CAGA-3 complete with required data were used in the mineral resource computation. Some 302 samples/assays collected from waste dumps and overburden areas at CAGA-2 were excluded for database used for modelling. The database used for modelling comprised of the old and new drill hole data as generated by QNPH, PGMC, GPRI and BMCS from past to recent exploration programs.

Maps consisting of drill hole locations, geological field mapping and cross sections were generated using PTM Zone 5 Projection. The distribution of drill holes are shown in **Figures-33-35**.

10.2 Integrity of Database

To address possible concerns, a database protocol was formulated wherein results from the PGMC assay laboratory are coursed through to the BMCS and PGMC geologist by email. The geologist then compiles the data in the field into an MS Excel format. Copies of the results are also sent to INC Technical Services Engineers for data consolidation. In **Figure-79** the MS Excel database is then imported into the MS Access Database and to Geovia Surpac v6.6 software by the resource estimation team in preparation for the database validation.

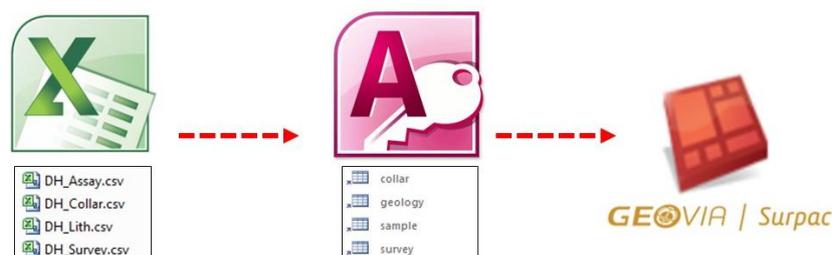


FIGURE-79. Drilling Database Flow Chain

10.3 Data Verification and Validation

The CP-Geologist has visited the Project site at various occasions and conducted its own review of the data provided by the client.

During the review of the data for the Project, the CP-Geologist completed the following validation procedures:

- Compared digital drill hole data with the geological plans to check the locations of the holes;
- Compared digital drill hole data against original drill hole geological logs;
- Compared the digital drill hole data with copies of the original assay certificates;
- Reviewed drill core from drill holes and observed mineralization to ensure it is consistent with assays received;
- Reviewed all QA/QC data.

10.3.1 Verification/Validation of DH Locations

Checking of the collar locations of some drill holes from the CAGA-2 and CAGA-3 deposits using a hand-held Garmin Map 76C GPS unit indicated variances in Easting coordinates of an average of 10.79m, in Northing of an average of 15.11m and elevations of an average of 15.02m. The results are within accuracy expectations for a handheld GPS. Details of checking of collar locations are in **Table-31**.

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Table-31. Drill Hole Location Validation

Hole ID	East-Survey	North-Survey	RL-Survey	Location	East-GPS	North-GPS	RL-GPS	East-Variance	North-Variance	RL-Variance
C3-1015	591960.59	1046727.74	599.64	CAGA-3	591973.95	1046750.69	670.00	-13.36	-22.95	-70.36
C3-1046	592363.35	1047458.72	524.75	CAGA-3	592399.08	1047474.57	541.80	-35.73	-15.85	-17.05
C3-1083	591429.87	1047107.98	381.47	CAGA-3	591425.93	1047124.68	405.00	3.94	-16.70	-23.53
C3-1133	591621.63	1046698.51	544.81	CAGA-3	591625.44	1046723.97	559.26	-3.81	-25.46	-14.45
C3-1182	591611.53	1046489.46	616.21	CAGA-3	591626.20	1046501.09	633.77	-14.67	-11.63	-17.56
C3-1203	591367.69	1046385.57	589.94	CAGA-3	591375.17	1046400.39	596.75	-7.48	-14.82	-6.81
C3-1226	591260.64	1046334.33	591.90	CAGA-3	591275.02	1046349.93	604.75	-14.38	-15.60	-12.85
C3-1277	591804.50	1046751.25	562.90	CAGA-3	591823.81	1046773.60	584.00	-19.31	-22.35	-21.10
C3-1318	592174.87	1045778.60	845.40	CAGA-3	592174.90	1045776.62	858.00	-0.03	1.98	-12.60
C3-1348	591786.45	1048222.08	210.07	CAGA-3	591775.85	1048224.71	229.00	10.60	-2.63	-18.93
C3-1370	591228.57	1046629.92	527.21	CAGA-3	591225.31	1046625.00	552.91	3.26	4.92	-25.70
C3-892	592256.66	1047632.81	480.63	CAGA-3	592274.45	1047649.25	503.85	-17.79	-16.44	-23.22
C3-917	592105.34	1047432.00	507.49	CAGA-3	592125.14	1047451.23	547.48	-19.80	-19.23	-39.99
C3-945	592334.32	1047357.42	522.51	CAGA-3	592350.23	1047375.45	561.08	-15.91	-18.03	-38.57
C3-976	592172.85	1047106.69	571.37	CAGA-3	592175.67	1047124.27	584.72	-2.82	-17.58	-13.35
C3-983	592163.37	1047059.89	574.35	CAGA-3	592176.01	1047074.83	591.93	-12.64	-14.94	-17.58
C3-988	592209.60	1047034.89	568.39	CAGA-3	592226.37	1047048.74	582.12	-16.77	-13.85	-13.73
C3-993	592066.15	1046829.39	591.78	CAGA-3	592074.53	1046848.72	625.61	-8.38	-19.32	-33.83
C3-999	592042.76	1046809.65	591.80	CAGA-3	592050.10	1046826.20	610.17	-7.34	-16.55	-18.37
C2P-170	592686.55	1048505.83	299.80	CAGA-2	592699.30	1048524.78	310.34	-12.75	-18.96	-10.54
C2P-248	592692.43	1048309.50	330.65	CAGA-2	592699.68	1048324.58	343.02	-7.25	-15.07	-12.37
C2P-266	592763.42	1048289.50	348.29	CAGA-2	592774.85	1048300.54	345.26	-11.43	-11.04	3.03
C2P-295	593559.03	1048157.73	372.85	CAGA-2	593574.30	1048175.39	376.21	-15.27	-17.66	-3.36
C2P-320	593237.55	1048091.59	417.81	CAGA-2	593249.64	1048100.27	428.70	-12.09	-8.67	-10.89
C2P-363	593643.05	1047985.87	380.93	CAGA-2	593649.73	1048000.81	390.46	-6.68	-14.94	-9.53
C2P-419	593186.27	1047533.93	493.69	CAGA-2	593200.69	1047549.63	498.19	-14.42	-15.71	-4.50
C2P-441	593416.59	1048762.29	258.72	CAGA-2	593424.68	1048775.43	273.19	-8.09	-13.14	-14.46
C2P-509	593663.77	1048084.55	372.55	CAGA-2	593675.41	1048100.09	384.28	-11.63	-15.55	-11.74
C2P-549	593471.35	1048787.24	245.73	CAGA-2	593475.14	1048800.00	261.26	-3.79	-12.76	-15.53
C2P-577	593302.38	1048524.13	315.69	CAGA-2	593311.94	1048537.34	329.75	-9.56	-13.21	-14.06
C2P-604	593837.97	1048356.06	341.66	CAGA-2	593850.22	1048375.06	321.28	-12.25	-19.01	20.38
C2P-634	593773.49	1048299.42	354.51	CAGA-2	593787.56	1048313.08	329.17	-14.06	-13.66	25.34
C2P-663	593191.03	1047860.06	469.70	CAGA-2	593200.33	1047874.94	481.76	-9.30	-14.88	-12.06
C2P-687	592935.48	1047054.84	624.27	CAGA-2	592950.69	1047074.61	637.58	-15.21	-19.77	-13.31
C2P-711	593953.88	1048689.30	253.27	CAGA-2	593974.72	1048700.24	269.51	-20.84	-10.95	-16.24
C2P-735	593845.05	1048525.81	302.86	CAGA-2	593848.69	1048549.94	311.32	-3.64	-24.13	-8.46
C2P-769	593739.14	1048434.13	338.06	CAGA-2	593750.10	1048450.26	351.27	-10.96	-16.12	-13.21
C2P-798	593736.08	1048380.89	353.44	CAGA-2	593750.01	1048399.71	364.97	-13.92	-18.82	-11.54
C2P-816	593884.41	1048356.64	334.78	CAGA-2	593899.64	1048374.97	347.97	-15.23	-18.33	-13.19

A summary of the data supplied by the client to date is shown in **Table-20**.

10.3.2 Verification and Validation Results

The verification or validation procedures involve detecting the following:

- Validation basically involves the detection and removal of erroneous data as well as duplicate entries;
- Validating the possible existence of orphan holes or samples. This problem involves samples with no collar information. The drill holes were plotted to check for tower spots which indicate wrong collar elevations. The validation process limited the dbase to 3,812 drill holes which have complete data. Typographical errors in the drill hole collar and sample tables. Minor errors of this type were detected and corrected accordingly;

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- Different collar depth and sample maximum run of a hole. In a sample database, one criterion that should be met to ensure that the samples will be processed is that the collar depth should be the same as the maximum hole run. This validation procedure is automatically executed by the sample verify data function. No errors were detected in the sample database;
- The drill holes were all vertically oriented. Collar locations were checked against the actual surface topographic survey with only minimal variances in surface versus collar elevations. To address the issue of generating air of underground collars, all the collar elevations were snapped to the actual surveyed topographic surfaces;
- Lithological log validation. The lithological log validation ensures that the lithological codes are consistent. Errors of this form arise due to typographical mistakes. The lithological codes of the database are L (Limonite), S (Saprolite) and B (Bedrock). The validation results showed no error in this form.

All drill hole locations were based on actual collar surveys using surveying instruments total stations TOPCON GT230N and Differential GPS GNSS South T82 (rover) and T86 (base) with regular calibrations of at least twice a year from the National Mapping Resource Information Administration (NAMRIA).

After the minor corrections on the validation process, the corrected and validated data was saved into the MS Access database format for statistical analysis.

10.4 Data Quality Review

The review of the drilling and sampling procedures indicates that good practices were used by PGMC during the various drilling programs. These practices were guided by the PGMC Exploration Protocol.

Both the internal and external duplicates for CAGA-2 and CAGA-3 deposits have good correlations with significant improvement during the sample preparation and analysis. The results of the standards, however, were acceptable with only minor scatter and no observed bias.

The observed minor scatter is insignificant and has no impact on the resource estimate given the great number of samples used in the estimation and the generally normal distribution and small range of sample grades within each estimation domain.

10.5 Data Verification Statement

The digital database used as the basis for resource estimation has been verified to be supported by certified assay certificates and/or original drill logs together with an acceptable QA/QC program. The supporting documentation is sufficient to enable the use of the database in a Mineral Resource estimate following the guidelines set forth by the PMRC Code.

10.6 Basic Statistics

Basic statistical analysis was done to determine any biases/variances in the analytical results which may be due to inherent geological characteristics of the deposit or in sampling, preparation and laboratory analyses. The analysis considered all available assay results from the drill hole dbase. Summary of data used in the statistical analysis is shown in **Table-32**.

Table-32. Drill Hole Summary- Statistical Analysis

Particulars	New Holes		Old Holes		Total
	CAGA-2	CAGA-3	CAGA-2	CAGA-3	
Total Holes	1,020	1,213	1,360	219	3,812
Total Depth	9056.65	14110.60	22373.07	3328.30	48,869
Average Depth	8.88	11.63	16.45	15.20	13.04
Total Samples	9,828	15,102	23,799	3,584	52,313
Total Duplicates	495	761	289	179	1,724
Total Checks	53	63	115	71	302
Total Standards	88	64	23	14	189
Total Blanks	37	54		8	99
Total Specific Gravity	1,093	2,204	1,188	705	5,190
Total Litho Interval	9,828	15,102	23,799	3,584	52,313
Collar Survey (DHs)	1,020	1,213	1,360	219	3,812
Topo Survey (hectares)	184.63	143.42	146.29	65.04	539.38
Total Core Recovered	8,691.63	13,176.61	22,104.00	22,104.00	66,076.24
Ave. Core Recovery	95.73%	93.22%	97.10%	96.60%	95.66%

Statistical analysis of the sample data was done to determine the standard deviation, mean and coefficient of variation. All the data fields except for Co and Al₂O₃ have showed a relatively low coefficient of variation (<1.0) which indicates that the dispersion of grades is close to its mean. It also means that the lithological domains are not that geostatistically complex and that simple modelling techniques are applicable. The coefficient of variation of both nickel and iron grades also suggests that no top-cutting of high fliers is necessary.

The multimodal distribution of Fe grades in the Cagdianao Nickel Project indicates three distinct populations that coincide with the three major geological domains. This suggests that the laterite profile is complete with the limonite zone, saprolite zone and with a thin transition zone in between. This was evident with the abrupt change of lithology as encountered in core samples. The histogram also shows that majority of the drill holes penetrated the bedrock, which is represented by the 0.1 to 0.5% Ni range.

Various results of basic statistics of laboratory results are in **Tables-33 to 42**. Frequency, Cumulative Frequency, and Normal Distribution are given in **Figures-80 and 81**.

Table 33. CAGA-2 Basic Statistics (All Samples)

All Samples						
Variable	Ni	Fe	Co	MgO	Al2O3	SiO2
Number of samples	33326	33326	33325	24724	24722	24727
Minimum value	0.04	1.89	0.00	0.00	0.00	0.00
Maximum value	4.64	68.42	12.43	57.47	60.16	102.30
Mean	1.11	21.30	0.07	20.86	1.16	27.71
Median	1.09	11.45	0.04	24.85	0.48	30.94
Variance	0.27	308.90	0.02	127.63	2.06	231.67
Standard Deviation	0.51	17.58	0.15	11.30	1.44	15.22
Coefficient of variation	0.46	0.82	2.07	0.54	1.24	0.55

Table 34. CAGA-2 Basic Statistics (All Samples by Domain)

Limonite Domain						
Variable	Ni	Fe	Co	MgO	Al2O3	SiO2
Number of samples	9986	9986	9986	7010	7013	7013
Minimum value	0.04	5.48	0.00	0.10	0.10	0.47
Maximum value	3.06	68.42	3.77	41.02	12.24	85.82
Mean	1.14	46.09	0.15	5.38	2.93	8.59
Median	1.11	49.10	0.10	2.95	2.89	5.36
Variance	0.08	69.85	0.04	39.60	1.26	72.82
Standard Deviation	0.29	8.36	0.21	6.29	1.12	8.53
Coefficient of variation	0.25	0.18	1.45	1.17	0.38	0.99
Saprolite Domain						
Variable	Ni	Fe	Co	MgO	Al2O3	SiO2
Number of samples	17157	17157	17156	12951	12948	12951
Minimum value	0.17	1.89	0.00	0.00	0.00	0.00
Maximum value	4.64	54.06	12.43	46.36	60.16	102.30
Mean	1.34	12.26	0.05	27.18	0.56	36.46
Median	1.30	10.16	0.04	27.73	0.42	35.20
Variance	0.25	43.98	0.01	33.96	0.86	99.40
Standard Deviation	0.50	6.63	0.11	5.83	0.93	9.97
Coefficient of variation	0.37	0.54	2.28	0.21	1.66	0.27
Bedrock Domain						
Variable	Ni	Fe	Co	MgO	Al2O3	SiO2
Number of samples	6696	6696	6696	5192	5190	5192
Minimum value	0.06	2.23	0.00	0.00	0.00	0.00
Maximum value	2.48	63.11	2.01	57.47	16.47	92.24
Mean	0.50	7.22	0.02	26.26	0.26	31.86
Median	0.44	6.70	0.02	25.21	0.19	30.84
Variance	0.06	12.27	0.00	26.78	0.13	69.74
Standard Deviation	0.25	3.50	0.03	5.17	0.36	8.35
Coefficient of variation	0.51	0.49	1.60	0.20	1.35	0.26

Table 35. CAGA-2 Basic Statistics (All Blocks)

All Blocks						
Variable	Ni	Fe	Co	MgO	Al2O3	SiO2
Number of samples	807485	807485	807485	807485	807485	807485
Minimum value	0.15	0.00	0.00	0.00	0.00	0.00
Maximum value	2.71	62.33	9.26	45.48	15.95	64.72
Mean	0.86	22.22	0.06	16.53	1.25	20.65
Median	0.89	12.45	0.04	21.44	0.49	25.34
Variance	0.15	304.31	0.01	122.93	1.91	178.73
Standard Deviation	0.38	17.44	0.10	11.09	1.38	13.37
Coefficient of variation	0.45	0.78	1.63	0.67	1.11	0.65

Table 36. CAGA-2 Basic Statistics (Blocks by Domain)

Limonite Blocks						
Variable	Ni	Fe	Co	MgO	Al2O3	SiO2
Number of samples	274462	274462	274462	274462	274462	274462
Minimum value	0.43	0.00	0.00	0.00	0.00	0.00
Maximum value	2.02	62.33	1.27	27.32	6.57	38.06
Mean	1.01	45.99	0.12	4.45	2.87	6.98
Median	1.01	46.41	0.10	4.05	2.90	6.58
Variance	0.04	13.61	0.01	8.74	1.25	15.21
Standard Deviation	0.19	3.69	0.07	2.96	1.12	3.90
Coefficient of variation	0.19	0.08	0.61	0.66	0.39	0.56
Saprolite Blocks						
Variable	Ni	Fe	Co	MgO	Al2O3	SiO2
Number of samples	263065	263065	263065	263065	263065	263065
Minimum value	0.27	0.00	0.00	0.00	0.00	0.00
Maximum value	2.71	35.38	9.26	38.69	15.95	64.72
Mean	1.13	12.69	0.05	21.67	0.56	27.70
Median	1.12	12.25	0.04	24.85	0.51	30.21
Variance	0.13	9.25	0.02	93.10	0.29	166.23
Standard Deviation	0.36	3.04	0.15	9.65	0.54	12.89
Coefficient of variation	0.32	0.24	2.94	0.45	0.96	0.47
Bedrock Blocks						
Variable	Ni	Fe	Co	MgO	Al2O3	SiO2
Number of samples	269958	269958	269958	269958	269958	269958
Minimum value	0.15	3.86	0.00	0.00	0.00	0.00
Maximum value	1.68	42.05	0.50	45.48	9.15	62.56
Mean	0.45	7.35	0.02	23.80	0.26	27.69
Median	0.45	7.16	0.02	24.25	0.24	28.31
Variance	0.02	3.37	0.00	41.12	0.05	69.28
Standard Deviation	0.14	1.83	0.01	6.41	0.23	8.32
Coefficient of variation	0.32	0.25	0.54	0.27	0.88	0.30

Table 37. CAGA-2 Basic Statistics (Blocks vs. Samples)

Limonite												
	Block	Sample										
Variable	Ni		Fe		Co		MgO		Al2O3		SiO2	
Number of samples	274462	9986	274462	9986	274462	9986	274462	7010	274462	7013	274462	7013
Minimum value	0.43	0.04	0.00	5.48	0.00	0.00	0.00	0.10	0.00	0.10	0.00	0.47
Maximum value	2.02	3.06	62.33	68.42	1.27	3.77	27.32	41.02	6.57	12.24	38.06	85.82
Mean	1.01	1.14	45.99	46.09	0.12	0.15	4.45	5.38	2.87	2.93	6.98	8.59
Median	1.01	1.11	46.41	49.10	0.10	0.10	4.05	2.95	2.90	2.89	6.58	5.36
Variance	0.04	0.08	13.61	69.85	0.01	0.04	8.74	39.60	1.25	1.26	15.21	72.82
Standard Deviation	0.19	0.29	3.69	8.36	0.07	0.21	2.96	6.29	1.12	1.12	3.90	8.53
Coefficient of variation	0.19	0.25	0.08	0.18	0.61	1.45	0.66	1.17	0.39	0.38	0.56	0.99
Saprolite												
	Block	Sample										
Variable	Ni		Fe		Co		MgO		Al2O3		SiO2	
Number of samples	263065	17157	263065	17157	263065	17156	263065	12951	263065	12948	263065	12951
Minimum value	0.27	0.17	0.00	1.89	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Maximum value	2.71	4.64	35.38	54.06	9.26	12.43	38.69	46.36	15.95	60.16	64.72	102.30
Mean	1.13	1.34	12.69	12.26	0.05	0.05	21.67	27.18	0.56	0.56	27.70	36.46
Median	1.12	1.30	12.25	10.16	0.04	0.04	24.85	27.73	0.51	0.42	30.21	35.20
Variance	0.13	0.25	9.25	43.98	0.02	0.01	93.10	33.96	0.29	0.86	166.23	99.40
Standard Deviation	0.36	0.50	3.04	6.63	0.15	0.11	9.65	5.83	0.54	0.93	12.89	9.97
Coefficient of variation	0.32	0.37	0.24	0.54	2.94	2.28	0.45	0.21	0.96	1.66	0.47	0.27
Bedrock												
	Block	Sample										
Variable	Ni		Fe		Co		MgO		Al2O3		SiO2	
Number of samples	269958	6696	269958	6696	269958	6696	269958	5192	269958	5190	269958	5192
Minimum value	0.15	0.06	3.86	2.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Maximum value	1.68	2.48	42.05	63.11	0.50	2.01	45.48	57.47	9.15	16.47	62.56	92.24
Mean	0.45	0.50	7.35	7.22	0.02	0.02	23.80	26.26	0.26	0.26	27.69	31.86
Median	0.45	0.44	7.16	6.70	0.02	0.02	24.25	25.21	0.24	0.19	28.31	30.84
Variance	0.02	0.06	3.37	12.27	0.00	0.00	41.12	26.78	0.05	0.13	69.28	69.74
Standard Deviation	0.14	0.25	1.83	3.50	0.01	0.03	6.41	5.17	0.23	0.36	8.32	8.35
Coefficient of variation	0.32	0.51	0.25	0.49	0.54	1.60	0.27	0.20	0.88	1.35	0.30	0.26

Table 38. CAGA-3 Basic Statistics (All Samples)

All Samples						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	18684	18684	18684	18684	18684	18684
Minimum value	0.12	2.66	0.00	0.00	0.05	0.04
Maximum value	3.20	59.14	1.63	40.33	27.85	73.30
Mean	1.06	24.64	0.06	14.70	1.86	23.12
Median	1.03	16.61	0.05	19.21	1.12	28.64
Variance	0.22	320.44	0.00	102.39	2.87	173.65
Standard Deviation	0.47	17.90	0.05	10.12	1.69	13.18
Coefficient of variation	0.44	0.73	0.75	0.69	0.91	0.57

Table 39. CAGA-3 Basic Statistics (All Samples by Domain)

Limonite Domain						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	7110	7110	7110	7110	7110	7110
Minimum value	0.12	4.79	0.00	0.00	0.23	0.04
Maximum value	2.23	59.14	0.83	36.45	15.23	56.80
Mean	1.00	45.72	0.09	3.17	3.63	8.10
Median	0.99	47.73	0.08	1.92	3.61	5.76
Variance	0.06	35.97	0.00	13.42	1.43	46.06
Standard Deviation	0.24	6.00	0.05	3.66	1.20	6.79
Coefficient of variation	0.24	0.13	0.59	1.16	0.33	0.84
Saprolite Domain						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	8304	8304	8304	8304	8304	8304
Minimum value	0.16	2.71	0.00	0.05	0.05	1.24
Maximum value	3.20	51.48	1.63	40.33	27.85	73.30
Mean	1.36	13.94	0.06	21.52	0.93	32.74
Median	1.36	11.78	0.05	22.76	0.72	33.82
Variance	0.20	57.08	0.00	29.71	0.64	33.12
Standard Deviation	0.44	7.56	0.03	5.45	0.80	5.75
Coefficient of variation	0.33	0.54	0.61	0.25	0.86	0.18
Bedrock Domain						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	3268	3268	3268	3268	3268	3268
Minimum value	0.13	2.66	0.00	0.09	0.06	0.30
Maximum value	1.04	28.37	0.16	39.23	22.64	58.77
Mean	0.46	5.98	0.02	22.48	0.35	31.35
Median	0.42	5.72	0.02	22.51	0.30	31.78
Variance	0.04	3.27	0.00	12.68	0.34	14.65
Standard Deviation	0.20	1.81	0.01	3.56	0.59	3.83
Coefficient of variation	0.43	0.30	0.38	0.16	1.70	0.12

Table 40. CAGA-3 Basic Statistics (All Blocks)

All Blocks						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	460895	460895	460895	460895	460895	460895
Minimum value	0.15	0.00	0.00	0.00	0.00	1.11
Maximum value	2.42	51.49	0.61	37.04	7.65	48.22
Mean	0.90	19.60	0.05	16.87	1.45	25.27
Median	0.95	12.61	0.05	20.95	0.80	30.36
Variance	0.15	257.65	0.00	72.11	2.04	114.29
Standard Deviation	0.39	16.05	0.03	8.49	1.43	10.69
Coefficient of variation	0.43	0.82	0.59	0.50	0.98	0.42

Table 41. CAGA-3 Basic Statistics (Blocks by Domain)

Limonite Blocks						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	125915	125915	125915	125915	125915	125915
Minimum value	0.29	0.00	0.00	0.00	0.00	1.11
Maximum value	1.62	51.49	0.55	22.89	7.23	32.98
Mean	0.99	44.80	0.08	3.59	3.62	8.67
Median	0.99	45.32	0.08	3.14	3.58	7.95
Variance	0.02	12.62	0.00	4.63	0.52	18.46
Standard Deviation	0.14	3.55	0.03	2.15	0.72	4.30
Coefficient of variation	0.14	0.08	0.31	0.60	0.20	0.50
Saprolite Blocks						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	181435	181435	181435	181435	181435	181435
Minimum value	0.17	0.00	0.00	0.00	0.13	15.21
Maximum value	2.42	31.91	0.61	36.51	3.39	41.36
Mean	1.22	13.68	0.05	21.53	0.90	31.77
Median	1.22	13.22	0.05	21.70	0.85	32.17
Variance	0.07	11.17	0.00	8.11	0.13	9.86
Standard Deviation	0.27	3.34	0.01	2.85	0.36	3.14
Coefficient of variation	0.22	0.24	0.25	0.13	0.40	0.10
Bedrock Blocks						
Variable	Ni	Fe	Co	MgO	Al ₂ O ₃	SiO ₂
Number of samples	153545	153545	153545	153545	153545	153545
Minimum value	0.15	3.12	0.01	13.45	0.08	18.24
Maximum value	0.90	15.63	0.06	37.04	7.65	48.22
Mean	0.44	5.94	0.02	22.25	0.32	31.20
Median	0.43	5.78	0.02	22.18	0.31	31.20
Variance	0.01	1.10	0.00	3.80	0.04	5.15
Standard Deviation	0.11	1.05	0.00	1.95	0.20	2.27
Coefficient of variation	0.26	0.18	0.23	0.09	0.61	0.07

Table 42. CAGA-3 Basic Statistics (Blocks vs. Samples)

Limonite												
	Block	Sample	Block	Sample	Block	Sample	Block	Sample	Block	Sample	Block	Sample
Variable	Ni		Fe		Co		MgO		Al ₂ O ₃		SiO ₂	
Number of samples	125915	7110	125915	7110	125915	7110	125915	7110	125915	7110	125915	7110
Minimum value	0.29	0.12	0.00	4.79	0.00	0.00	0.00	0.00	0.00	0.23	1.11	0.04
Maximum value	1.62	2.23	51.49	59.14	0.55	0.83	22.89	36.45	7.23	15.23	32.98	56.80
Mean	0.99	1.00	44.80	45.72	0.08	0.09	3.59	3.17	3.62	3.63	8.67	8.10
Median	0.99	0.99	45.32	47.73	0.08	0.08	3.14	1.92	3.58	3.61	7.95	5.76
Variance	0.02	0.06	12.62	35.97	0.00	0.00	4.63	13.42	0.52	1.43	18.46	46.06
Standard Deviation	0.14	0.24	3.55	6.00	0.03	0.05	2.15	3.66	0.72	1.20	4.30	6.79
Coefficient of variation	0.14	0.24	0.08	0.13	0.31	0.59	0.60	1.16	0.20	0.33	0.50	0.84
Saprolite												
	Block	Sample	Block	Sample	Block	Sample	Block	Sample	Block	Sample	Block	Sample
Variable	Ni		Fe		Co		MgO		Al ₂ O ₃		SiO ₂	
Number of samples	181435	8304	181435	8304	181435	8304	181435	8304	181435	8304	181435	8304
Minimum value	0.17	0.16	0.00	2.71	0.00	0.00	0.00	0.05	0.13	0.05	15.21	1.24
Maximum value	2.42	3.20	31.91	51.48	0.61	1.63	36.51	40.33	3.39	27.85	41.36	73.30
Mean	1.22	1.36	13.68	13.94	0.05	0.06	21.53	21.52	0.90	0.93	31.77	32.74
Median	1.22	1.36	13.22	11.78	0.05	0.05	21.70	22.76	0.85	0.72	32.17	33.82
Variance	0.07	0.20	11.17	57.08	0.00	0.00	8.11	29.71	0.13	0.64	9.86	33.12
Standard Deviation	0.27	0.44	3.34	7.56	0.01	0.03	2.85	5.45	0.36	0.80	3.14	5.75
Coefficient of variation	0.22	0.33	0.24	0.54	0.25	0.61	0.13	0.25	0.40	0.86	0.10	0.18
Bedrock												
	Block	Sample	Block	Sample	Block	Sample	Block	Sample	Block	Sample	Block	Sample
Variable	Ni		Fe		Co		MgO		Al ₂ O ₃		SiO ₂	
Number of samples	153545	3268	153545	3268	153545	3268	153545	3268	153545	3268	153545	3268
Minimum value	0.15	0.13	3.12	2.66	0.01	0.00	13.45	0.09	0.08	0.06	18.24	0.30
Maximum value	0.90	1.04	15.63	28.37	0.06	0.16	37.04	39.23	7.65	22.64	48.22	58.77
Mean	0.44	0.46	5.94	5.98	0.02	0.02	22.25	22.48	0.32	0.35	31.20	31.35
Median	0.43	0.42	5.78	5.72	0.02	0.02	22.18	22.51	0.31	0.30	31.20	31.78
Variance	0.01	0.04	1.10	3.27	0.00	0.00	3.80	12.68	0.04	0.34	5.15	14.65
Standard Deviation	0.11	0.20	1.05	1.81	0.00	0.01	1.95	3.56	0.20	0.59	2.27	3.83
Coefficient of variation	0.26	0.43	0.18	0.30	0.23	0.38	0.09	0.16	0.61	1.70	0.07	0.12

PGMC Mineral Resource Evaluation (PMRC-CP Report)

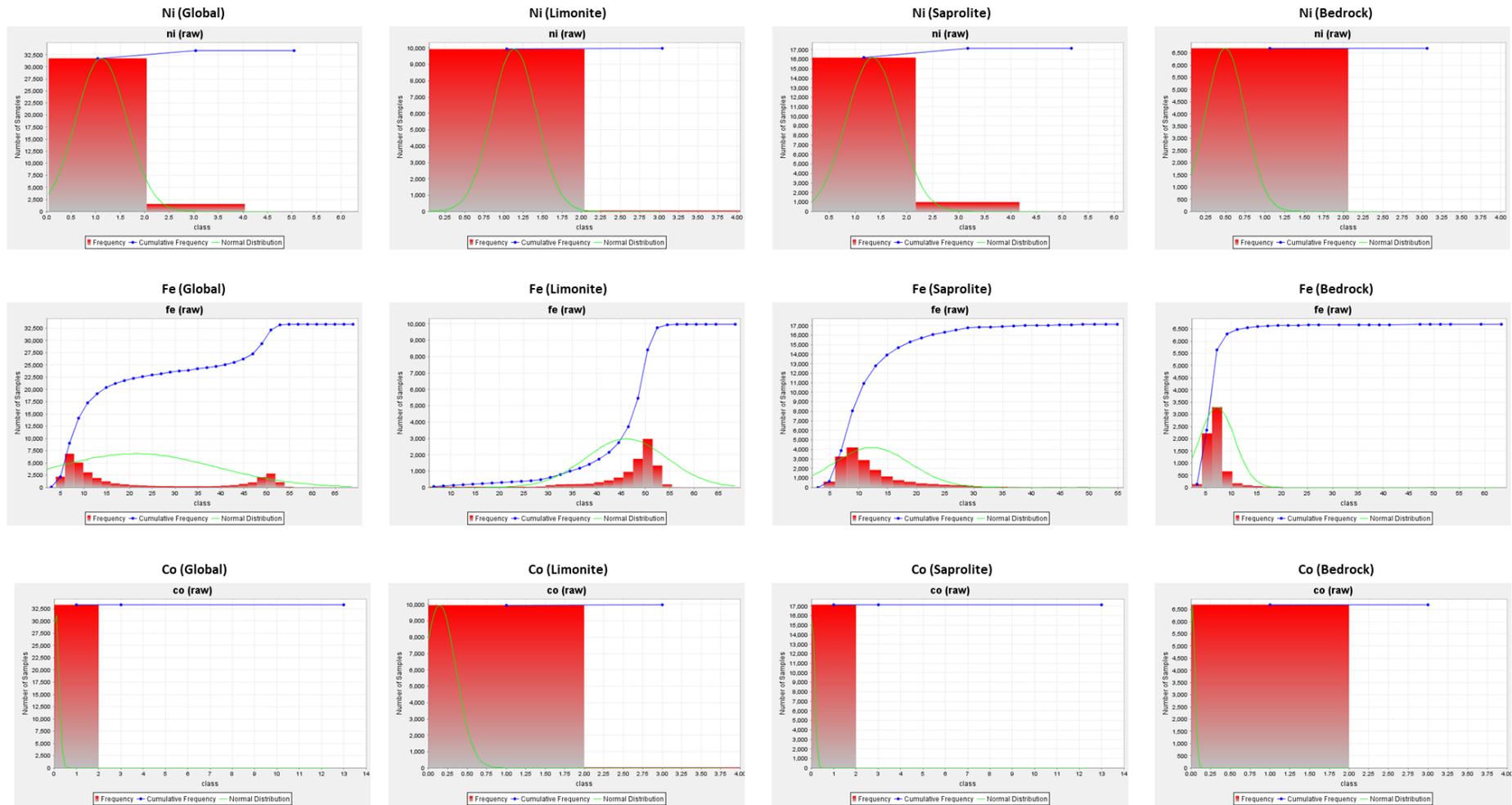


Figure-80. CAGA-2 Deposit- Frequency, Cumulative Frequency, and Normal Distribution

PGMC Mineral Resource Evaluation (PMRC-CP Report)

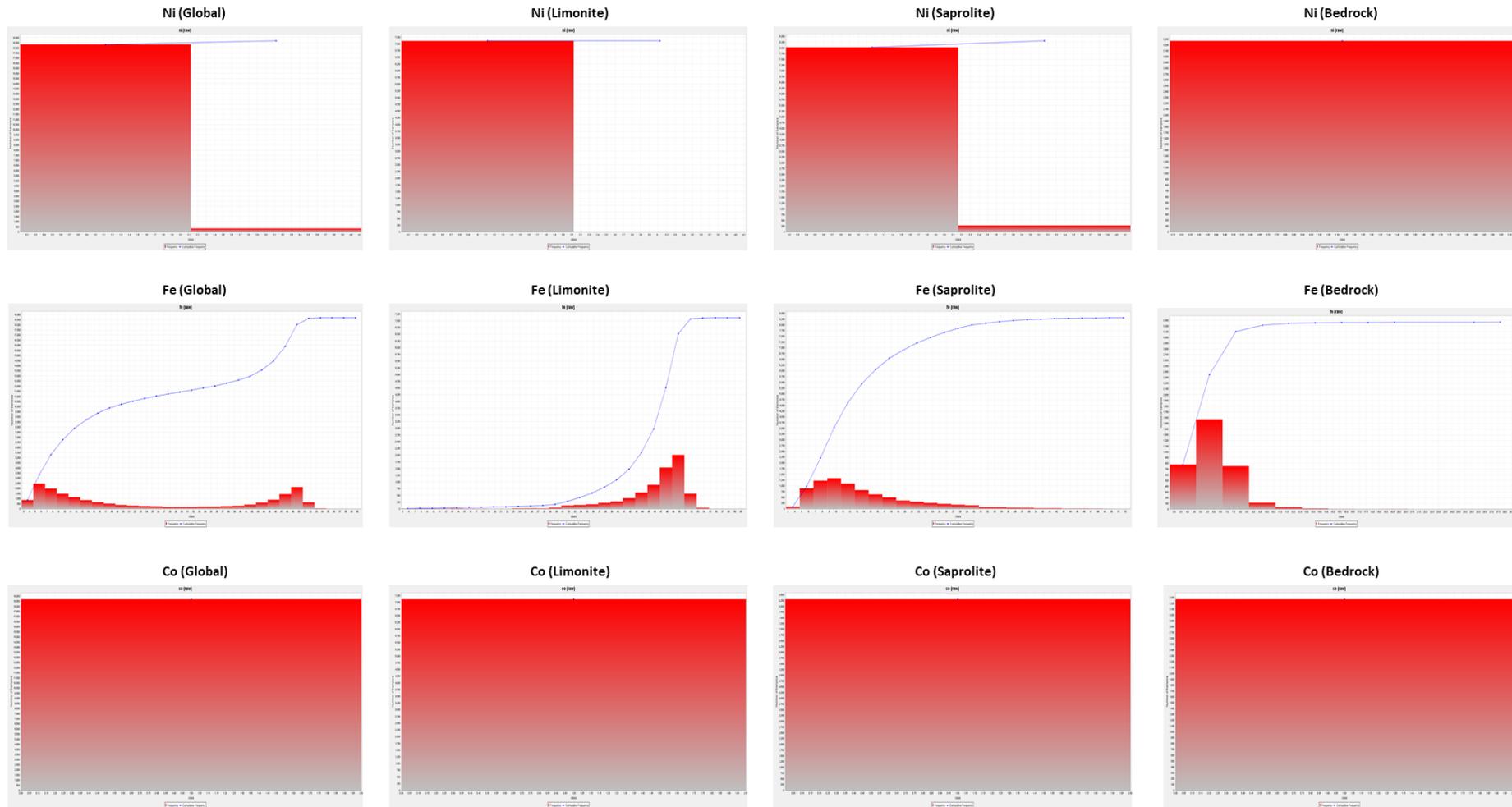


Figure-81. CAGA-3 Deposit- Frequency, Cumulative Frequency, and Normal Distribution

The statistical analysis of the different major domains indicates that generally only a few significant outliers are present in the distribution and as a result high-grade and low-grade cuts were not required in all domains as any minor outlier would not have any important effect on the resource estimation. Experience in existing mines within the region has indicated this characteristic style of mineralization of nickel laterites.

10.7 Geostatistical Analysis

After the geological surfaces were generated, samples belonging to their respective lithology were then filtered and a geostatistical analysis performed.

Variogram analyses done to determine the spatial characteristics of the samples on a per domain basis indicated a major to semi-major axes having values of 1.0 indicating no horizontal trend variations. The vertical variations (major to minor axes) are however strong indicating strong vertical trend of all elements. The gradual variations and sharp grade discontinuities have been used to subdivide the profile. Variogram interpretations and variogram analyses for the PGMC deposits are shown in **Tables- 43 to 44** and **Figures- 82 to 89**.

All assayed elements display some vertical grade trends within the limonite profile. Co, Ni increase gradually with depth within the limonite zone. The base of the limonite is marked primarily by an abrupt increase in Mg, as well as an abrupt decrease in Fe. There is also a significant increase in the Ni grade towards the base of limonite. In the majority of drill holes Ni increases progressively with depth in limonite and then sharply increases, across the limonite-saprolite boundary. Co also displays progressive enrichment towards the base of the limonite.

Typically Ni grades are <1% at surface and increase with depth at the base of the limonite. The saprolite boundary is typically marked by a sharp increase in Ni grade. The highest Ni grade usually occurs at the top of the saprolite and Ni grade decreases with depth at the base of the saprolite or bedrock. Ni grades are more variable in the saprolite probably due to the occurrence of proportions of less enriched coarse rocks mixed with enriched saprolite fines. The occurrence of enriched stringers or boulder rims is also possible but has not been tested by separate analysis.

Below this boundary the Ni decreases toward the bedrock interface. Other elements also display some change in average grade with depth as rocks become more common. Ni and Mg display the strongest vertical grade trend in the saprolite. The change in grade with depth for Mg is more pronounced than other elements. Si, Mg could be used to determine saprolite from bedrock.

Bedrock grades are relatively consistent although some grade trends do persist, in those samples classified as predominantly bedrock but which still contain some saprolite.

Table 43. Variogram Interpretation of CAGA-2 Deposit

Lithology	Attributes	Nugget	Sill 1	Sill 2	Range 1	Range 2	Maj/Semi	Maj/Min	Bearing	Dip	Plunge	Depth 1	Depth 2
Limonite	ni	0.51	0.14	0.25	64.34	77.75	1.13	6.69	70	30	0	9.62	11.62
	fe	0.82	0.06	0.10	60.71	110.68	1.34	4.01	40	10	0	15.13	27.59
	co	0.80	0.07	0.48	62.57	74.34	6.59	4.09	150	40	0	15.31	18.19
	mgo	0.67	0.27	0.07	73.77	89.27	1.48	8.30	40	20	0	8.89	10.76
	al2o3	0.33	0.28	0.28	55.21	82.52	1.00	8.00	100	10	0	6.90	10.31
	sio2	0.79	0.04	0.23	80.19	97.34	1.14	7.40	30	10	0	10.83	13.15
Saprolite	ni	0.64	0.13	0.15	46.54	65.18	1.00	1.05	30	20	0	44.24	61.96
	fe	0.56	0.23	0.26	51.15	55.75	1.00	3.88	100	10	0	13.19	14.38
	co	0.06	0.12	0.08	75.86	98.27	1.23	9.11	140	-10	0	8.32	10.78
	mgo	0.65	0.09	0.25	76.70	83.19	1.00	2.33	50	10	0	32.92	35.70
	al2o3	0.52	0.25	0.19	85.50	139.53	1.00	19.12	100	10	0	4.47	7.30
	sio2	0.29	0.36	0.24	70.84	80.47	1.25	3.82	40	-10	0	18.54	21.06

Table 44. Variogram Interpretation of CAGA-3 Deposit

Lithology	Attributes	Nugget	Sill 1	Sill 2	Range 1	Range 2	Maj/Semi	Maj/Min	Bearing	Dip	Plunge	Depth 1	Depth 2
Limonite	ni	0.55	0.31	0.11	61.26	105.82	1.00	10.76	100	20	0	5.69	9.83
	fe	0.53	0.28	0.17	69.13	76.00	1.00	9.99	90	0	0	6.92	7.61
	co	0.76	0.21	0.13	64.80	77.74	1.66	7.41	160	10	0	8.75	10.50
	mgo	0.30	0.25	0.39	55.26	85.78	1.16	12.75	10	-20	0	4.33	6.73
	al2o3	0.48	0.11	0.34	42.86	51.44	1.00	4.57	40	10	0	9.38	11.26
	sio2	0.59	0.21	0.16	59.80	60.48	1.00	7.81	100	10	0	7.66	7.74
Saprolite	ni	0.49	0.19	0.25	52.94	62.21	1.04	3.61	130	10	0	14.68	17.25
	fe	0.83	0.09	0.07	43.54	65.48	1.39	3.30	0	20	0	13.21	19.87
	co	0.30	0.32	0.32	79.38	104.59	1.70	3.29	90	-10	0	24.15	31.82
	mgo	0.84	0.09	0.06	70.78	94.53	1.00	1.00	10	20	0	70.78	94.53
	al2o3	0.75	0.10	0.14	70.11	78.43	1.84	3.89	60	10	0	18.02	20.16
	sio2	0.76	0.11	0.11	41.50	54.99	1.00	1.31	140	0	0	31.72	42.04

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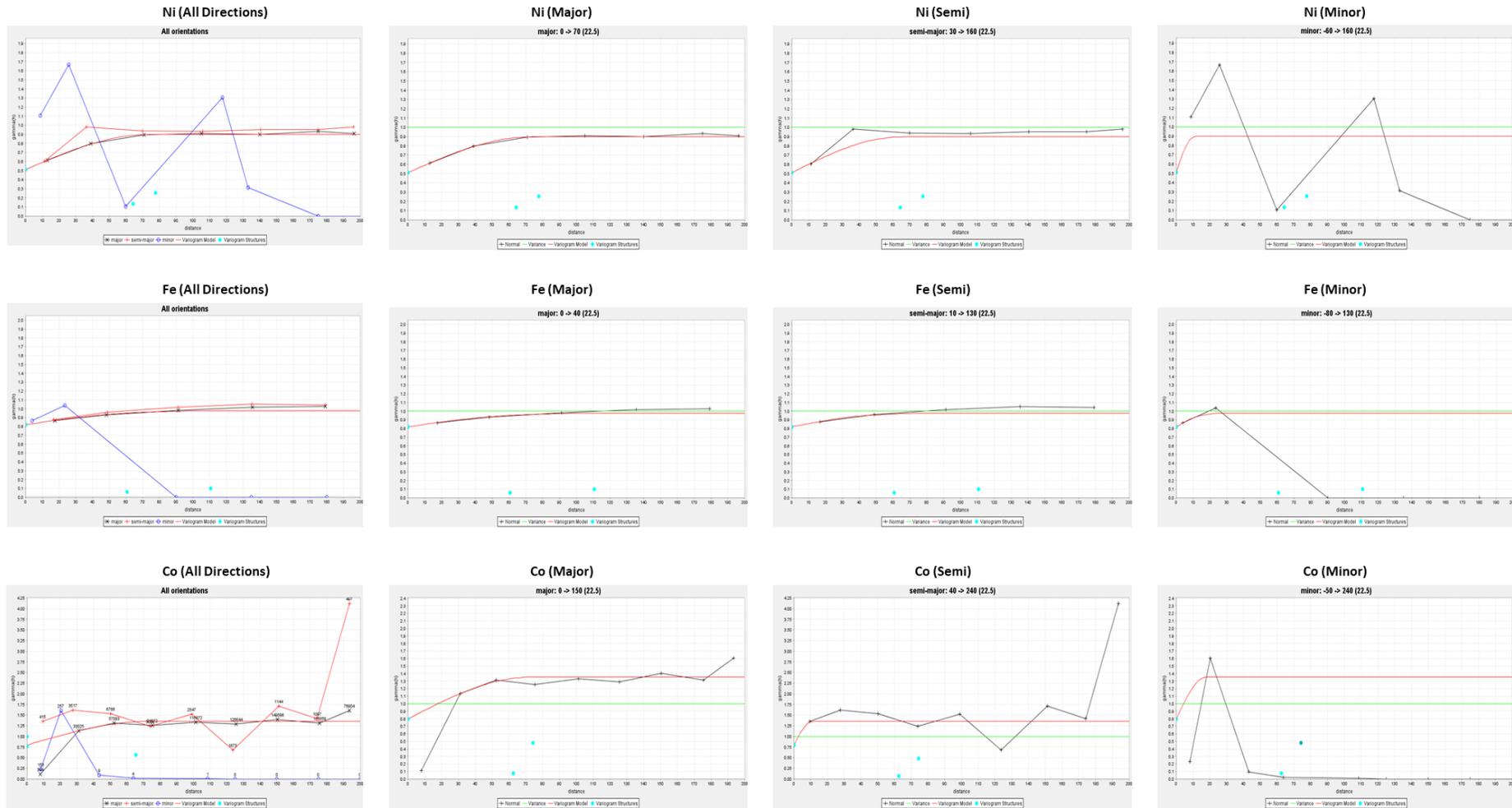


Figure-82. CAGA-2 Limonite Domain Variograms (Ni, Fe, Co)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

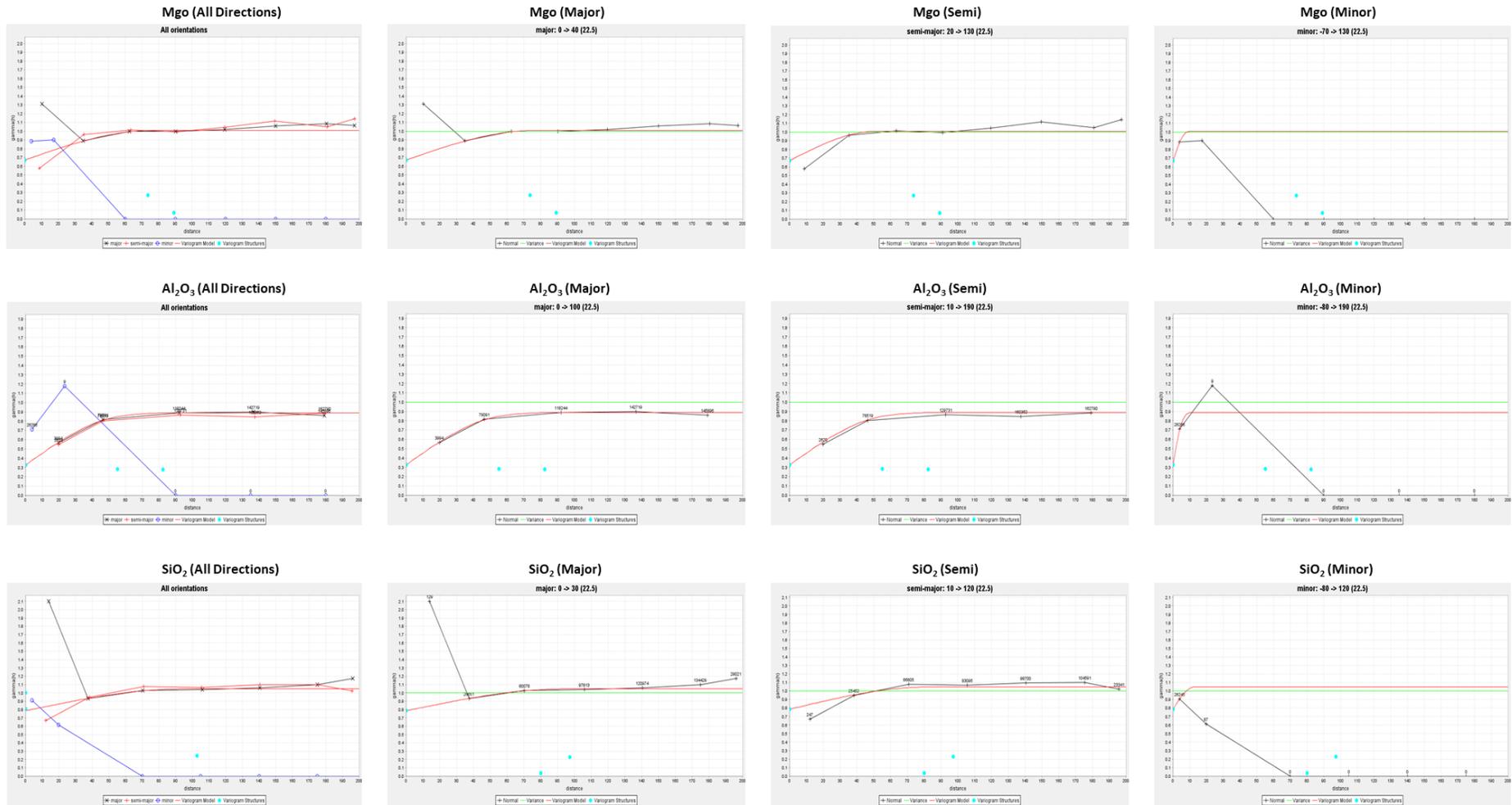


Figure-83. CAGA-2 Limonite Domain Variograms (MgO, Al₂O₃, SiO₂)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

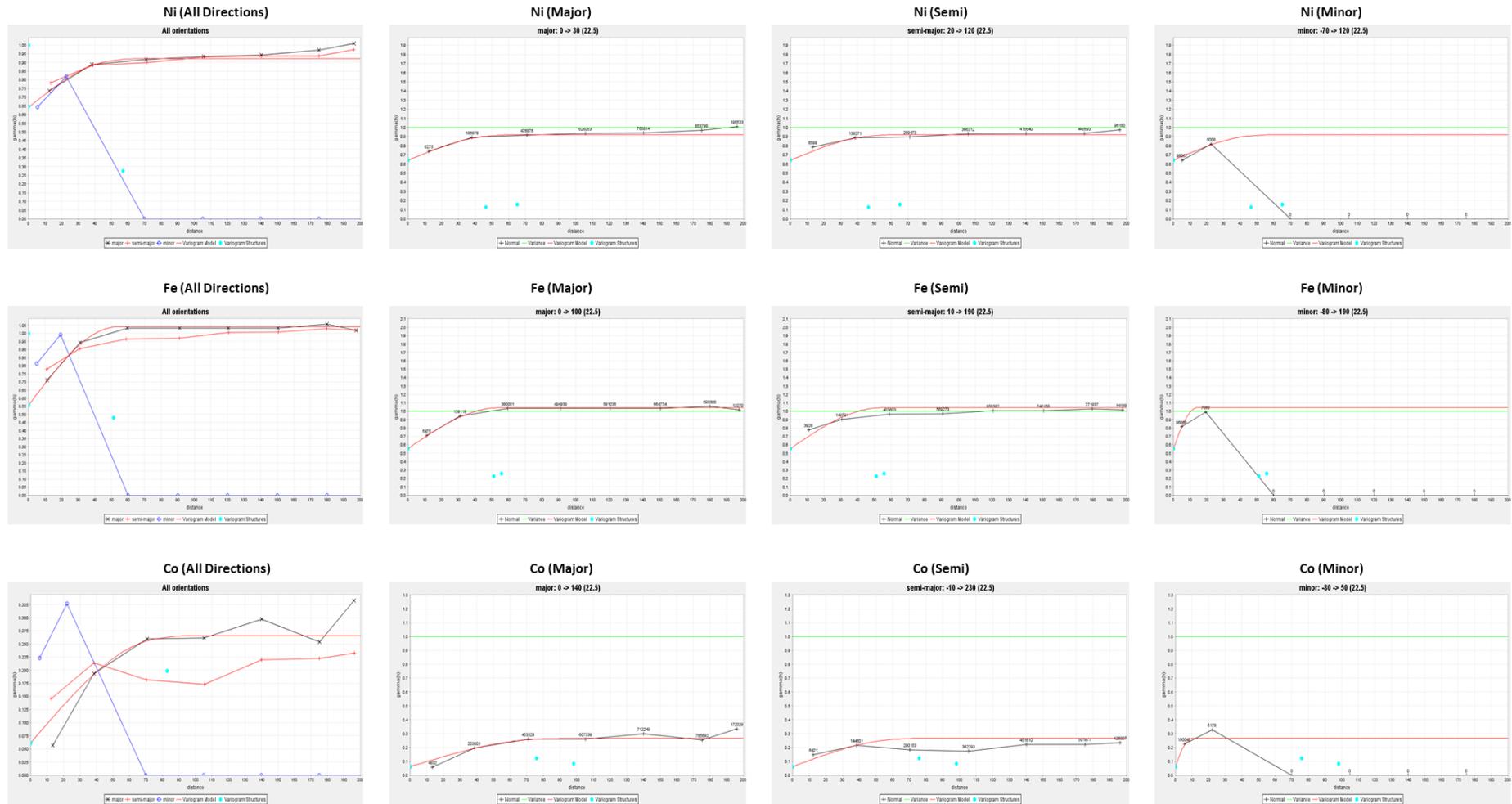


Figure-84. CAGA-2 Saprolite Domain Variograms (Ni, Fe, Co)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

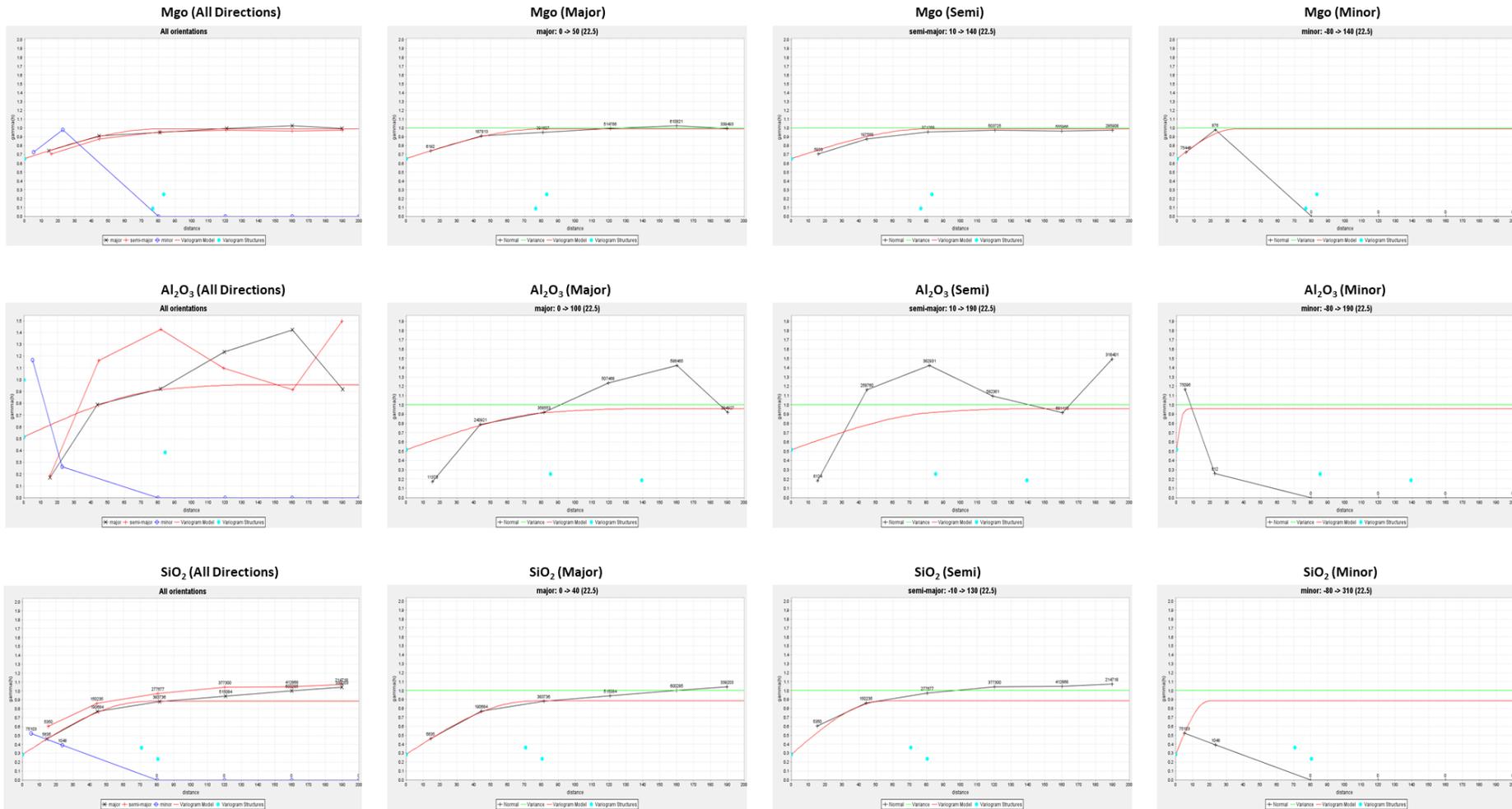


Figure-85. CAGA-2 Saprolite Domain Variograms (MgO, Al₂O₃, SiO₂)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

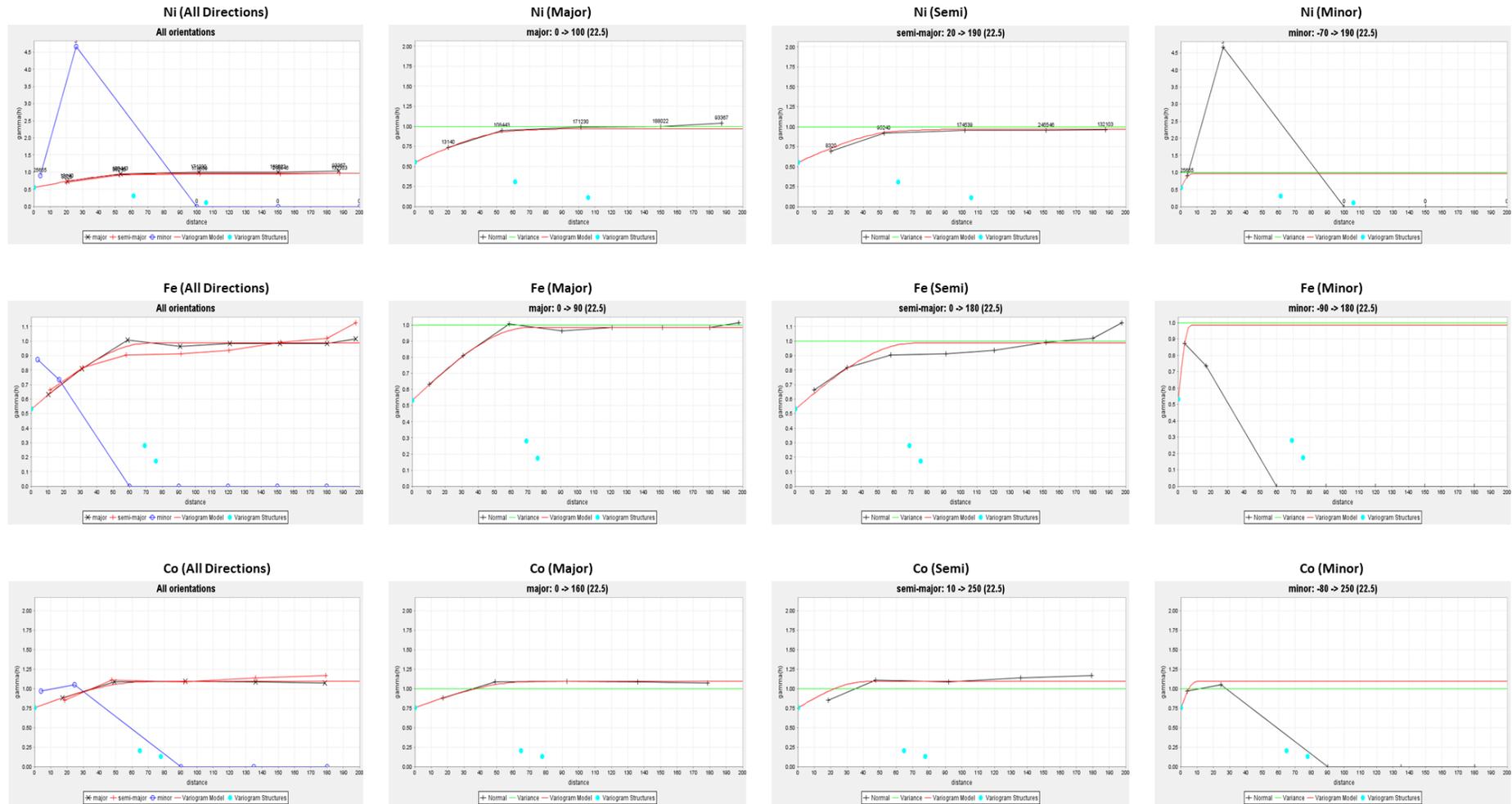


Figure-86. CAGA-3 Limonite Domain Variograms (Ni, Fe, Co)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

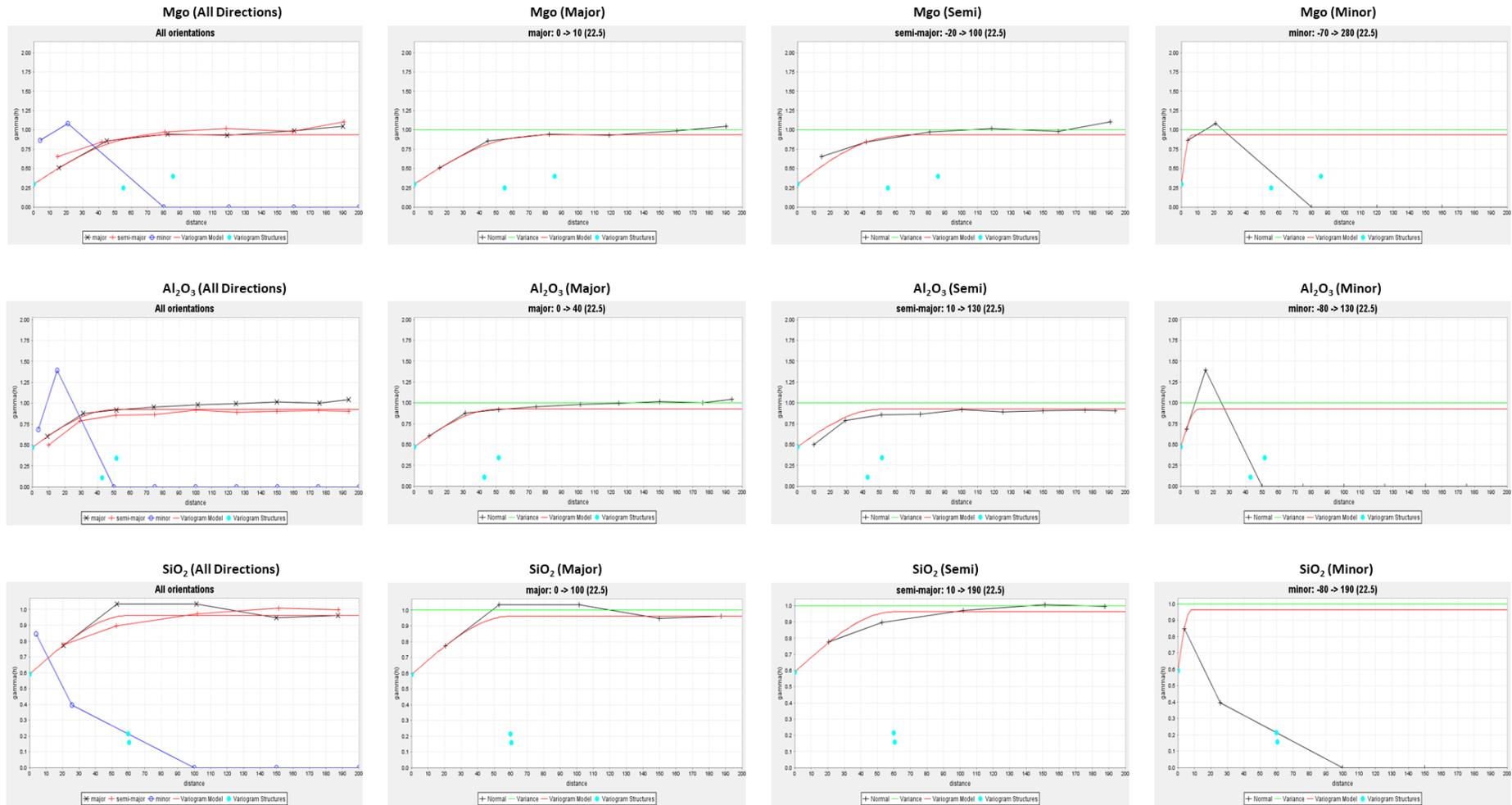


Figure-87. CAGA-3 Limonite Domain Variograms (MgO, Al₂O₃, SiO₂)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

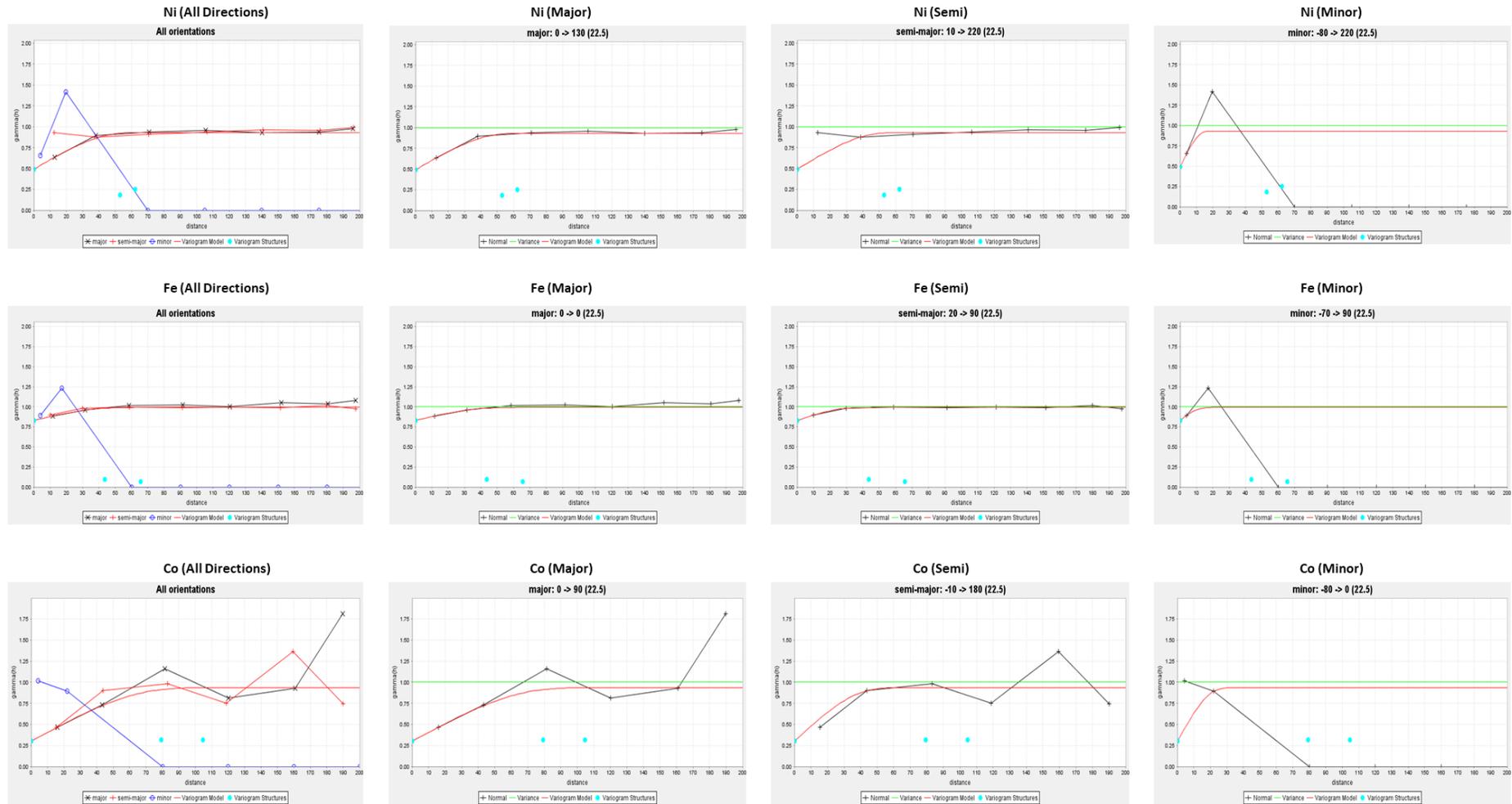


Figure-88. CAGA-3 Saprolite Domain Variograms (Ni, Fe, Co)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

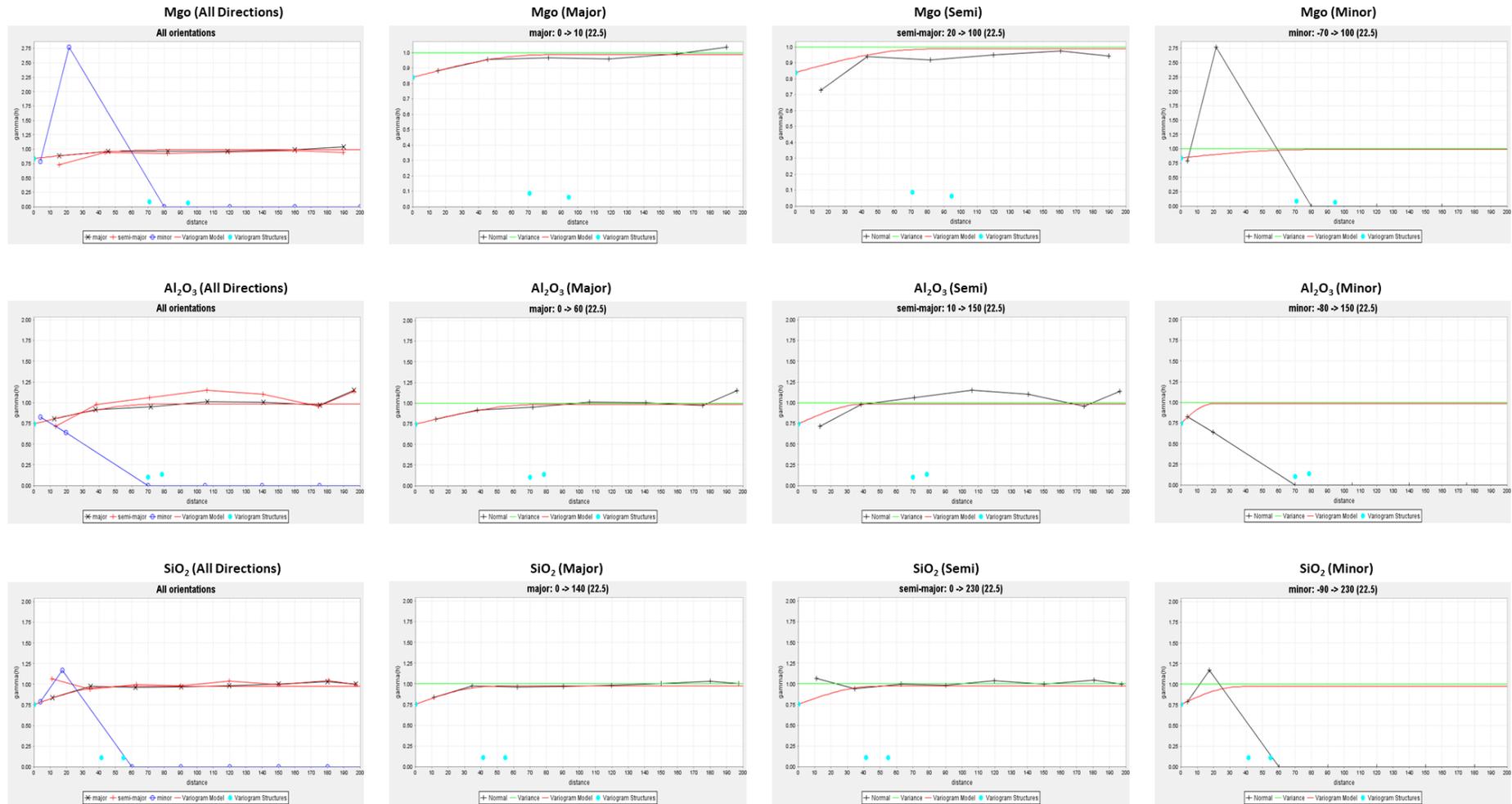


Figure-89. CAGA-3 Sapolite Domain Variograms (MgO, Al₂O₃, SiO₂)

10.8 Geological Surface Generation and Domain Modelling

The modelling of the geological surfaces involves the following:

- Extraction of the bottom contact of each lithological domain (Limonite, Saprolite, and Bedrock);
- Digital Terrain Modelling (DTM) of the bottom contacts of the domains;
- Digitizing of geological boundaries to define the horizontal extents of the domain. This boundary was based on the drill hole edges. Extrapolation to beyond the drill hole edges was done at a radius of 50m and 100m generated polygons; and
- Solids modelling of the geological boundaries.

The geologic contacts of each lithological domain were extracted and generated using Leapfrog Geo 4.1 and exported to GEOVIA Surpac 6.6 as DTM's and 3DM's. Three (3) surfaces were generated namely limonite bottom, saprolite bottom and bedrock bottom. The overburden bottom was incorporated into the limonite zone due to limited thickness. The geological surfaces were used to delimit the blocks according to lithology. In the case of CAGA-2, volumes of waste dumps and rehab areas were removed from the model.

Geological model boundaries were generated by digitizing a closed string around the periphery of the drilled area and extrapolating by offsetting the string to around 100m distance. This became the lateral boundary for the block model. Flow chart is on **Figure-90**.

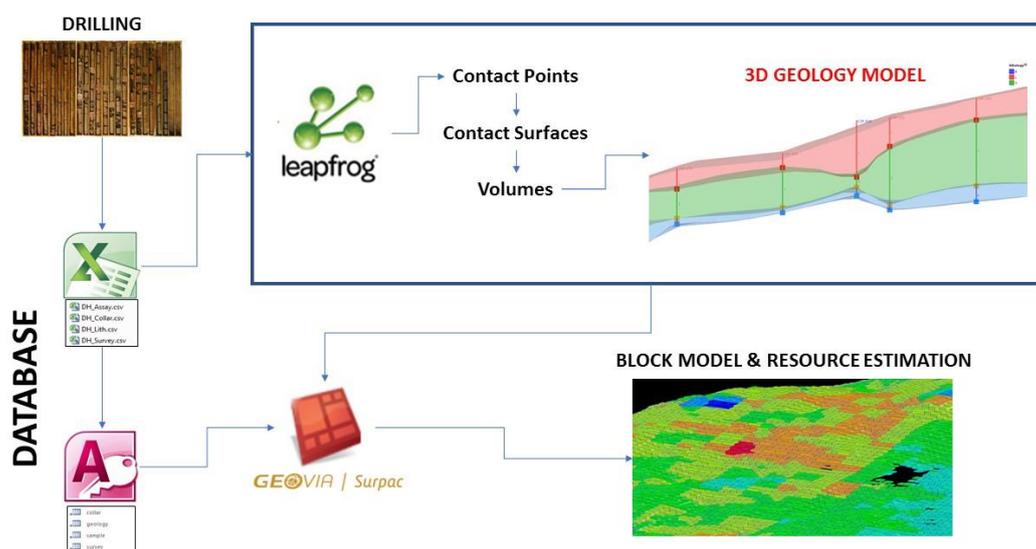


Figure-90. Geological Modelling to Block Modelling Flow Chart

Major geological zones were interpreted and delineated as surfaces using data from drill hole logs and assays. Mineralized envelopes, resource classification and drill hole collars for the different deposits are given in **Figures-91 to 94**.

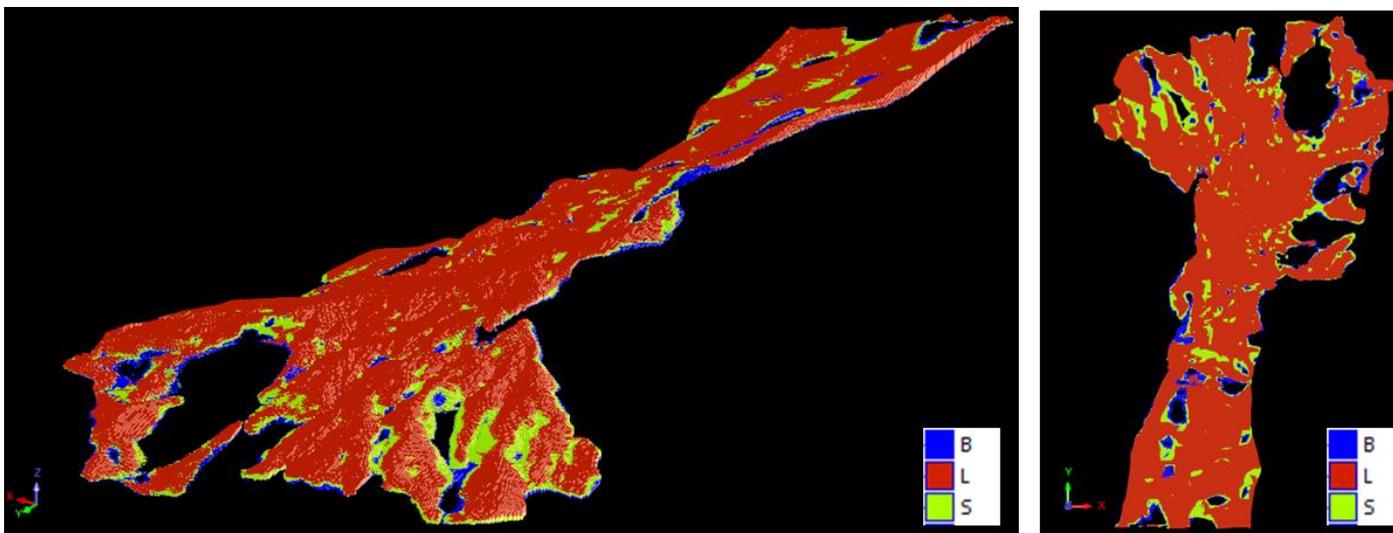


Figure-91. Block Model of Lithological Domains of CAGA-2 (GEOVIA Surpac)

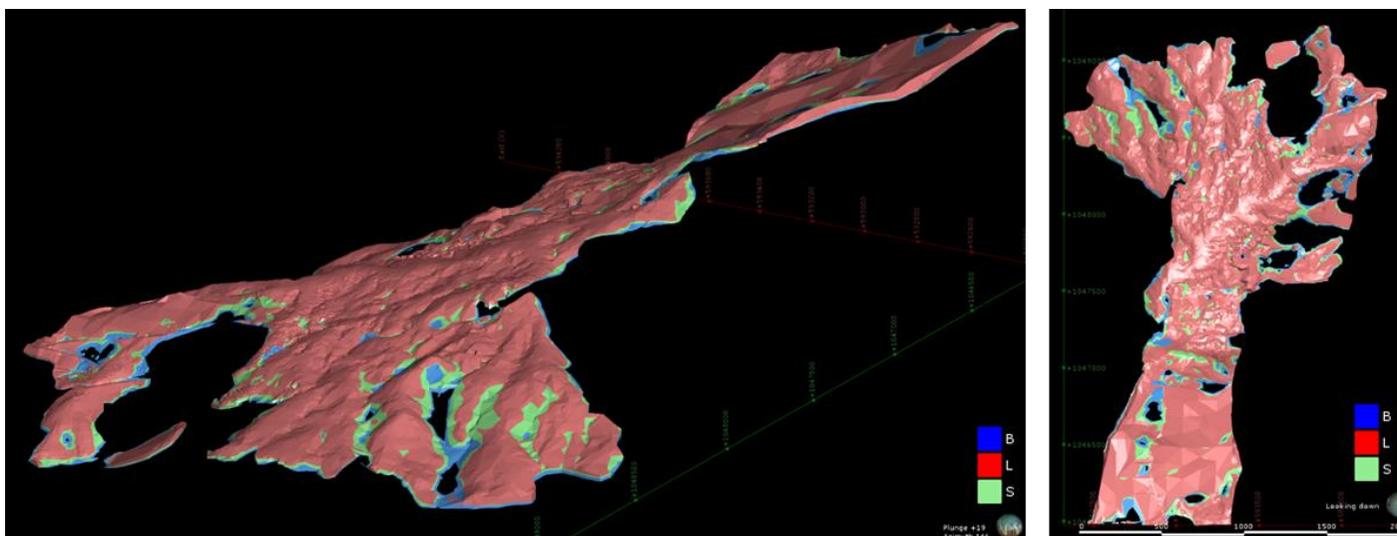


Figure-92. Geological Model of Lithological Domains of CAGA-2 (Leapfrog GEO)

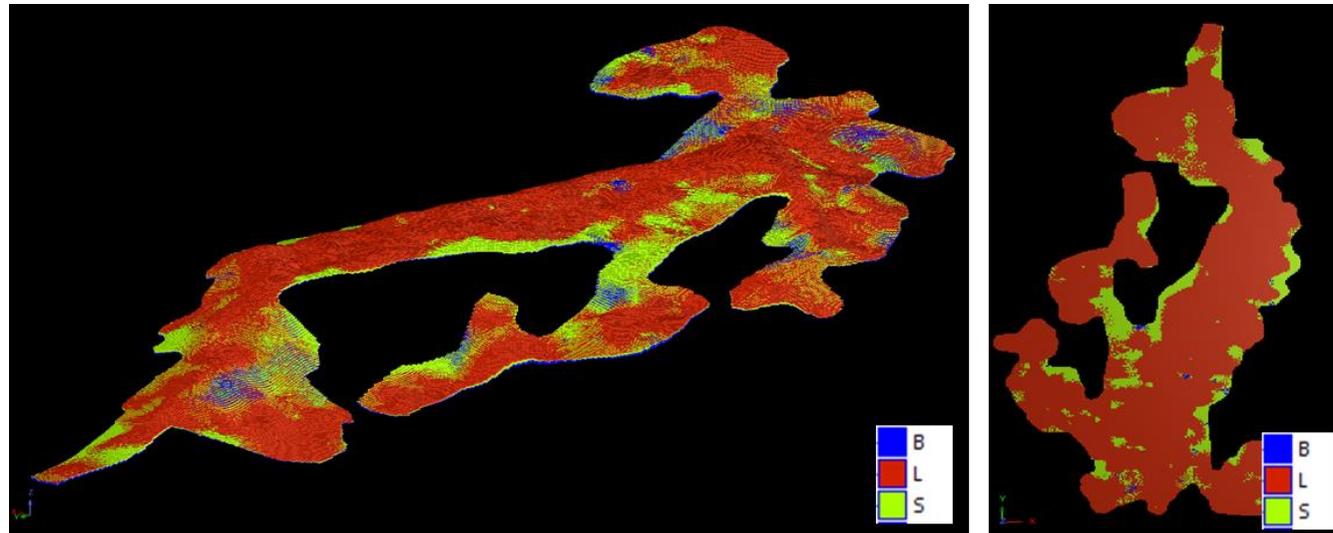


Figure-93. Block Model of Lithological Domains of CAGA-3 (GEOVIA Surpac)

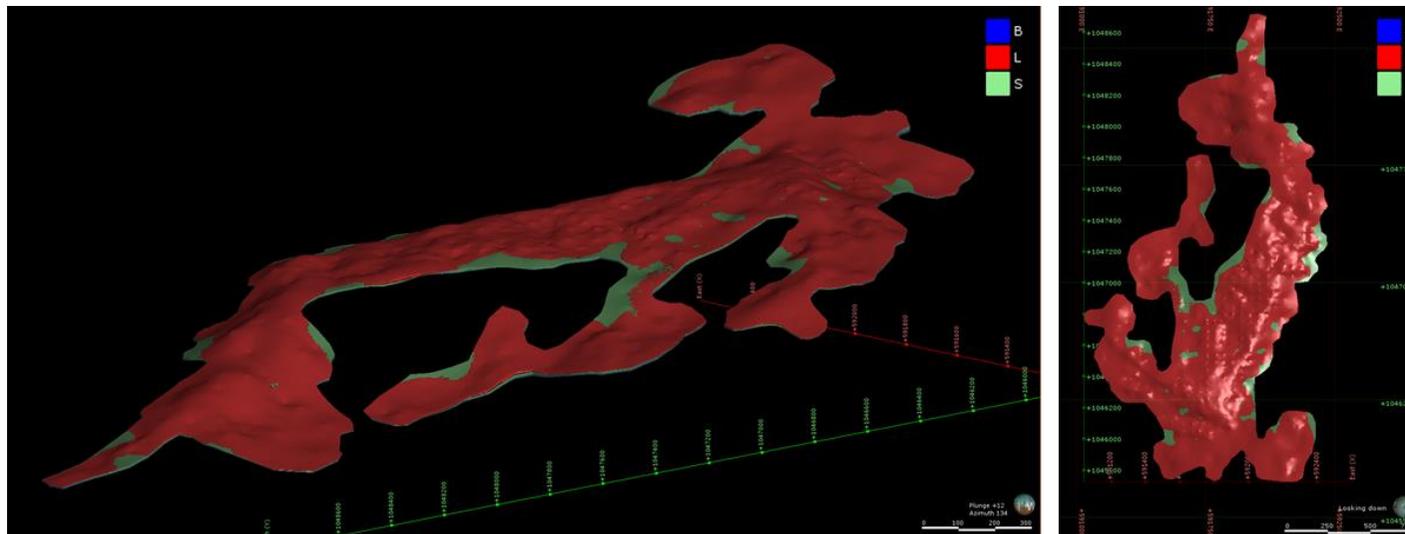


Figure-94. Geological Model of Lithological Domains of CAGA-3 (Leapfrog GEO)

10.9 Grade Interpolation

The interpreted surfaces and Ni grade shells were used as hard boundaries in the interpolation of the elements and only grades inside each domain were used to interpolate the blocks inside the domain. The grade interpolation was then executed using the Ordinary Kriging (OK) method for drilling grids of 25mx25m and 50mx50m. Inverse Distance Weighing (IDW) method were likewise used for 100mx100m. IDW was also used to estimate the density values and block grades for the bedrock domain.

There was no major horizontal anisotropy identified within the weathering profiles as expected in these types of deposits. The search ellipse parameters for each element and pass are shown in **Tables-45 to 50**.

Table 45. Search Ellipse Parameters of CAGA-2 Deposit at 25m Drilling Grid

Domain	Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Discretization
Limonite	Ni	1	1.00	7.14	70	30	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.00	70	30	0	70.00	10.00	3	15	5x5x3
		3	1.00	7.00	70	30	0	140.00	20.00	3	15	5x5x3
		4	1.00	7.00	70	30	0	280.00	40.00	3	15	5x5x3
	Fe	1	1.00	7.14	40	10	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.00	40	10	0	70.00	10.00	3	15	5x5x3
		3	1.00	7.00	40	10	0	140.00	20.00	3	15	5x5x3
		4	1.00	7.00	40	10	0	280.00	40.00	3	15	5x5x3
	Co	1	1.00	7.14	150	40	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.00	150	40	0	70.00	10.00	3	15	5x5x3
		3	1.00	7.00	150	40	0	140.00	20.00	3	15	5x5x3
		4	1.00	7.00	150	40	0	280.00	40.00	3	15	5x5x3
	MgO	1	1.00	7.14	40	20	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.00	40	20	0	70.00	10.00	3	15	5x5x3
		3	1.00	7.00	40	20	0	140.00	20.00	3	15	5x5x3
		4	1.00	7.00	40	20	0	280.00	40.00	3	15	5x5x3
	Al2O3	1	1.00	7.14	100	10	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.00	100	10	0	70.00	10.00	3	15	5x5x3
		3	1.00	7.00	100	10	0	140.00	20.00	3	15	5x5x3
		4	1.00	7.00	100	10	0	280.00	40.00	3	15	5x5x3
SiO2	1	1.00	7.14	30	10	0	50.00	7.00	3	15	5x5x3	
	2	1.00	7.00	30	10	0	70.00	10.00	3	15	5x5x3	
	3	1.00	7.00	30	10	0	140.00	20.00	3	15	5x5x3	
	4	1.00	7.00	30	10	0	280.00	40.00	3	15	5x5x3	
Saprolite	Ni	1	1.00	10.00	30	20	0	40.00	4.00	3	15	5x5x3
		2	1.00	7.14	30	20	0	50.00	7.00	3	15	5x5x3
		3	1.00	7.14	30	20	0	100.00	14.00	3	15	5x5x3
		4	1.00	7.14	30	20	0	200.00	28.00	3	15	5x5x3
	Fe	1	1.00	10.00	100	10	0	40.00	4.00	3	15	5x5x3
		2	1.00	7.14	100	10	0	50.00	7.00	3	15	5x5x3
		3	1.00	7.14	100	10	0	100.00	14.00	3	15	5x5x3
		4	1.00	7.14	100	10	0	200.00	28.00	3	15	5x5x3
	Co	1	1.00	10.00	140	-10	0	40.00	4.00	3	15	5x5x3
		2	1.00	7.14	140	-10	0	50.00	7.00	3	15	5x5x3
		3	1.00	7.14	140	-10	0	100.00	14.00	3	15	5x5x3
		4	1.00	7.14	140	-10	0	200.00	28.00	3	15	5x5x3
	MgO	1	1.00	10.00	50	10	0	40.00	4.00	3	15	5x5x3
		2	1.00	7.14	50	10	0	50.00	7.00	3	15	5x5x3
		3	1.00	7.14	50	10	0	100.00	14.00	3	15	5x5x3
		4	1.00	7.14	50	10	0	200.00	28.00	3	15	5x5x3
	Al2O4	1	1.00	10.00	100	10	0	40.00	4.00	3	15	5x5x3
		2	1.00	7.14	100	10	0	50.00	7.00	3	15	5x5x3
		3	1.00	7.14	100	10	0	100.00	14.00	3	15	5x5x3
		4	1.00	7.14	100	10	0	200.00	28.00	3	15	5x5x3
SiO3	1	1.00	10.00	40	-10	0	40.00	4.00	3	15	5x5x3	
	2	1.00	7.14	40	-10	0	50.00	7.00	3	15	5x5x3	

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		3	1.00	7.14	40	-10	0	100.00	14.00	3	15	5x5x3
		4	1.00	7.14	40	-10	0	200.00	28.00	3	15	5x5x3
Bedrock	Ni, Fe, Co, MgO, Al ₂ O ₃ , SiO ₂	1	1.00	5.83	0	0	0	35.00	6.00	3	15	5x5x3
		2	1.00	5.83	0	0	0	70.00	12.00	3	15	5x5x3
		3	1.00	5.83	0	0	0	140.00	24.00	3	15	5x5x3
		4	1.00	5.83	0	0	0	280.00	48.00	3	15	5x5x3
		5	1.00	5.83	0	0	0	420.00	72.00	3	15	5x5x3

Table 46. Search Ellipse Parameters of CAGA-2 Deposit at 50m Drilling Grid

Domain	Attributes	Pass	Major/Semi	Major/ Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Discretization
Limonite	Ni	1	1.00	7.00	70	30	0	70.00	10.00	3	15	5x5x3
		2	1.00	7.00	70	30	0	140.00	20.00	3	15	5x5x3
		3	1.00	7.00	70	30	0	280.00	40.00	3	15	5x5x3
	Fe	1	1.00	7.00	40	10	0	70.00	10.00	3	15	5x5x3
		2	1.00	7.00	40	10	0	140.00	20.00	3	15	5x5x3
		3	1.00	7.00	40	10	0	280.00	40.00	3	15	5x5x3
	Co	1	1.00	7.00	150	40	0	70.00	10.00	3	15	5x5x3
		2	1.00	7.00	150	40	0	140.00	20.00	3	15	5x5x3
		3	1.00	7.00	150	40	0	280.00	40.00	3	15	5x5x3
	MgO	1	1.00	7.00	40	20	0	70.00	10.00	3	15	5x5x3
		2	1.00	7.00	40	20	0	140.00	20.00	3	15	5x5x3
		3	1.00	7.00	40	20	0	280.00	40.00	3	15	5x5x3
	Al ₂ O ₃	1	1.00	7.00	100	10	0	70.00	10.00	3	15	5x5x3
		2	1.00	7.00	100	10	0	140.00	20.00	3	15	5x5x3
		3	1.00	7.00	100	10	0	280.00	40.00	3	15	5x5x3
SiO ₂	1	1.00	7.00	30	10	0	70.00	10.00	3	15	5x5x3	
	2	1.00	7.00	30	10	0	140.00	20.00	3	15	5x5x3	
	3	1.00	7.00	30	10	0	280.00	40.00	3	15	5x5x3	
Saprolite	Ni	1	1.00	7.14	30	20	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.14	30	20	0	100.00	14.00	3	15	5x5x3
		3	1.00	7.14	30	20	0	200.00	28.00	3	15	5x5x3
	Fe	1	1.00	7.14	100	10	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.14	100	10	0	100.00	14.00	3	15	5x5x3
		3	1.00	7.14	100	10	0	200.00	28.00	3	15	5x5x3
	Co	1	1.00	7.14	140	-10	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.14	140	-10	0	100.00	14.00	3	15	5x5x3
		3	1.00	7.14	140	-10	0	200.00	28.00	3	15	5x5x3
	MgO	1	1.00	7.14	50	10	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.14	50	10	0	100.00	14.00	3	15	5x5x3
		3	1.00	7.14	50	10	0	200.00	28.00	3	15	5x5x3
	Al ₂ O ₄	1	1.00	7.14	100	10	0	50.00	7.00	3	15	5x5x3
		2	1.00	7.14	100	10	0	100.00	14.00	3	15	5x5x3
		3	1.00	7.14	100	10	0	200.00	28.00	3	15	5x5x3
SiO ₃	1	1.00	7.14	40	-10	0	50.00	7.00	3	15	5x5x3	
	2	1.00	7.14	40	-10	0	100.00	14.00	3	15	5x5x3	
	3	1.00	7.14	40	-10	0	200.00	28.00	3	15	5x5x3	
Bedrock	Ni, Fe, Co, MgO, Al ₂ O ₃ , SiO ₂	1	1.00	5.83	0	0	0	70.00	12.00	3	15	5x5x3
		2	1.00	5.83	0	0	0	140.00	24.00	3	15	5x5x3
		3	1.00	5.83	0	0	0	280.00	48.00	3	15	5x5x3
		4	1.00	5.83	0	0	0	420.00	72.00	3	15	5x5x3

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Table 47. Search Ellipse Parameters of CAGA-2 Deposit at 100m Drilling Grid

Domain	Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Discretization	
Limonite	Ni	1	1.00	7.00	70	30	0	140.00	20.00	3	15	5x5x3	
		2	1.00	7.00	70	30	0	280.00	40.00	3	15	5x5x3	
	Fe	1	1.00	7.00	40	10	0	140.00	20.00	3	15	5x5x3	
		2	1.00	7.00	40	10	0	280.00	40.00	3	15	5x5x3	
	Co	1	1.00	7.00	150	40	0	140.00	20.00	3	15	5x5x3	
		2	1.00	7.00	150	40	0	280.00	40.00	3	15	5x5x3	
	MgO	1	1.00	7.00	40	20	0	140.00	20.00	3	15	5x5x3	
		2	1.00	7.00	40	20	0	280.00	40.00	3	15	5x5x3	
	Al2O3	1	1.00	7.00	100	10	0	140.00	20.00	3	15	5x5x3	
		2	1.00	7.00	100	10	0	280.00	40.00	3	15	5x5x3	
	SiO2	1	1.00	7.00	30	10	0	140.00	20.00	3	15	5x5x3	
		2	1.00	7.00	30	10	0	280.00	40.00	3	15	5x5x3	
	Saprolite	Ni	1	1.00	7.14	30	20	0	100.00	14.00	3	15	5x5x3
			2	1.00	7.14	30	20	0	200.00	28.00	3	15	5x5x3
Fe		1	1.00	7.14	100	10	0	100.00	14.00	3	15	5x5x3	
		2	1.00	7.14	100	10	0	200.00	28.00	3	15	5x5x3	
Co		1	1.00	7.14	140	-10	0	100.00	14.00	3	15	5x5x3	
		2	1.00	7.14	140	-10	0	200.00	28.00	3	15	5x5x3	
MgO		1	1.00	7.14	50	10	0	100.00	14.00	3	15	5x5x3	
		2	1.00	7.14	50	10	0	200.00	28.00	3	15	5x5x3	
Al2O4		1	1.00	7.14	100	10	0	100.00	14.00	3	15	5x5x3	
		2	1.00	7.14	100	10	0	200.00	28.00	3	15	5x5x3	
SiO3		1	1.00	7.14	40	-10	0	100.00	14.00	3	15	5x5x3	
		2	1.00	7.14	40	-10	0	200.00	28.00	3	15	5x5x3	
Bedrock		Ni, Fe, Co, MgO, Al2O3, SiO2	1	1.00	5.83	0	0	0	140.00	24.00	3	15	5x5x3
			2	1.00	5.83	0	0	0	280.00	48.00	3	15	5x5x3
	3		1.00	5.83	0	0	0	420.00	72.00	3	15	5x5x3	

Table 48. Search Ellipse Parameters of CAGA-3 Deposit at 25m Drilling Grid

Domain	Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Discretization
Limonite	Ni	1	1.00	10.00	100	20	0	40.00	4.00	3	15	5x5x3
		2	1.00	8.33	100	20	0	50.00	6.00	3	15	5x5x3
		3	1.00	8.33	100	20	0	100.00	12.00	3	15	5x5x3
		4	1.00	8.33	100	20	0	200.00	24.00	3	15	5x5x3
	Fe	1	1.00	10.00	90	0	0	40.00	4.00	3	15	5x5x3
		2	1.00	8.33	90	0	0	50.00	6.00	3	15	5x5x3
		3	1.00	8.33	90	0	0	100.00	12.00	3	15	5x5x3
		4	1.00	8.33	90	0	0	200.00	24.00	3	15	5x5x3
	Co	1	1.00	10.00	160	10	0	40.00	4.00	3	15	5x5x3
		2	1.00	8.33	160	10	0	50.00	6.00	3	15	5x5x3
		3	1.00	8.33	160	10	0	100.00	12.00	3	15	5x5x3
		4	1.00	8.33	160	10	0	200.00	24.00	3	15	5x5x3
	MgO	1	1.00	10.00	10	-20	0	40.00	4.00	3	15	5x5x3
		2	1.00	8.33	10	-20	0	50.00	6.00	3	15	5x5x3
		3	1.00	8.33	10	-20	0	100.00	12.00	3	15	5x5x3
		4	1.00	8.33	10	-20	0	200.00	24.00	3	15	5x5x3
	Al2O3	1	1.00	10.00	40	10	0	40.00	4.00	3	15	5x5x3
		2	1.00	8.33	40	10	0	50.00	6.00	3	15	5x5x3
		3	1.00	8.33	40	10	0	100.00	12.00	3	15	5x5x3
		4	1.00	8.33	40	10	0	200.00	24.00	3	15	5x5x3
	SiO2	1	1.00	10.00	100	10	0	40.00	4.00	3	15	5x5x3
		2	1.00	8.33	100	10	0	50.00	6.00	3	15	5x5x3
		3	1.00	8.33	100	10	0	100.00	12.00	3	15	5x5x3

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Saprolite	Ni	4	1.00	8.33	100	10	0	200.00	24.00	3	15	5x5x3	
		1	1.00	4.00	130	10	0	40.00	10.00	3	15	5x5x3	
		2	1.00	6.00	130	10	0	60.00	10.00	3	15	5x5x3	
		3	1.00	6.00	130	10	0	120.00	20.00	3	15	5x5x3	
	Fe	4	1.00	6.00	130	10	0	240.00	40.00	3	15	5x5x3	
		1	1.00	4.00	0	20	0	40.00	10.00	3	15	5x5x3	
		2	1.00	6.00	0	20	0	60.00	10.00	3	15	5x5x3	
		3	1.00	6.00	0	20	0	120.00	20.00	3	15	5x5x3	
	Co	4	1.00	6.00	0	20	0	240.00	40.00	3	15	5x5x3	
		1	1.00	4.00	90	-10	0	40.00	10.00	3	15	5x5x3	
		2	1.00	6.00	90	-10	0	60.00	10.00	3	15	5x5x3	
		3	1.00	6.00	90	-10	0	120.00	20.00	3	15	5x5x3	
	MgO	4	1.00	6.00	90	-10	0	240.00	40.00	3	15	5x5x3	
		1	1.00	4.00	10	20	0	40.00	10.00	3	15	5x5x3	
		2	1.00	6.00	10	20	0	60.00	10.00	3	15	5x5x3	
		3	1.00	6.00	10	20	0	120.00	20.00	3	15	5x5x3	
	Al2O4	4	1.00	6.00	10	20	0	240.00	40.00	3	15	5x5x3	
		1	1.00	4.00	60	10	0	40.00	10.00	3	15	5x5x3	
		2	1.00	6.00	60	10	0	60.00	10.00	3	15	5x5x3	
		3	1.00	6.00	60	10	0	120.00	20.00	3	15	5x5x3	
	SiO3	4	1.00	6.00	60	10	0	240.00	40.00	3	15	5x5x3	
		1	1.00	4.00	140	0	0	40.00	10.00	3	15	5x5x3	
		2	1.00	6.00	140	0	0	60.00	10.00	3	15	5x5x3	
		3	1.00	6.00	140	0	0	120.00	20.00	3	15	5x5x3	
	Bedrock	Ni, Fe, Co, MgO, Al2O3, SiO2	4	1.00	6.00	140	0	0	240.00	40.00	3	15	5x5x3
			1	1.00	5.83	0	0	0	35.00	6.00	3	15	5x5x3
			2	1.00	5.83	0	0	0	70.00	12.00	3	15	5x5x3
			3	1.00	5.83	0	0	0	140.00	24.00	3	15	5x5x3
4			1.00	5.83	0	0	0	280.00	48.00	3	15	5x5x3	
5	1.00	5.83	0	0	0	420.00	72.00	3	15	5x5x3			

Table 49. Search Ellipse Parameters of CAGA-3 Deposit at 50m Drilling Grid

Domain	Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Discretization
Limonite	Ni	1	1.00	8.33	100	20	0	50.00	6.00	3	15	5x5x3
		2	1.00	8.33	100	20	0	100.00	12.00	3	15	5x5x3
		3	1.00	8.33	100	20	0	200.00	24.00	3	15	5x5x3
	Fe	1	1.00	8.33	90	0	0	50.00	6.00	3	15	5x5x3
		2	1.00	8.33	90	0	0	100.00	12.00	3	15	5x5x3
		3	1.00	8.33	90	0	0	200.00	24.00	3	15	5x5x3
	Co	1	1.00	8.33	160	10	0	50.00	6.00	3	15	5x5x3
		2	1.00	8.33	160	10	0	100.00	12.00	3	15	5x5x3
		3	1.00	8.33	160	10	0	200.00	24.00	3	15	5x5x3
	MgO	1	1.00	8.33	10	-20	0	50.00	6.00	3	15	5x5x3
		2	1.00	8.33	10	-20	0	100.00	12.00	3	15	5x5x3
		3	1.00	8.33	10	-20	0	200.00	24.00	3	15	5x5x3
	Al2O3	1	1.00	8.33	40	10	0	50.00	6.00	3	15	5x5x3
		2	1.00	8.33	40	10	0	100.00	12.00	3	15	5x5x3
		3	1.00	8.33	40	10	0	200.00	24.00	3	15	5x5x3
SiO2	1	1.00	8.33	100	10	0	50.00	6.00	3	15	5x5x3	
	2	1.00	8.33	100	10	0	100.00	12.00	3	15	5x5x3	
	3	1.00	8.33	100	10	0	200.00	24.00	3	15	5x5x3	
Saprolite	Ni	1	1.00	6.00	130	10	0	60.00	10.00	3	15	5x5x3
		2	1.00	6.00	130	10	0	120.00	20.00	3	15	5x5x3
		3	1.00	6.00	130	10	0	240.00	40.00	3	15	5x5x3
	Fe	1	1.00	6.00	0	20	0	60.00	10.00	3	15	5x5x3
		2	1.00	6.00	0	20	0	120.00	20.00	3	15	5x5x3
		3	1.00	6.00	0	20	0	240.00	40.00	3	15	5x5x3
	Co	1	1.00	6.00	90	-10	0	60.00	10.00	3	15	5x5x3
		2	1.00	6.00	90	-10	0	120.00	20.00	3	15	5x5x3
		3	1.00	6.00	90	-10	0	240.00	40.00	3	15	5x5x3
	MgO	1	1.00	6.00	10	20	0	60.00	10.00	3	15	5x5x3
		2	1.00	6.00	10	20	0	120.00	20.00	3	15	5x5x3
		3	1.00	6.00	10	20	0	240.00	40.00	3	15	5x5x3
Al2O4	1	1.00	6.00	60	10	0	60.00	10.00	3	15	5x5x3	
	2	1.00	6.00	60	10	0	120.00	20.00	3	15	5x5x3	
	3	1.00	6.00	60	10	0	240.00	40.00	3	15	5x5x3	

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	SiO3	1	1.00	6.00	140	0	0	60.00	10.00	3	15	5x5x3
		2	1.00	6.00	140	0	0	120.00	20.00	3	15	5x5x3
		3	1.00	6.00	140	0	0	240.00	40.00	3	15	5x5x3
Bedrock	Ni, Fe, Co, MgO, Al2O3, SiO2	1	1.00	5.83	0	0	0	70.00	12.00	3	15	5x5x3
		2	1.00	5.83	0	0	0	140.00	24.00	3	15	5x5x3
		3	1.00	5.83	0	0	0	280.00	48.00	3	15	5x5x3
		4	1.00	5.83	0	0	0	420.00	72.00	3	15	5x5x3

Table 50. Search Ellipse Parameters of CAGA-3 Deposit at 100m Drilling Grid

Domain	Attributes	Pass	Major/Semi	Major/ Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Discretization	
Limonite	Ni	1	1.00	8.33	100	20	0	100.00	12.00	3	15	5x5x3	
		2	1.00	8.33	100	20	0	200.00	24.00	3	15	5x5x3	
	Fe	1	1.00	8.33	90	0	0	100.00	12.00	3	15	5x5x3	
		2	1.00	8.33	90	0	0	200.00	24.00	3	15	5x5x3	
	Co	1	1.00	8.33	160	10	0	100.00	12.00	3	15	5x5x3	
		2	1.00	8.33	160	10	0	200.00	24.00	3	15	5x5x3	
	MgO	1	1.00	8.33	10	-20	0	100.00	12.00	3	15	5x5x3	
		2	1.00	8.33	10	-20	0	200.00	24.00	3	15	5x5x3	
	Al2O3	1	1.00	8.33	40	10	0	100.00	12.00	3	15	5x5x3	
		2	1.00	8.33	40	10	0	200.00	24.00	3	15	5x5x3	
	SiO2	1	1.00	8.33	100	10	0	100.00	12.00	3	15	5x5x3	
		2	1.00	8.33	100	10	0	200.00	24.00	3	15	5x5x3	
	Saprolite	Ni	1	1.00	6.00	130	10	0	120.00	20.00	3	15	5x5x3
			2	1.00	6.00	130	10	0	240.00	40.00	3	15	5x5x3
Fe		1	1.00	6.00	0	20	0	120.00	20.00	3	15	5x5x3	
		2	1.00	6.00	0	20	0	240.00	40.00	3	15	5x5x3	
Co		1	1.00	6.00	90	-10	0	120.00	20.00	3	15	5x5x3	
		2	1.00	6.00	90	-10	0	240.00	40.00	3	15	5x5x3	
MgO		1	1.00	6.00	10	20	0	120.00	20.00	3	15	5x5x3	
		2	1.00	6.00	10	20	0	240.00	40.00	3	15	5x5x3	
Al2O4		1	1.00	6.00	60	10	0	120.00	20.00	3	15	5x5x3	
		2	1.00	6.00	60	10	0	240.00	40.00	3	15	5x5x3	
SiO3		1	1.00	6.00	140	0	0	120.00	20.00	3	15	5x5x3	
		2	1.00	6.00	140	0	0	240.00	40.00	3	15	5x5x3	
Bedrock	Ni, Fe, Co, MgO, Al2O3, SiO2	1	1.00	5.83	0	0	0	140.00	24.00	3	15	5x5x3	
		2	1.00	5.83	0	0	0	280.00	48.00	3	15	5x5x3	
		3	1.00	5.83	0	0	0	420.00	72.00	3	15	5x5x3	

10.10 Mineral Resource Estimation – Block Modelling

The block model was defined using the geological domain constraints to generate volumetrics, block cell sizes, origin, and extents and block cell attributes. The grade interpolation was then executed using a combination of Ordinary Kriging (OK) and Inverse Distance Weighing (IDW) method.

Block modelling was then executed using Geovia Surpac v6.6 functions.

Top cutting was not used in all the variables as the coefficient of variation of nickel laterite deposits are generally less than 1. This indicates that the samples have high spatial correlation which can be easily modelled.

Density values used on block modelling are given in **Table-51** below:

Table 51. Density Values in Block Model

Deposit	Domain	DM Density	Remarks
CAGA-2	LIM	1.20	Assigned density values to blocks directly
	SAP	1.30	
	BED	2.30	
CAGA-3	LIM	1.20	Assigned density values to blocks thru IDW
	SAP	1.15	
	BED	2.40	

A topographic map of the two deposits based from actual topographic survey at 5m to 10m contour intervals (**Figures-25 to 30**) was used.

Mining depletions for the CAGA-2 and CAGA-4 deposits were applied to the block models using actual pit survey data supplied by PGMC dated current as at the **23th day of June 2017**. To date, no mining has commenced on the other three deposits: CAGA-1, CAGA-3 and CAGA-5.

The block model parameters and block model attributes are shown in **Table-52** and **Table-53**, respectively.

Table 52. Block Model Parameters

Orientation	North (Y)	East (X)	Level (Z)
Deposit	CAGA-2		
Minimum Coordinates	1045755	592239	-9.2
Maximum Coordinates	1049405	594464	950.8
User Block Size	25	25	3
Min. Block Size	6.25	6.25	0.75
Rotation	0	0	0
Deposit	CAGA-3		
Block Size	25	25	3
Minimum Coordinates	1045500	591000	100
Maximum Coordinates	1048800	592500	952
User Block Size	25	25	3
Min. Block Size	6.25	6.25	0.75
Rotation	0	0	0

Table-53. Block Model Attributes

Attributes	Description
ni	estimated nickel grade (%)
co	estimated cobalt grade (%)
fe	estimated iron grade (%)
num_ni	number of nickel samples used to estimate block grade
num_co	number of cobalt samples used to estimate block grade
num_fe	number of iron samples used to estimate block grade
lithology	lithology (L for Limonite, S for Saprolite and B for Bedrock)
oreclass	PGMC defined ore classification
classification	PMRC classification of resources (mes - measured, ind - indicated and inf - inferred)
mat_res	Material resource classification (lg, mg, hg)
sg	dry bulk density (in dry tonnes/cum)
block_vol	volume of a cell in a block model, cum
mass	weight in dry tonnes of a cell in a block model
pass	interpolation routine number (1 - first pass, 2 - 2nd pass, 3 - 3rd pass, etc.)
Grid	drilling grid pattern (25x50, 50x50 and 100x100m grid)

10.11 Model Validation

Upon completion of the grade interpolation, a block model validation was carried out by *Trend Analysis* to check the block model grades as against the sample grades of the drill holes. The *Trend Analysis* simply filters out block grades that lies within a particular coordinate (North, East and Level) constrain and compares it to the corresponding sample grades from the drill holes which is also within the same coordinate constrain.

The details of the observation are as follows:

- The results of the trend analysis for nickel grades within the Limonite and Saprolite zones in the block model are generally under estimated by 3% and 9% respectively. Over estimations for nickel grades at -0.14% found in Limonite zone.
- The trend analysis results for iron grades within the Limonite and Saprolite zones in the block model shows a minimal under estimation by 0.24% to 1.32%, respectively. Over estimations for iron grades at -0.14% and -2.92% for Limonite and Saprolite.
- The grades in the block model are smoothed simulating dilution of grades. The smoothing of the grades based on experience is within the allowable range for this particular type of deposit based on the grades derived from the conduct of actual mining.
- The review of the analytical comparison indicates that a good correlation exists, as shown in the trend analysis diagrams. This good correlation of the drill holes and interpolated block model is further supported when a visual inspection is completed.
- Overall, the model validation confirms that the estimate is representative of the composites and is indicative of the known controls of mineralization and the underlying data used for estimation.

Summary of findings is in **Tables-54 and 55** and trend analysis diagrams are in **Figures-95 to 98**.

Table-54. Summary of Block Model Validation in Limonite and Saprolite Domains in CAGA-2 (Drill Hole Samples vs Block Grades)

CAGA-2							
Lithology	Data Source	North		East		Vertical	
		Ni	Fe	Ni	Fe	Ni	Fe
Limonite	Samples	1.02	45.98	1.10	45.72	1.02	45.70
	Block Model	0.99	46.01	1.01	45.67	0.98	45.59
	Variance	3.10%	-0.07%	7.49%	0.11%	4.46%	0.24%
Saprolite	Samples	1.12	12.84	1.27	12.32	1.17	13.37
	Block Model	1.03	12.84	1.12	12.68	1.05	13.25
	Variance	8.17%	-0.01%	11.41%	-2.92%	9.71%	0.84%

Table-55. Summary of Block Model Validation in Limonite and Saprolite Domains in CAGA-3 (Drill Hole Samples vs Block Grades)

CAGA-3							
Lithology	Data Source	North		East		Vertical	
		Ni	Fe	Ni	Fe	Ni	Fe
Limonite	Samples	1.00	45.33	0.99	45.32	0.98	44.96
	Block Model	0.99	44.73	0.99	44.72	0.97	44.52
	Variance	0.53%	1.32%	-0.14%	1.33%	0.77%	1.00%
Saprolite	Samples	1.24	13.68	1.30	13.55	1.22	13.71
	Block Model	1.17	13.56	1.21	13.37	1.13	13.67
	Variance	5.67%	0.85%	7.15%	1.31%	7.26%	0.29%

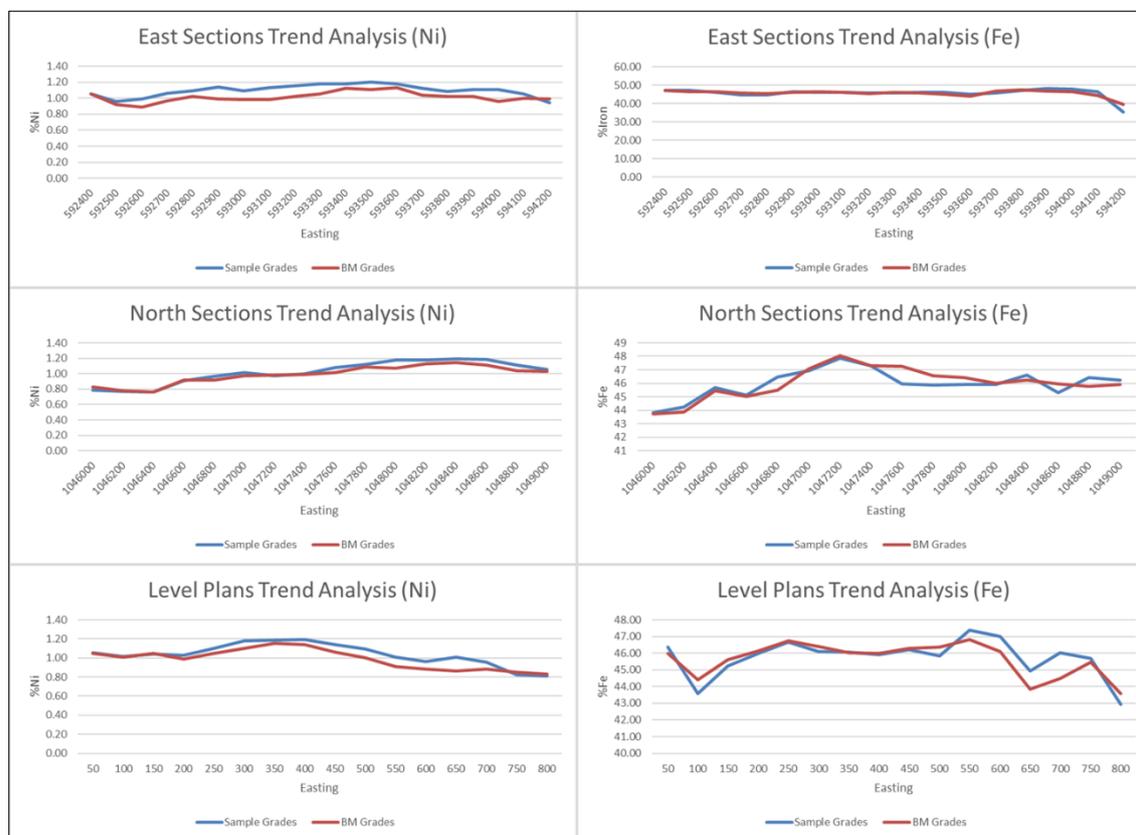


Figure 95. CAGA-2 Block Model Validation - Trend Analysis (Limonite)

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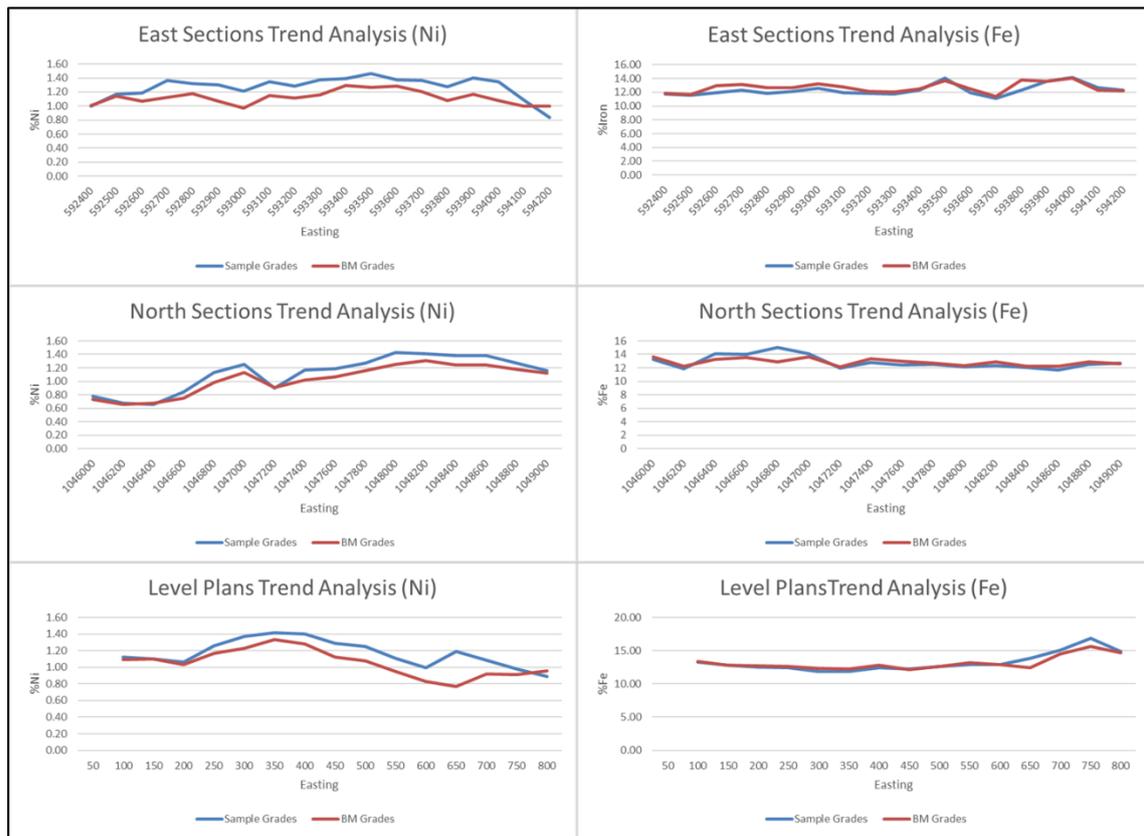


Figure 96. CAGA-2 Block Model Validation - Trend Analysis (Saprolite)

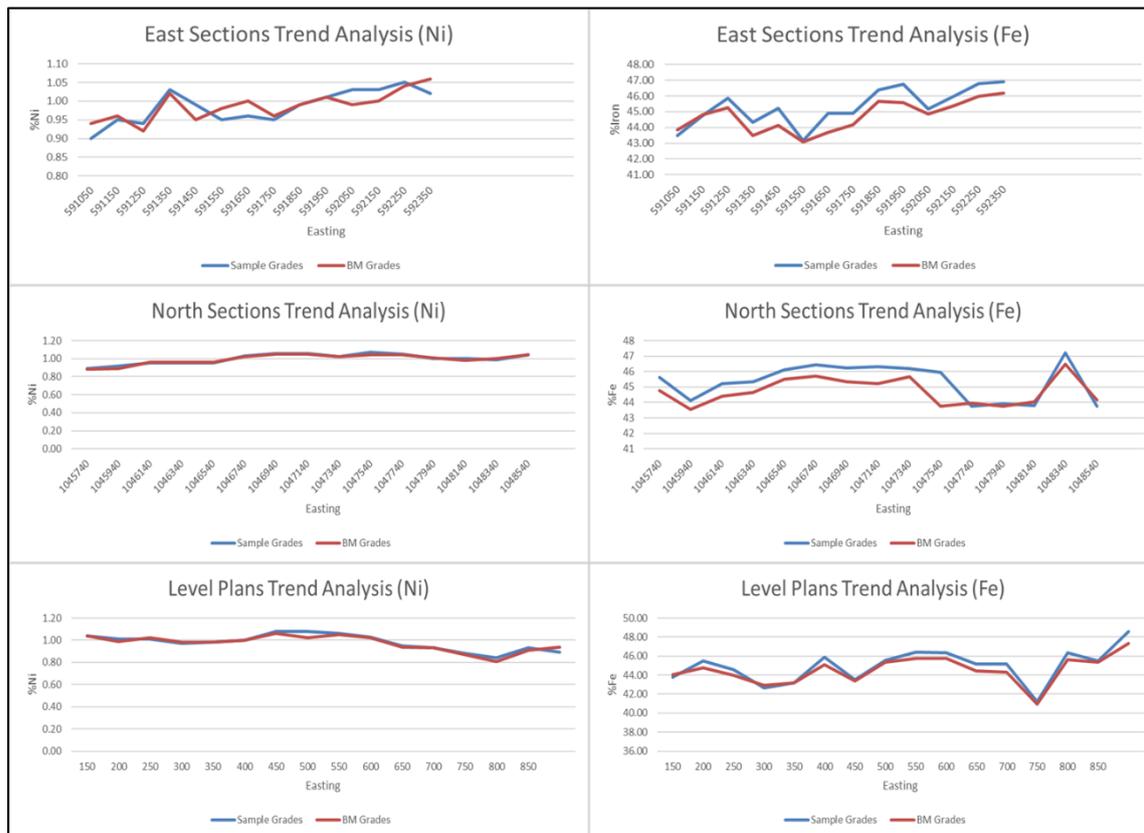


Figure 97. CAGA-3 Block Model Validation - Trend Analysis (Limonite)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

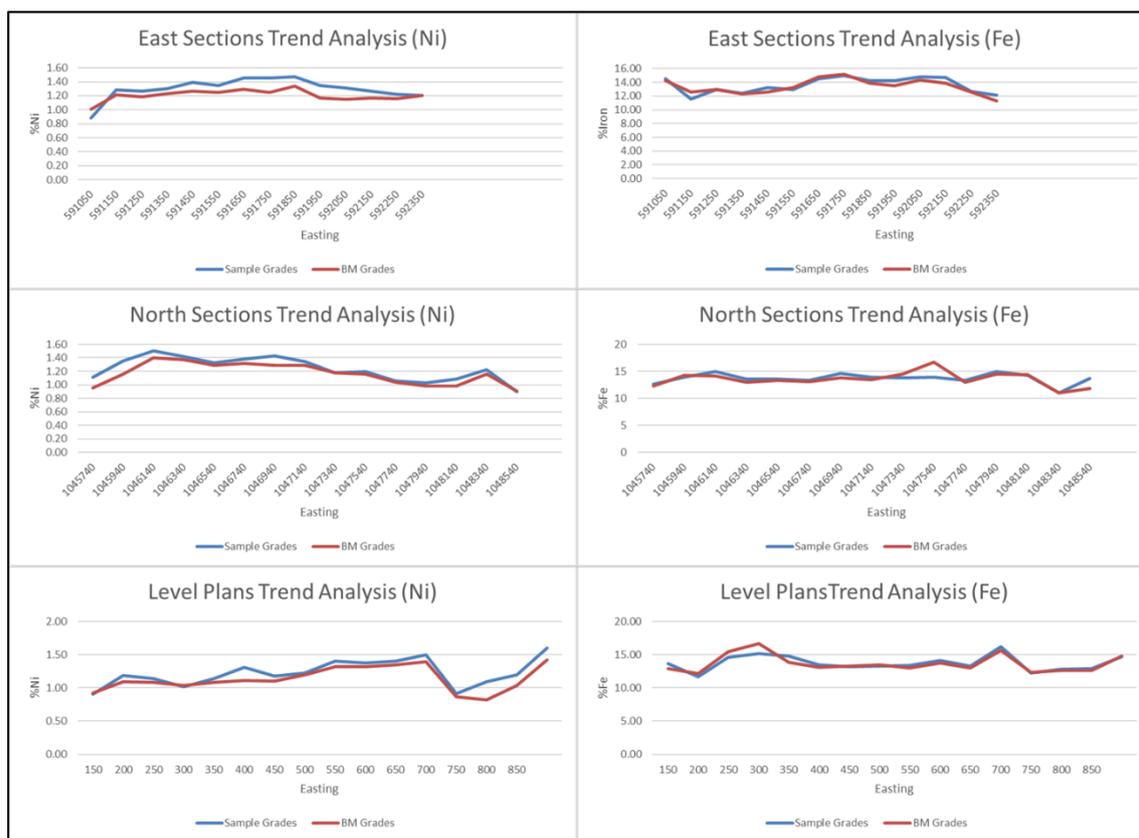


Figure 98. CAGA-3 Block Model Validation - Trend Analysis (Saprolite)

10.12 Mineral Resource Categories Used

The mineral resource categories used are based on the 2007 edition of the Philippine Mineral Reporting Council (PMRC) Code and its implementing rules and regulations. The data preparation, collation and preliminary interpretation were undertaken by the BOHRER Mining Consulting Services (BMCS) technical staff headed by the CP-Geologist Edgardo G. Garcia, a qualified geologist. He is a member in good standing with the Geological Society of the Philippines, AusIMM and is neither an employee or has interest in PGMC.

Data verification/validation, final interpretation, resource estimation and report preparation was undertaken by a team supervised by Consulting Geologist- CP, Edgardo G. Garcia, and composed of Mining Engineers Carlo A. Matilac/May Elaine C. Amora and Sr. Geologist Rainier B. Matusalem.

Resources for this deposit were estimated to PMRC standards and involve resource categories of measured, indicated or inferred status. These resource categories as outlined in "The 2007 Philippine Mineral Reporting Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (The PMRC Code)" include:

- A '**Mineral Resource**' refers to the concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence

and sampling. Mineral Resources are subdivided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

In this report, the term Mineral Resource refers to the mineral resource that has been blocked by the Company by means of core drilling that was properly located and the samples systematically analyzed in order to determine the vertical extent of the limonite/saprolite development. The horizontal limits were defined by means of geological mapping and incorporation of a surface topographic survey. The cut-off thickness is based on technological operational constraints and current market specifications.

- A **‘Measured Mineral Resource’** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

In this report, the term Measured Mineral Resource refers to nickel laterite resource that has been drilled to an average grid of 50m x 50m in the case of limonite material which has a more consistent grade trend resulting in high confidence level in estimates and 25m x 25m for saprolite material which has a higher variability in grades due to the unpredictable occurrence of unmineralized rocks within the enriched saprolite profile.

Mineralisation may be classified as a Measured Mineral Resource when the nature, quality, amount and distribution of data are such as to leave no reasonable doubt, in the opinion of the Competent Person determining the Mineral Resource, that the tonnage and grade of the mineralisation can be estimated to within close limits, and that any variation from the estimate would be unlikely to significantly affect potential economic viability. This category requires a high level of confidence in, and understanding of, the geology and controls of the mineral deposit.

Confidence in the estimate is sufficient to allow the application of technical and economic parameters and to enable an evaluation of economic viability that has a greater degree of certainty than an evaluation based on an Indicated Mineral Resource.

- An **‘Indicated Mineral Resource’** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource, but has a higher level of confidence than that applying to an Inferred Mineral Resource.

In this report, the term Indicated Mineral Resource refers to nickel laterite resource that has been drilled to an average grid of 100m x 100m for limonite material and 50m x 50m for saprolite material.

Mineralisation may be classified as an Indicated Mineral Resource when the nature, quality, amount and distribution of data are such as to allow confident interpretation of the geological framework and to assume continuity of mineralisation. Confidence in the estimate is sufficient to allow the application of technical and economic viability.

The Qualified Person must recognize the importance of the Indicated Mineral Resource category to the advancement of the feasibility of the project. An Indicated Mineral Resource estimate is of sufficient quality to support a Preliminary Feasibility Study which can serve as the basis for major development decisions.

- An **'Inferred Mineral Resource'** is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, working and drill holes which may be limited or of uncertain quality and reliability. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource.

In this report, the term Inferred Mineral Resource refers to nickel laterite resource that has been drilled to an average grid of 200m x 200m for limonite material and 100m x 100m for saprolite material.

The Inferred category is intended to cover situations where a mineral concentration or occurrence has been identified and limited measurements and sampling completed, but where the data are insufficient to allow the geological and/or grade continuity to be confidently interpreted. Commonly, it would be reasonable to expect that the majority of Inferred Mineral Resources would upgrade to Indicated or Measured Mineral Resources, but it should not be assumed that such upgrading will always occur. Confidence in the estimate of Inferred Mineral Resources is usually not sufficient to allow the results of the application of technical and economic parameters to be used for detailed planning and evaluation of economic viability worthy of public disclosure. For this reason, there is no direct link from an Inferred Mineral Resource to any category of Ore Reserves. Caution should be exercised if this category is considered in technical and economic studies.

The choice of the appropriate category of Mineral Resource depends upon the quantity, distribution and quality of data available and the level of confidence that attaches to those data.

The appropriate Mineral Resource category must be determined by a Competent Person or Persons.

In summary, the classification of Mineral Resources according to confidence categories (i.e. Measured, Indicated or Inferred) for PMRC Standards (**Table-55**) is dependent on the average spacing of drill hole data points from which reliable laterite thickness and laterite quality can be obtained. The geological complexity, deposit

continuity and quality of the limonite/saprolite deposits being evaluated dictate the level of drilling density required to meet the PMRC Standards.

Table-56. PMRC Classification of CAGA-2 and CAGA-3 Deposits

Lithology	Grid	Pass 1	Pass 2	Pass 3	Pass 4
Limonite	25	Measured	Measured	Indicated	Inferred
	50	Measured	Indicated	Inferred	
	100	Indicated	Inferred		
Saprolite	25	Measured	Indicated	Inferred	Inferred
	50	Indicated	Inferred	Inferred	
	100	Inferred	Inferred		
Bedrock	25	Measured	Indicated	Inferred	Inferred
	50	Indicated	Inferred	Inferred	Inferred
	100	Inferred	Inferred	Inferred	

Block model of CAGA-2 and CAGA-3 Deposits showing PMRC Classification and other model presentations are shown in **Figures-99 to 100**.

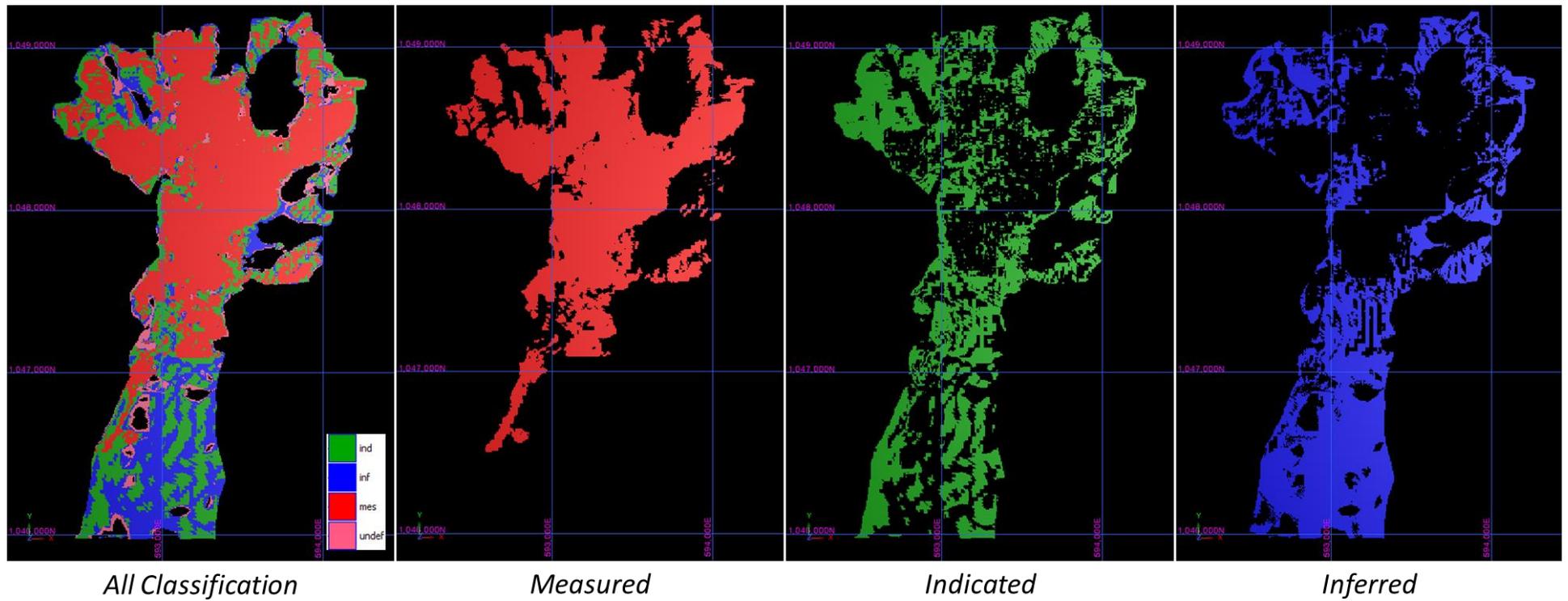


Figure-99. Block Model of CAGA-2 Showing PMRC Classification

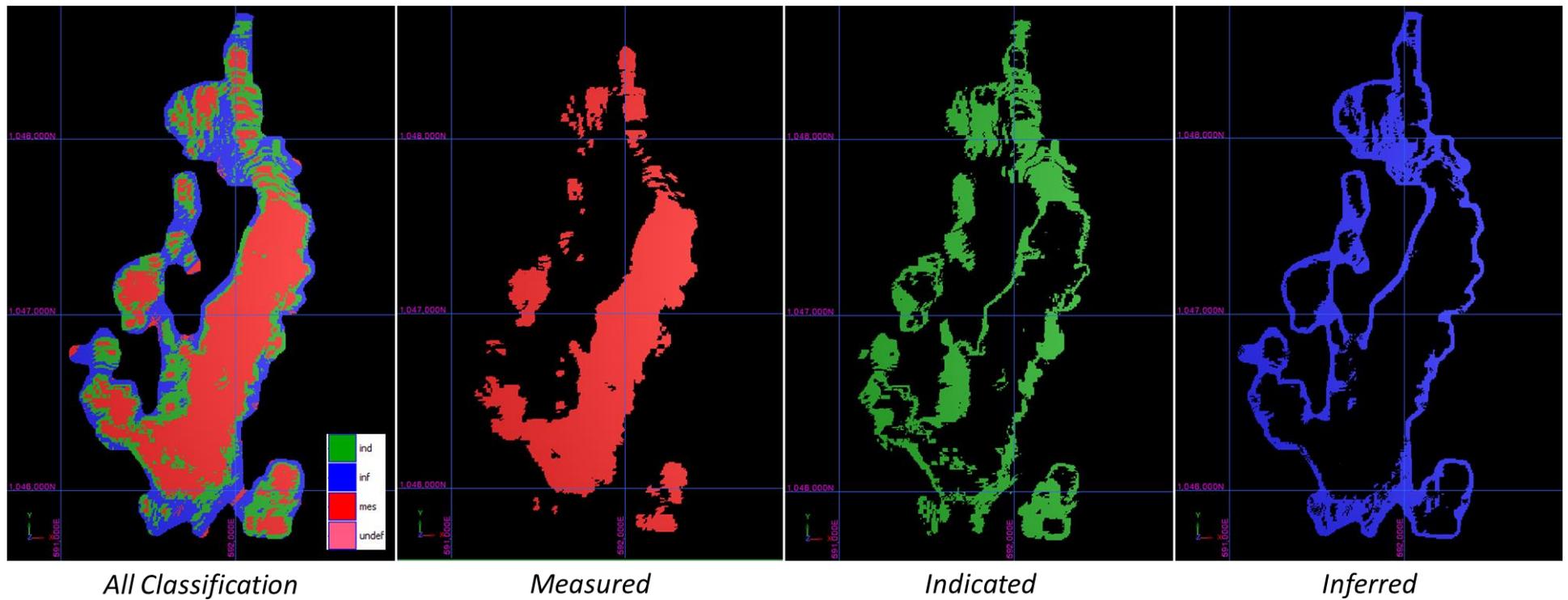


Figure-100. Block Model of CAGA-3 Showing PMRC Classification

10.13 Statement of Mineral Resources

All resource estimation work has been undertaken by BMCS and PGMC Teams composed of mining engineers Carlo A. Matilac/May Elaine C. Amora and Sr. Geologist Rainier B. Matusalem with able supervision of Geologist- CP Edgardo G. Garcia. Engr. Carlo A. Matilac is a member of the Philippine Society of Mining Engineers (PSEM) and has sufficient experience in the estimation of Ni laterites. Edgardo G. Garcia is a member of both the Geological Society of the Philippines (GSP), PMRC-CP, the Australasian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience in the estimation of Ni laterites to qualify as a competent person under the PMRC/JORC guidelines.

Resource classification was thoroughly evaluated and also correlated with previous and current resource reports. The Geologist-CP and PGMC team were convinced after interpretation and review that much of the PGMC exploration data is accurate and proceeded to calculate the resource estimate.

Saprolite material is highly variable due to the unpredictable occurrence of poorly mineralized rocks within the Ni enriched weathered/saprolite profile. The lower resource classification applied for saprolite reflects the lower confidence in the prediction of saprolite grades and volumes.

Based on the above resource categories, the estimated mineral resources are given in **Tables-57 to 60**.

The grade tonnage data for the mineral resource is given in **Tables-61 to 65** and the grade tonnage curves are shown in **Figures-101 to 105**.

PGMC Mineral Resource Evaluation (PMRC-CP Report)

Table-57. Statement of Mineral Resources for Low Grade Nickel as of 23 June 2017 (Measured and Indicated)

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
Low Grade (Ni >= 0.7%, Fe >= 48%)	CAGA-4 (as of 23 June 2017)	Measured	3,736,000	1.0	49.8	1.0
		Indicated	1,159,000	1.0	50.1	1.0
		Subtotal	4,895,000	1.0	49.9	1.0
	CAGA-2 (as of 23 June 2017)	Measured	1,477,000	1.0	49.8	1.2
		Indicated	767,000	1.0	49.6	1.2
		Subtotal	2,244,000	1.0	49.7	1.2
	CAGA-3 (as of 23 June 2017 (unmined)*	Measured	1,307,000	1.0	49.1	1.1
		Indicated	87,000	1.0	48.7	1.1
		Subtotal	1,394,000	1.0	49.0	1.1
	CAGA-1 (unmined)*	Measured	1,257,000	0.9	49.4	1.2
		Indicated	293,000	0.9	49.5	1.2
		Subtotal	1,550,000	0.9	49.4	1.2
	CAGA-5 (unmined)*	Measured	536,000	1.0	49.5	1.2
		Indicated	147,000	0.9	49.3	1.2
		Subtotal	683,000	1.0	49.5	1.2
	Combined	Measured	8,313,000	1.0	49.6	1.1
		Indicated	2,453,000	1.0	49.7	1.1
		Total	10,766,000	1.0	49.6	1.1

Notes:

1. The PGMC Statement of Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Codes.
2. All Mineral Resources figures reported in the table above represent estimates at 23 June 2017. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
3. Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition) which was adopted from JORC.
4. The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Project, namely: CAGA-1 to CAGA-5. However, estimates* for CAGA-1 and CAGA-5 remain the same as reported on 31 May 2014 as no additional exploration/drilling and mining operations have been undertaken since then.

PGMC Mineral Resource Evaluation (PMRC-CP Report)

Table-58. Statement of Mineral Resources for Medium Grade Nickel as of 23 June 2017 (Measured and Indicated)

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
Medium Grade (Ni >= 0.8%, Ni < 1.5%, Fe < 48%)	CAGA-4 (as of 23 June 2017)	Measured	4,868,000	1.1	41.8	1.0
		Indicated	4,341,000	1.2	21.9	1.1
		Subtotal	9,209,000	1.1	32.4	1.1
	CAGA-2 (as of 23 June 2017)	Measured	5,456,000	1.2	22.5	1.3
		Indicated	4,380,000	1.1	26.4	1.3
		Subtotal	9,836,000	1.1	24.2	1.3
	CAGA-3 (as of 23 June 2017 (unmined)*)	Measured	6,710,000	1.2	28.3	1.2
		Indicated	2,878,000	1.1	23.0	1.2
		Subtotal	9,588,000	1.1	26.7	1.2
	CAGA-1 (unmined)*	Measured	3,092,000	1.0	43.7	1.2
		Indicated	3,071,000	1.0	26.9	1.2
		Subtotal	6,163,000	1.0	35.3	1.2
	CAGA-5 (unmined)*	Measured	866,000	1.0	43.8	1.2
		Indicated	1,502,000	1.0	21.0	1.2
		Subtotal	2,368,000	1.0	29.3	1.2
	Combined	Measured	20,992,000	1.1	32.8	1.2
		Indicated	16,172,000	1.1	24.2	1.2
		Total	37,164,000	1.1	29.1	1.2

Notes:

1. The PGMC Statement of Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Codes.
2. All Mineral Resources figures reported in the table above represent estimates at 23 June 2017. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
3. Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition) which was adopted from JORC.
4. The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Project, namely: CAGA-1 to CAGA-5. However, estimates for CAGA-1 and CAGA-5 remain the same as reported on 31 May 2014 as no additional exploration/drilling and mining operations have been undertaken since then.

PGMC Mineral Resource Evaluation (PMRC-CP Report)

Table-59. Statement of Mineral Resources for High Grade Nickel as of 23 June 2017 (Measured and Indicated)

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
High Grade (Ni >= 1.5%, Fe < 48%)	CAGA-4 (as of 23 June 2017)	Measured	517,000	1.8	19.2	1.1
		Indicated	2,311,000	1.8	12.7	1.2
		Subtotal	2,828,000	1.8	13.9	1.2
	CAGA-2 (as of 23 June 2017)	Measured	1,276,000	1.7	11.9	1.3
		Indicated	179,000	1.7	12.7	1.3
		Subtotal	1,455,000	1.7	12.0	1.3
	CAGA-3 (as of 23 June 2017 (unmined)*)	Measured	1,670,000	1.7	15.2	1.2
		Indicated	157,000	1.6	14.1	1.2
		Subtotal	1,827,000	1.7	15.1	1.2
	CAGA-1 (unmined)*	Measured				
		Indicated	106,000	1.7	16.2	1.1
		Subtotal	106,000	1.7	16.2	1.1
	CAGA-5 (unmined)*	Measured	7,000	1.6	42.9	1.2
		Indicated	7,000	1.5	25.7	1.2
		Subtotal	14,000	1.6	34.3	1.2
	Combined	Measured	3,470,000	1.7	14.7	1.2
		Indicated	2,760,000	1.8	12.9	1.2
		Total	6,230,000	1.7	13.9	1.2

Notes:

1. The PGMC Statement of Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Codes.
2. All Mineral Resources figures reported in the table above represent estimates at 23 June 2017. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
3. Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition which was adopted from JORC).
4. The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Project, namely: CAGA-1 to CAGA-5. However, estimates for CAGA-1 and CAGA-5 remain the same as reported on 31 May 2014 as no additional exploration/drilling and mining operations have been undertaken since then.

PGMC Mineral Resource Evaluation (PMRC-CP Report)

Table-60. Statement of Mineral Resources for Total Nickel as of 23 June 2017 (Measured and Indicated)

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
Combined	CAGA-4 (as of 23 June 2017)	Measured	9,121,000	1.1	43.8	1.0
		Indicated	7,811,000	1.3	23.3	1.1
		Subtotal	16,932,000	1.2	34.4	1.1
	CAGA-2 (as of 23 June 2017)	Measured	8,209,000	1.2	25.8	1.3
		Indicated	5,326,000	1.1	29.3	1.3
		Subtotal	13,535,000	1.1	27.1	1.3
	CAGA-3 (as of 23 June 2017 (unmined)*	Measured	9,687,000	1.2	28.9	1.2
		Indicated	3,122,000	1.1	23.3	1.2
		Subtotal	12,809,000	1.2	27.5	1.2
	CAGA-1 (unmined)*	Measured	4,349,000	1.0	45.3	1.2
		Indicated	3,470,000	1.0	28.5	1.2
		Subtotal	7,819,000	1.0	37.9	1.2
	CAGA-5 (unmined)*	Measured	1,409,000	1.0	46.0	1.2
		Indicated	1,656,000	1.0	23.5	1.2
		Subtotal	3,065,000	1.0	33.8	1.2
Combined	Measured	32,775,000	1.1	35.2	1.2	
	Indicated	21,385,000	1.2	25.7	1.2	
	Total	54,160,000	1.1	31.4	1.2	

Notes:

1. The PGMC Statement of Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Codes.
2. All Mineral Resources figures reported in the table above represent estimates at 23 June 2017. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
3. Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition) which was adopted from JORC.
4. The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Project, namely: CAGA-1 to CAGA-5. However, estimates for CAGA-1 and CAGA-5 remain the same as reported on 31 May 2014 as no additional exploration/drilling and mining operations have been undertaken since then.
5. The increase in PGMC's Mineral Resources at CAGA-2 and CAGA-3 (2016:2017) was a result of additional resources estimated upon completion of additional exploration drilling from 2016 – 2017.

Table-61. CAGA-1 Grade-Tonnage Relationship (Measured + Indicated) as of 23 June 2017

Ni Cut-off	DMT	Ni	Co	Fe
0.00	11,855,932	0.86	0.07	32.35
0.10	11,855,932	0.86	0.07	32.35
0.20	11,855,932	0.86	0.07	32.35
0.30	11,722,912	0.86	0.07	32.63
0.40	11,258,591	0.88	0.08	33.64
0.50	10,622,351	0.91	0.08	35.11
0.60	9,970,038	0.93	0.08	36.50
0.70	9,283,435	0.95	0.09	37.23
0.80	7,615,851	1.00	0.09	37.01
0.90	5,333,631	1.06	0.09	35.12
1.00	2,928,092	1.15	0.08	30.43
1.10	1,506,144	1.25	0.08	25.03
1.20	781,201	1.35	0.07	21.06
1.30	402,927	1.46	0.07	18.69
1.40	191,472	1.58	0.07	16.77
1.50	106,096	1.69	0.07	16.20
1.60	63,443	1.79	0.07	15.55
1.70	37,497	1.90	0.07	15.41
1.80	25,576	1.96	0.07	15.42
1.90	17,408	2.02	0.07	15.59
2.00	10,107	2.07	0.07	16.30
2.10	1,774	2.12	0.07	17.15

Table-62. CAGA-2 Grade-Tonnage Relationship (Measured + Indicated) as of 23 June 2017

Ni Cut-off	DMT	Ni	Fe	SG
0.00	15,117,046	1.10	27.90	1.25
0.10	15,117,046	1.10	27.90	1.25
0.20	15,117,046	1.10	27.90	1.25
0.30	15,116,932	1.10	27.90	1.25
0.40	15,104,630	1.10	27.91	1.25
0.50	15,065,384	1.10	27.93	1.25
0.60	14,928,189	1.11	27.94	1.25
0.70	14,308,774	1.13	27.50	1.26
0.80	13,373,955	1.16	26.87	1.26
0.90	11,647,871	1.20	25.33	1.26
1.00	9,345,738	1.26	22.64	1.27
1.10	6,842,965	1.34	18.28	1.28
1.20	4,935,343	1.42	15.26	1.29
1.30	3,456,566	1.50	13.40	1.30
1.40	2,231,203	1.59	12.28	1.30
1.50	1,455,638	1.67	12.00	1.30
1.60	861,512	1.76	11.78	1.30
1.70	469,297	1.85	11.89	1.30
1.80	243,281	1.96	12.12	1.30
1.90	137,145	2.05	12.03	1.30
2.00	70,723	2.14	11.89	1.30
2.10	36,639	2.23	11.99	1.30
2.20	19,805	2.30	11.91	1.30
2.30	10,740	2.37	11.84	1.30
2.40	2,628	2.53	12.78	1.30

Table-63. CAGA-3 Grade-Tonnage Relationship (Measured + Indicated) as of 23 June 2017

Ni Cut-off	DMT	Ni	Fe	SG
0.00	13,305,521	1.18	27.71	1.16
0.10	13,305,521	1.18	27.71	1.16
0.20	13,305,486	1.18	27.71	1.16
0.30	13,305,091	1.18	27.71	1.16
0.40	13,301,086	1.18	27.71	1.16
0.50	13,284,903	1.18	27.72	1.16
0.60	13,250,842	1.18	27.72	1.16
0.70	13,127,001	1.18	27.69	1.16
0.80	12,675,882	1.20	27.27	1.16
0.90	11,445,897	1.24	25.87	1.16
1.00	9,481,161	1.30	23.10	1.17
1.10	7,402,325	1.37	19.63	1.18
1.20	5,695,067	1.44	16.73	1.19
1.30	4,198,374	1.51	15.19	1.20
1.40	2,901,843	1.58	14.98	1.20
1.50	1,826,395	1.66	15.12	1.20
1.60	1,104,862	1.74	15.24	1.20
1.70	619,700	1.82	15.45	1.20
1.80	296,403	1.91	15.58	1.20
1.90	115,700	2.01	16.11	1.20
2.00	47,743	2.12	16.01	1.20
2.10	25,173	2.20	17.42	1.20
2.20	9,915	2.29	17.03	1.20
2.30	3,727	2.34	18.46	1.20
2.40	1,020	2.41	17.96	1.20

Table-64. CAGA-4 Grade-Tonnage Relationship (Measured + Indicated) as of 23 June 2017

Ni Cut-off	DMT	Ni	Fe	SG
0.00	18,267,384	1.17	34.35	1.06
0.10	18,267,384	1.17	34.35	1.06
0.20	18,267,384	1.17	34.35	1.06
0.30	18,237,745	1.17	34.35	1.06
0.40	18,197,871	1.17	34.39	1.06
0.50	18,164,015	1.17	34.43	1.06
0.60	18,063,138	1.18	34.43	1.06
0.70	17,679,194	1.19	34.35	1.06
0.80	16,789,898	1.21	33.98	1.06
0.90	15,024,003	1.25	33.01	1.07
1.00	12,312,673	1.32	30.77	1.08
1.10	9,137,617	1.42	26.62	1.09
1.20	6,628,235	1.52	21.90	1.12
1.30	5,015,044	1.61	18.09	1.13
1.40	3,863,695	1.69	15.63	1.14
1.50	2,938,507	1.77	14.19	1.15
1.60	2,222,760	1.85	13.41	1.16
1.70	1,632,085	1.92	13.00	1.16
1.80	1,147,717	1.99	12.85	1.16
1.90	748,658	2.07	12.96	1.16
2.00	472,257	2.15	13.02	1.16
2.10	278,589	2.23	12.91	1.16
2.20	144,909	2.31	13.06	1.16
2.30	66,473	2.38	12.95	1.16
2.40	25,556	2.47	13.65	1.16

Table-65. CAGA-5 Grade-Tonnage Relationship (Measured + Indicated) as of 23 June 2017

Ni Cut-off	DMT	Ni	Co	Fe
0.00	6,255,210	0.76	0.07	23.34
0.10	6,255,210	0.76	0.07	23.34
0.20	6,255,210	0.76	0.07	23.34
0.30	6,125,160	0.77	0.07	23.69
0.40	5,345,790	0.83	0.08	25.99
0.50	4,610,370	0.89	0.09	28.66
0.60	4,004,760	0.94	0.10	31.07
0.70	3,516,960	0.98	0.10	32.22
0.80	3,052,785	1.02	0.10	32.56
0.90	2,417,985	1.06	0.10	32.42
1.00	1,550,340	1.13	0.10	32.43
1.10	762,390	1.21	0.11	34.23
1.20	329,535	1.30	0.12	36.55
1.30	132,660	1.40	0.13	38.98
1.40	52,875	1.47	0.13	40.50
1.50	20,115	1.54	0.12	38.28
1.60	2,160	1.63	0.13	49.28

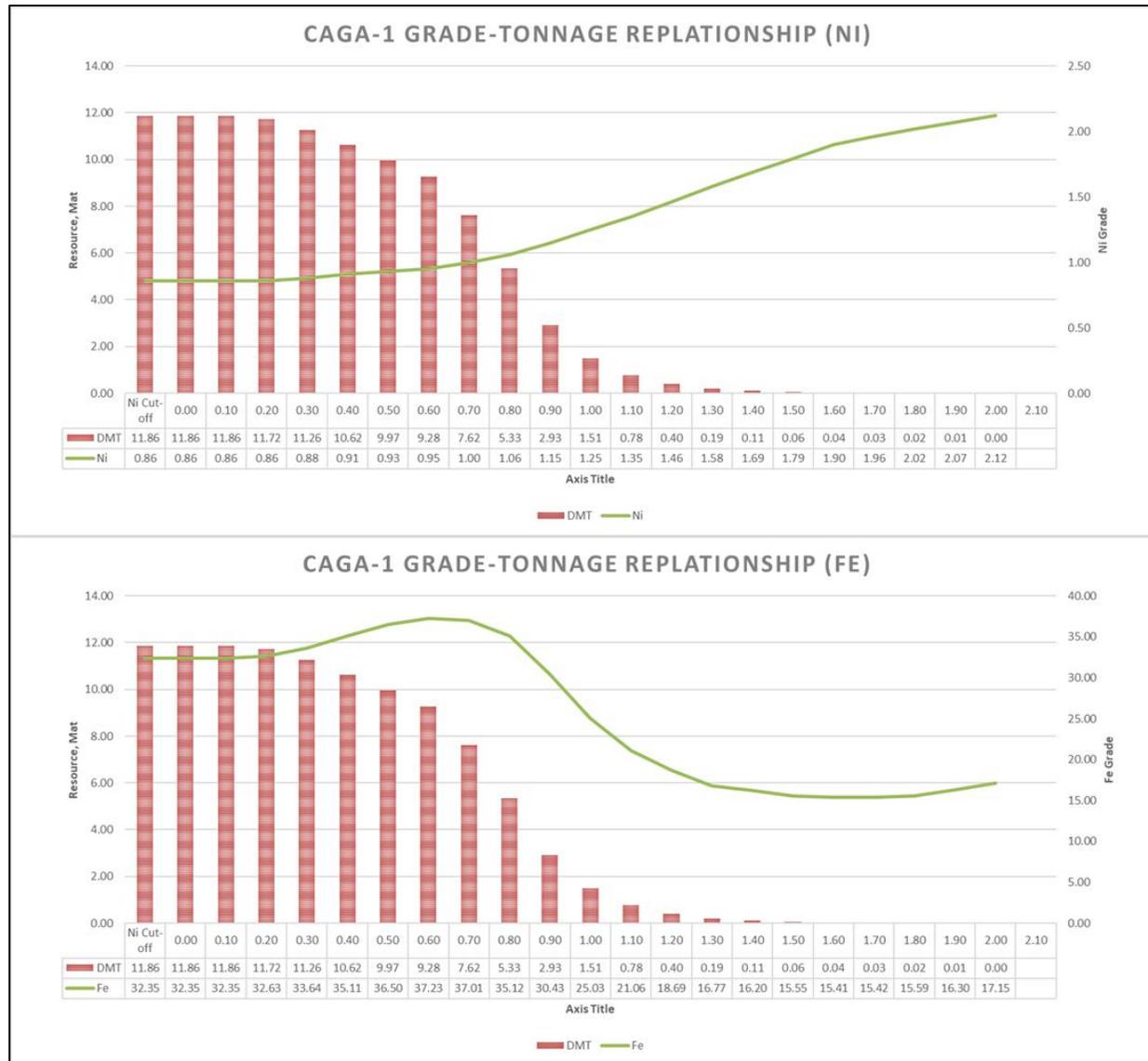


Figure-101. CAGA-1 Grade-Tonnage Relationship (Measured + Indicated)

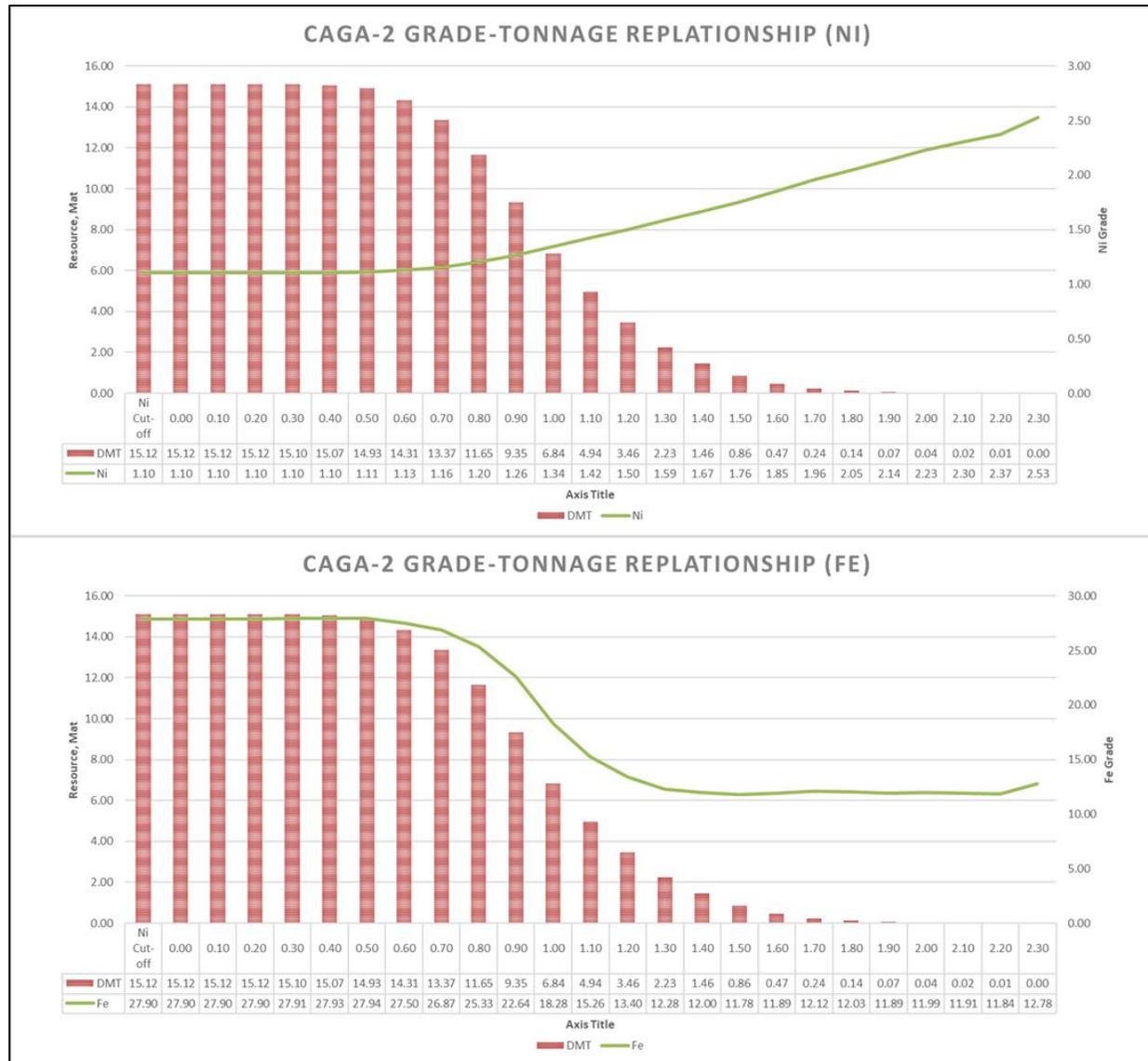


Figure-102. CAGA-2 Grade-Tonnage Relationship (Measured + Indicated)

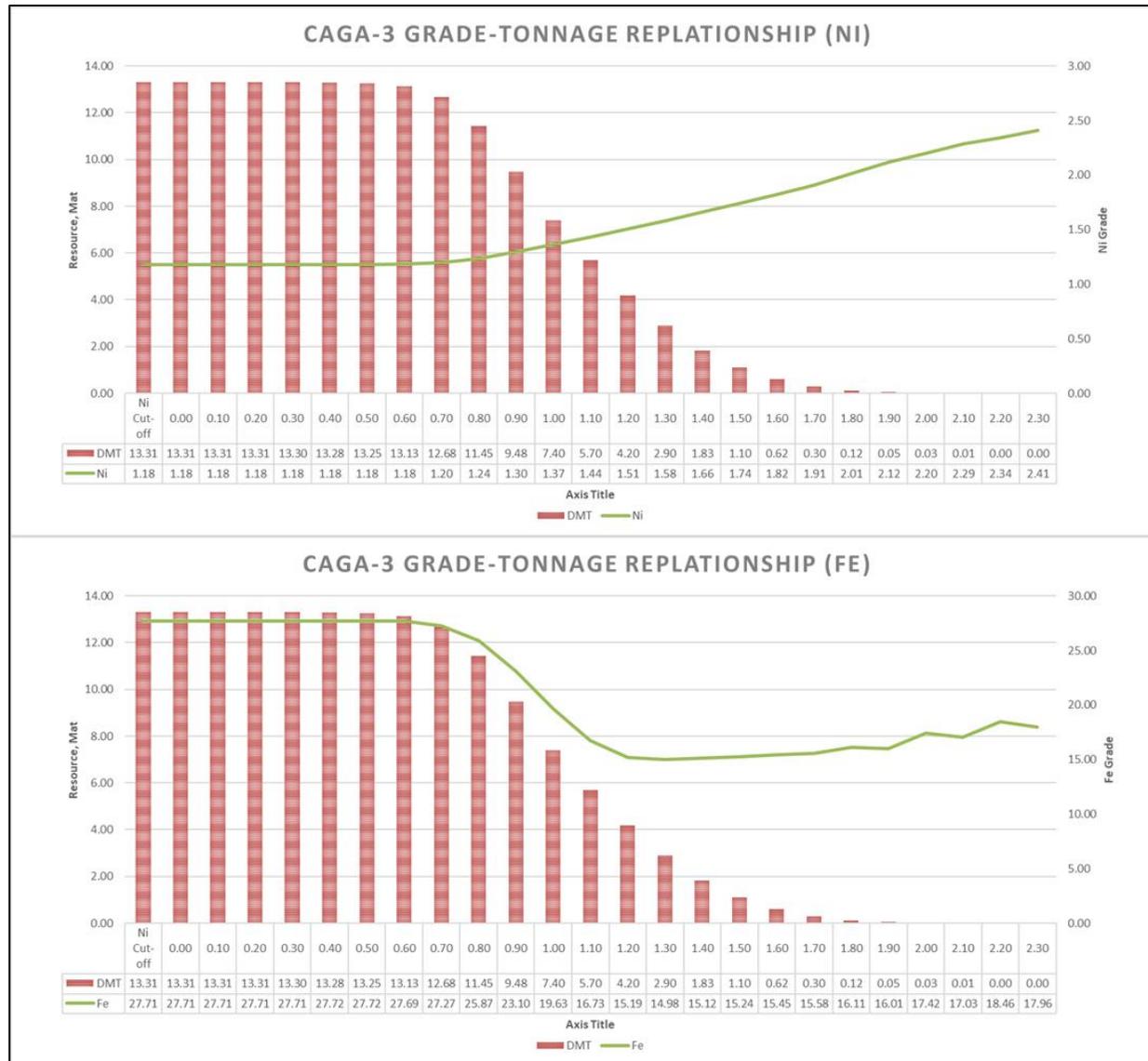


Figure-103. CAGA-3 Grade-Tonnage Relationship (Measured + Indicated)

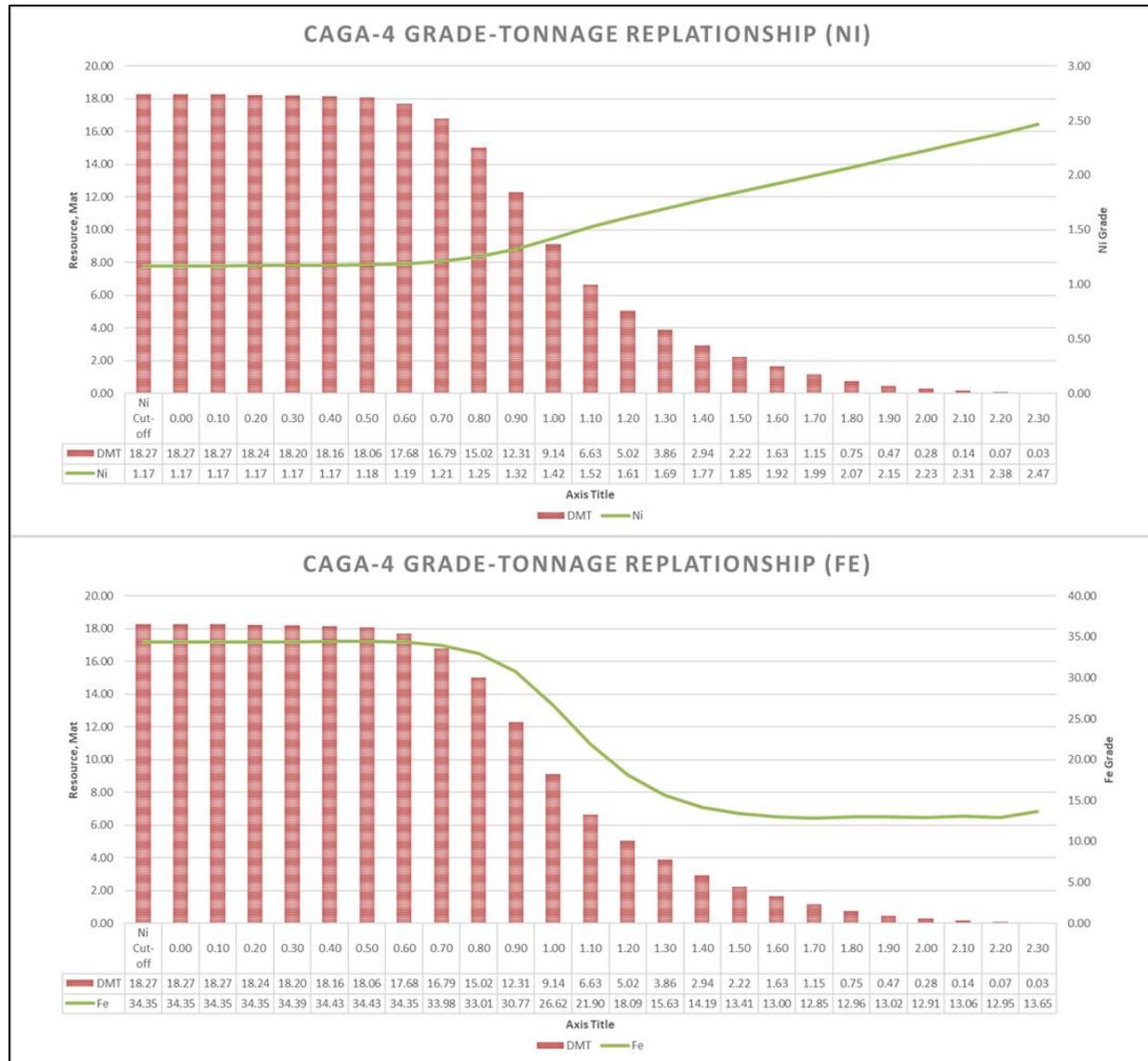


Figure-104. CAGA-4 Grade-Tonnage Relationship (Measured + Indicated)

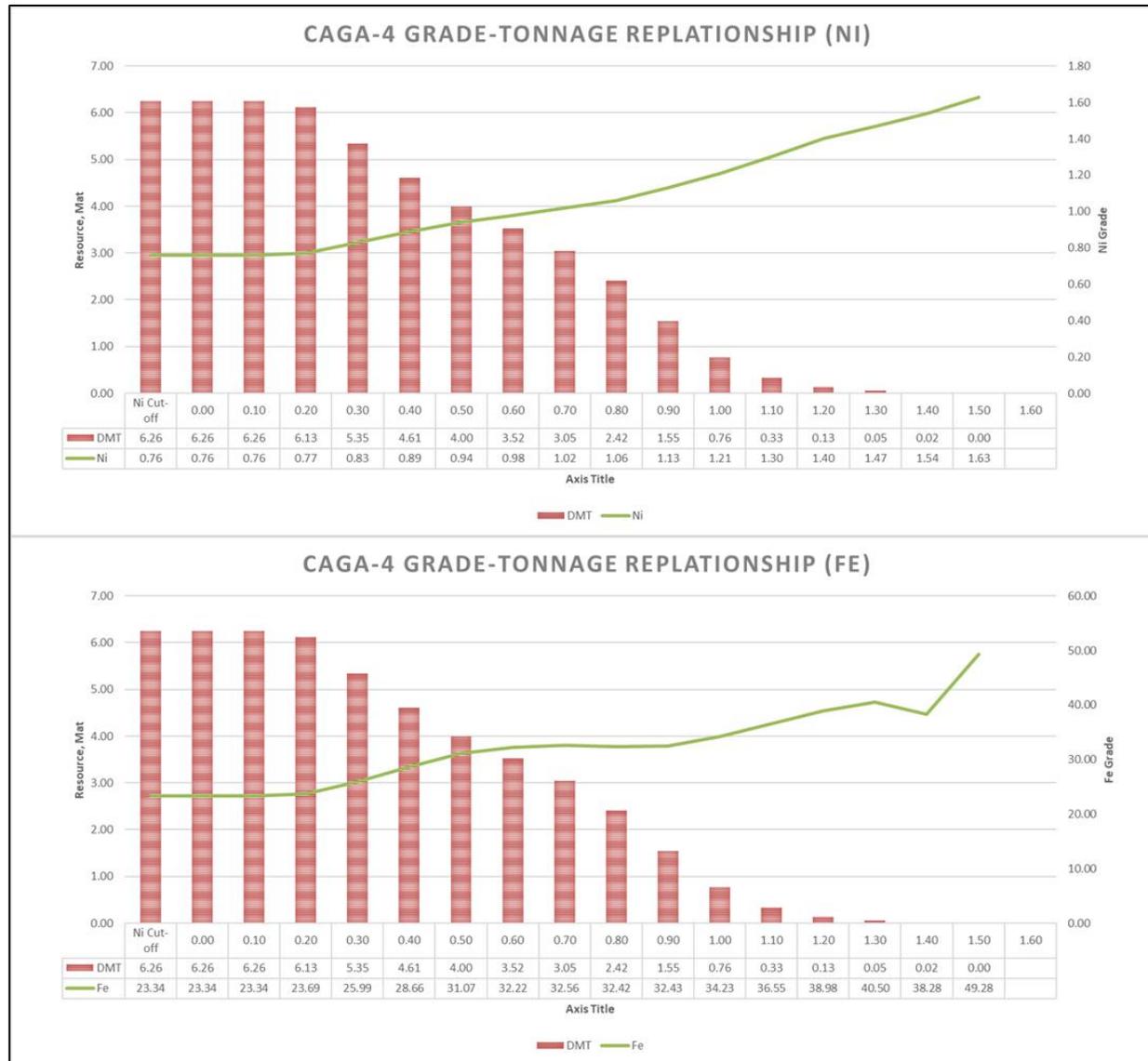


Figure-105. CAGA-5 Grade-Tonnage Relationship (Measured + Indicated)

10.14 Resource Estimates Including Inferred resources

PMRC regulations do not allow inclusion of Inferred Resources in Statement of Mineral Resources. In PGMC's recently concluded exploration program substantial inferred resources totaling 23,982,000 DMT (**Table-69**) of various material types from CAGA-1 to CAGA-5 Deposits have been identified. Substantial new inferred resources were estimated at CAGA-2 and CAGA-3 as a result of the additional drilling on new areas within these two deposits. Previous inferred resources at CAGA-1 and CAGA-5 remain as previously reported in the Mineral Resource Statement of 31 May 2014 and 30 June 2016. With additional drilling, these resources may be upgraded into Indicated or Measured Resources.

These Inferred Resources are presented in **Tables-66 to 69**.

PGMC Mineral Resource Evaluation (PMRC-CP Report)

Table-66. Mineral Resources (+Inferred) for Low Grade Nickel as of 23 June 2017

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
Low Grade (Ni ≥ 0.7%, Fe ≥ 48%)	CAGA-4 (as of 23 June 2017)	Measured	3,736,000	1.0	49.8	1.0
		Indicated	1,159,000	1.0	50.1	1.0
		Inferred	2,079,000	1.0	51.2	1.0
		Subtotal	6,974,000	1.0	50.3	1.0
	CAGA-2 (as of 23 June 2017)	Measured	1,477,000	1.0	49.8	1.2
		Indicated	767,000	1.0	49.6	1.2
		Inferred	96,000	1.0	49.4	1.2
		Subtotal	2,340,000	1.0	49.7	1.2
	CAGA-3 (as of 23 June 2017 (unmined)*)	Measured	1,307,000	1.0	49.1	1.1
		Indicated	87,000	1.0	48.7	1.1
		Inferred	29,000	1.0	48.7	1.1
		Subtotal	1,423,000	1.0	49.0	1.1
	CAGA-1 (unmined)*	Measured	1,257,000	0.9	49.4	1.2
		Indicated	293,000	0.9	49.5	1.2
		Inferred				
		Subtotal	1,550,000	0.9	49.4	1.2
	CAGA-5 (unmined)*	Measured	536,000	1.0	49.5	1.2
		Indicated	147,000	0.9	49.3	1.2
		Inferred	393,000	0.9	49.3	1.0
		Subtotal	1,076,000	0.9	49.4	1.1
	Combined	Measured	8,313,000	1.0	49.6	1.1
		Indicated	2,453,000	1.0	49.7	1.1
		Inferred	2,597,000	1.0	50.8	1.0
		Total	13,363,000	1.0	49.9	1.1

Notes:

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2. All Mineral Resources figures reported in the table above represent estimates at 23 June 2017. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
3. Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition) which was adopted from JORC.
4. The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Project, namely: CAGA-1 to CAGA-5. However, estimates for CAGA-1 and CAGA-5 remain the same as reported on 31 May 2014 as no additional exploration/drilling and mining operations have been undertaken since then.

PGMC Mineral Resource Evaluation (PMRC-CP Report)

Table-67. Mineral Resources (+Inferred) for Medium Grade Nickel as of 23 June 2017

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
Medium Grade (Ni >= 0.8%, Ni < 1.5%, Fe < 48%)	CAGA-4 (as of 23 June 2017)	Measured	4,868,000	1.1	41.8	1.0
		Indicated	4,341,000	1.2	21.9	1.1
		Inferred	9,373,000	1.2	16.4	1.1
		Subtotal	18,582,000	1.1	24.3	1.1
	CAGA-2 (as of 23 June 2017)	Measured	5,456,000	1.2	22.5	1.3
		Indicated	4,380,000	1.1	26.4	1.3
		Inferred	3,800,000	1.0	21.0	1.3
		Subtotal	13,636,000	1.1	23.3	1.3
	CAGA-3 (as of 23 June 2017 (unmined)*)	Measured	6,710,000	1.2	28.3	1.2
		Indicated	2,878,000	1.1	23.0	1.2
		Inferred	2,091,000	1.1	20.0	1.2
		Subtotal	11,679,000	1.1	25.5	1.2
	CAGA-1 (unmined)*	Measured	3,092,000	1.0	43.7	1.2
		Indicated	3,071,000	1.0	26.9	1.2
		Inferred	717,000	1.1	17.2	1.1
		Subtotal	6,880,000	1.0	33.4	1.2
	CAGA-5 (unmined)*	Measured	866,000	1.0	43.8	1.2
		Indicated	1,502,000	1.0	21.0	1.2
		Inferred	1,785,000	1.0	26.3	1.2
		Subtotal	4,153,000	1.0	28.0	1.2
Combined	Measured	20,992,000	1.1	32.8	1.2	
	Indicated	16,172,000	1.1	24.2	1.2	
	Inferred	17,766,000	1.1	18.8	1.2	
	Total	54,930,000	1.1	25.8	1.2	

Notes:

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2. All Mineral Resources figures reported in the table above represent estimates at 23 June 2017. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
3. Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition) which was adopted from JORC.
4. The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Project, namely: CAGA-1 to CAGA-5. However, estimates* for CAGA-1 and CAGA-5 remain the same as reported on 31 May 2014 as no additional exploration/drilling and mining operations have been undertaken since then.

PGMC Mineral Resource Evaluation (PMRC-CP Report)

Table-68. Mineral Resources (+Inferred) for High Grade Nickel as of 23 June 2017

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
High Grade (Ni >= 1.5%, Fe < 48%)	CAGA-4 (as of 23 June 2017)	Measured	517,000	1.8	19.2	1.1
		Indicated	2,311,000	1.8	12.7	1.2
		Inferred	3,338,000	1.7	13.0	1.2
		Subtotal	6,166,000	1.8	13.4	1.2
	CAGA-2 (as of 23 June 2017)	Measured	1,276,000	1.7	11.9	1.3
		Indicated	179,000	1.7	12.7	1.3
		Inferred	130,000	1.6	13.3	1.3
		Subtotal	1,585,000	1.7	12.1	1.3
	CAGA-3 (as of 23 June 2017 (unmined)*)	Measured	1,670,000	1.7	15.2	1.2
		Indicated	157,000	1.6	14.1	1.2
		Inferred	76,000	1.6	12.6	1.2
		Subtotal	1,903,000	1.7	15.0	1.2
	CAGA-1 (unmined)*	Measured				
		Indicated	106,000	1.7	16.2	1.1
		Inferred	23,000	1.7	15.6	1.1
		Subtotal	129,000	1.7	16.1	1.1
	CAGA-5 (unmined)*	Measured	7,000	1.6	42.9	1.2
		Indicated	7,000	1.5	25.7	1.2
		Inferred	52,000	1.6	38.2	1.2
		Subtotal	66,000	1.6	37.4	1.2
	Combined	Measured	3,470,000	1.7	14.7	1.2
		Indicated	2,760,000	1.8	12.9	1.2
		Inferred	3,619,000	1.7	13.4	1.2
Total		9,849,000	1.7	13.7	1.2	

Notes:

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2. All Mineral Resources figures reported in the table above represent estimates at 23 June 2017. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
3. Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition) which was adopted from JORC.
4. The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Project, namely: CAGA-1 to CAGA-5. However, estimates* for CAGA-1 and CAGA-5 remain the same as reported on 31 May 2014 as no additional exploration/drilling and mining operations have been undertaken since then.

PGMC Mineral Resource Evaluation (PMRC-CP Report)

Table-69. Mineral Resources (+Inferred) for Total Nickel as of 23 June 2017

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Dry Bulk Density
Combined	CAGA-4 (as of 23 June 2017)	Measured	9,121,000	1.1	43.8	1.0
		Indicated	7,811,000	1.3	23.3	1.1
		Inferred	14,790,000	1.3	20.5	1.1
		Subtotal	31,722,000	1.2	27.9	1.1
	CAGA-2 (as of 23 June 2017)	Measured	8,209,000	1.2	25.8	1.3
		Indicated	5,326,000	1.1	29.3	1.3
		Inferred	4,026,000	1.1	21.4	1.3
		Subtotal	17,561,000	1.1	25.8	1.3
	CAGA-3 (as of 23 June 2017 (unmined))*	Measured	9,687,000	1.2	28.9	1.2
		Indicated	3,122,000	1.1	23.3	1.2
		Inferred	2,196,000	1.1	20.1	1.2
		Subtotal	15,005,000	1.2	26.4	1.2
	CAGA-1 (unmined)*	Measured	4,349,000	1.0	45.3	1.2
		Indicated	3,470,000	1.0	28.5	1.2
		Inferred	740,000	1.1	17.2	1.1
		Subtotal	8,559,000	1.0	36.1	1.2
	CAGA-5 (unmined)*	Measured	1,409,000	1.0	46.0	1.2
		Indicated	1,656,000	1.0	23.5	1.2
		Inferred	2,230,000	1.0	30.6	1.2
		Subtotal	5,295,000	1.0	32.5	1.2
Combined	Measured	32,775,000	1.1	35.2	1.2	
	Indicated	21,385,000	1.2	25.7	1.2	
	Inferred	23,982,000	1.2	21.5	1.2	
	Total	78,142,000	1.2	28.4	1.2	

Notes:

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2. All Mineral Resources figures reported in the table above represent estimates at 23 June 2017. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
3. Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition) which was adopted from JORC.
4. The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Project, namely: CAGA-1 to CAGA-5. However, estimates* for CAGA-1 and CAGA-5 remain the same as reported on 31 May 2014 as no additional exploration/drilling and mining operations have been undertaken since then.
5. The increase in PGMC's Mineral Resources at CAGA-2 and CAGA-3 (2016:2017) was a result of additional resources estimated upon completion of additional exploration drilling from 2016 – 2017.

10.15 Comments on the Mineral Resource Statements

- Resource classification and estimation was thoroughly evaluated and also correlated with previous and current resource reports. The Geologist-CP is convinced after interpretation and review that much of the PGMC exploration data was accurate and correlatable for the resource estimations undertaken in 2012, 2014, 2016, and 2017.
- Combined (measured + indicated) estimates as at 30 June 2016 was 50,314,000 DMT as compared to combined (measured + indicated) as at 23 June 2017 of 54,160,000 DMT.
- Despite mine depletion at CAGA-2 and CAGA-4 mines over a period of one year since last resource update of 30 June 2016, the combined mineral resources have significantly increased by 3,846,000 DMT which is indicative of additional resources resulting from the recent exploration.
- Highly notable was the **78% or 5,624,000 DMT increase in CAGA-3** (unmined) mineral resources from the 2016 estimate of 7,185,000 DMT to the 2017 estimate of 12,809,000 DMT.
- Substantial **inferred resources totaling 23,982,000 DMT** of various material types from CAGA-1 to CAGA-5 have also been estimated and these need further drilling to upgrade resource confidence level.

10.16 Exploration Potential

Possible potential areas were previously interpreted at the peripheral extensions of the identified deposits (CAGA-1 to CAGA-5), at the Western Area (CAGA-6) and at the unexplored laterites at CAGA-7. These may be areas of moderate, isolated laterite profiles which may become feasible if mined in conjunction with the existing deposits.

With the objective of increasing the resource inventory, PGMC, has started implementing an exploration drilling program to delineate and assess these other potential areas beginning with CAGA-2, CAGA-3 and CAGA-4 way back on the last quarter of 2015 until its completion by mid- 2017. For 2017- 2018, this drilling program will continue for CAGA-1, CAGA-6 and CAGA-7 areas.

The Exploration Targets and Proposed Drilling Program/Exploration Costs are given in **Tables- 70 and 71**.

Table-70. EXPLORATION TARGETS/PROPOSED DRILL HOLES

DEPOSIT	SIZE (HAS)	DHs/METERAGE	EXPLORATION TARGET (DMT)
1.0 CLNMI (Higdon) Deposit			
Area-1 (WEST)	174.6	300/4,500	5,000,000 – 10,000,000
Area-2 (EAST)	106.1	235/3,525	2,500,000 – 5,000,000
Sub-total	280.7	535/8,025	7,500,000- 15,000,000
2.0 CAGA-7 Deposit			
Area-1	20.25	67/1,005	700,000 - 1,400,000
Area-2	61.66	183/2,745	2,200,000 - 4,400,000
Area-3	55.49	15/2,475	2,000,000 - 4,000,000
Area-4	29.82	87/1,305	1,100,000 - 2,200,000
Sub-total	167.22	502/7,530	6,000,000 - 12,000,000
3.0 CAGA- 1 Deposit			
Saprolite Dev't Drilling	30.91	368/5,520	1,100,000 – 2,200,000
In-fill	60.26	270/4,050	2,200,000 – 4,400,000
Peripheral	46.96	196/2,940	1,700,000 – 3,400,000
Sub- total	138.13	834/12,510	5,000,000 - 10,000,000
4.0 CAGA- 5 Deposit			
In-fill	63.68	207/3,105	1,115,000 - 2,230,000
Peripheral	64.19	329/4,935	2,900,000 - 5,800,000
Sub- total	127.87	536/8,040	4,015,000 - 8,030,000
5.0 CAGA-6 Deposit			
Area-1	53.57	157/2,355	1,900,000 – 3,800,000
Area-2	86.05	264/3,960	3,100,000 – 6,200,000
Sub- total	139.62	421/6,315	5,000,000 – 10,000,000
TOTAL	853.54	2,828/42,420	31,515,000 – 63,030,000

Notes:

1. The above table is part of the over-all exploration/drilling program for the whole PGMC- CAGA Project wherein CAGA-2, CAGA-3 and CAGA-4 are included. Drilling at CAGA-2, CAGA-3 and CAGA-4 have been prioritized and completed which paved the way for the 2017 Mineral Resource update for the Project.
2. Drilling will then continue for the other identified (CAGA- 1, 5, 6 and 7) and new (Higdon) areas.
3. With the interesting results for CAGA- 2, CAGA-3 and CAGA-4 where substantial additional mineral resources were estimated, it is anticipated that further confirmatory drilling may be undertaken as necessary.

Table-71. Proposed PGMC- CNEP Exploration/Drilling Program 2017-2018

Priority No.	AREA	SIZE	DHs	Meterage	Schedule	Amount (Php)	Amount (\$)
1	CAGA-1	138.13	834	12,510	6.0 months	Php 26,899,800.00	\$534,787
2	CAGA-6	139.62	421	6,315	4.5 months	Php 15,436,200.00	\$306,883
3	CAGA-7	167.22	502	7,530	3.5 months	Php 18,081,150.00	\$359,466
4	HIGDON	280.70	535	8,025	4.0 months	Php 23,929,000.00	\$475,726
5	CAGA-5	127.87	536	8,040	4.0 months	Php 16,332,992.00	\$324,712
TOTAL		853.54	2,828	42,420	22 months	Php 100,679,142	\$2,001,574

Notes:

1. Above table presents the estimated cost details and schedules for the Proposed Drilling Program for the PCSSC.
2. Costs must be allotted a 20.0% contingency as actual drill holes may increase during actual implementation. Say, costs may increase to **US\$2,401,890**. Exchange Rate is US\$1:P50.30 (Average March to September 2017). Above data are based on previously completed drilling programs.
3. Total Schedule (drill-months) is based on individual drilling programs undertaken separately. But, if performed simultaneously this may be shortened.
4. CAGA-1, 6 and 7 drilling programs approved and will be implemented starting October 2017. Schedule is for 6-8 months.
5. CAGA-5 and Higdon drilling programs will be implemented later upon settlement of issues with IPs and DENR-MGB, respectively.

11.0 INTERPRETATION AND CONCLUSIONS

11.1 Synthesis of all the Data

The previous exploration program undertaken over the tenement area has identified CAGA-1 to CAGA-5 deposits with sufficient nickel laterite mineralization that warranted mineral resource estimation. Additional drilling (2015- 2017) at CAGA- 2, CAGA-3 and CAGA-4 areas were completed to upgrade resource estimates and confidence levels and these are reported in this Technical Report update.

Resource estimation for the PGMC Nickel Project was conducted in accordance with criteria defined within the PMRC Guidelines for reporting Mineral Resources.

Resource reporting highlights are summarized in **Table-72**.

Table-72. Resource Estimation/Classification Highlights (PMRC- Table1)

Criteria	Explanation
Sampling Techniques and Data <i>(criteria in this group apply to all succeeding groups)</i>	
<i>Core Sampling</i>	<ul style="list-style-type: none"> • <i>Sampling practice has aimed to consistently keep sample intervals around 1 m, but still sampled lithological zones separately. An Exploration Protocol has been adopted for the exploration programs.</i>
<i>Drilling Type</i>	<ul style="list-style-type: none"> • <i>Only NQ core drilling on regular 200, 100, 50 and 25m grids has been used for resource definition.</i>
<i>Core Logging</i>	<ul style="list-style-type: none"> • <i>Geologists have logged (starting August 2011) all drill core to consistent standards, detailing color, hardness, recovery and lithology. Logging has been encoded and completed for sampled interval allowing integration of the data with assays and application of logging in interpretation and estimation.</i>
<i>Sample Type</i>	<ul style="list-style-type: none"> • <i>Only whole NQ core was used for sampling and assaying. This has eliminated issues regarding drill core splitting.</i>
<i>Core Recovery</i>	<ul style="list-style-type: none"> • <i>Limonite recovery is generally excellent at almost 100%. Saprolite recovery is more or less consistent at about 85%. Overall total core recovery is very high at 95.67% for the recent CAGA-2 and CAGA-3 drilling programs. There are only a small number of very low recovery intervals.</i>
<i>Assay QA/QC</i>	<ul style="list-style-type: none"> • <i>Assays were conducted by PGMC in-house and Intertek for QA/QC external repeats. The PGMC laboratory analysis of samples generally shows acceptable repeatability and bias to be acceptable for use in resource estimation.</i>
<i>Verification</i>	<ul style="list-style-type: none"> • <i>No verification of the limonite and saprolite by twin DHs or mini pits is currently available.</i>
<i>DH Locations</i>	<ul style="list-style-type: none"> • <i>All drill hole collars have been surveyed by PGMC in-house. The accuracy has been validated by field checks conducted.</i>

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<i>Data Density</i>	<ul style="list-style-type: none"> • <i>Good correlation of thickness and grade are evident in the limonite suggesting the regular 50m drilling grid is adequate to define the resource to a high degree of confidence (measured) Significant variability in the proportion of rock and fines in the saprolite has led to greater variance in the expected grade and hence would require closer-spaced drilling (25m).</i>
<p>Reporting of Exploration Results (Criteria listed in the preceding group apply also to this group.)</p>	
<i>Land Tenure</i>	<ul style="list-style-type: none"> • <i>PGMC has assured and binding legality of tenure rights. The MPSA has been extended until 2041.</i>
<i>Exploration</i>	<ul style="list-style-type: none"> • <i>All resource data used were compiled by BOHRER Mining Consulting Services and PGMC.</i>
<i>Data Aggregation</i>	<ul style="list-style-type: none"> • <i>Drilling data were composited to an optimized 1m composite to remove potential bias, which could result from small or uneven sample intervals.</i>
<i>Balanced Reporting</i>	<ul style="list-style-type: none"> • <i>All core drill hole data with complete assay results was used. Similar resource evaluation may be made by third-party consultants to validate results if necessary.</i>
<p>Estimation and Reporting of Mineral Resources (Criteria listed in the first group, and where relevant in the second group, apply also to this group.)</p>	
<i>Database Integrity</i>	<ul style="list-style-type: none"> • <i>Minor drill hole database errors were discovered and these typographical errors were corrected from hard copy drill log sheets.</i>
<i>Geological Interpretation</i>	<ul style="list-style-type: none"> • <i>Continuity of the limonite and saprolite thickness was established by core drilling. Interpolation was done conservatively as necessary.</i>
<i>Estimation Method</i>	<ul style="list-style-type: none"> • <i>A combination of Ordinary Kriging (OK) and Inverse Distance Weighing (IDW) was used for all grade estimation. Appropriate block sizes were made to allow accurate volume estimation and representation of the topographic undulation. Small blocks have maintained the strong vertical grade trend within the resource.</i>
<i>Cut-off Grades</i>	<ul style="list-style-type: none"> • <i>(1) $\geq 0.70\% Ni, \geq 48\% Fe$;</i> <i>(2) $\geq 0.80\% Ni$ to $< 1.5\% Ni, < 48\% Fe$, and</i> <i>(3) $\geq 1.5\% Ni, < 48\% Fe$</i>
<i>Mining and Metallurgical Factors</i>	<ul style="list-style-type: none"> • <i>None were applied for resource estimation.</i>

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<i>Audits</i>	<ul style="list-style-type: none"> • <i>No independent audits were made to date.</i>
<i>Relationships</i>	<ul style="list-style-type: none"> • <i>The strong vertical trend is well defined and typical for tropical Ni laterite deposits. Topography and weathering are the dominant geological controls. Both topography and grade trends have been considered by the resource estimation approach.</i>
<i>Tonnage Factors</i>	<ul style="list-style-type: none"> • <i>All density and tonnage factors were calculated as dry in-situ tons.</i>
<i>Bulk Density</i>	<ul style="list-style-type: none"> • <i>The density values used were derived from field tests/measurements done on sufficient core samples of appropriate material types.</i>

11.2 Adequacy of Data, Overall Data Integrity and Areas of Uncertainty

Overall, the data used in the resource estimate for the PGMC Cagdianao Nickel Project is deemed adequate and the good quality conforms within the specified limits required of the specific resource classification. The various statistical studies and validation support the estimation results. The perceived uncertainty on saprolite consistency has been addressed with the lower resource classification applied.

Possible additional inferred resources which have not been drilled to specified drill hole spacing were not included in “Statement of Mineral Resources Report” since these are not PMRC compliant. However, the inferred resources were likewise estimated and are recommended for additional drilling to upgrade them into indicated/measured mineral resources.

11.3 Overall Conclusions of the Competent Person

Although PGMC will undertake the release and public disclosure of the statement for the resource estimate, the Supervising CP and PGMC Team have ensured that the resource estimation is in accordance with the guidelines provided by the PMRC Code. Discussions on reporting highlights as presented in **Table-72** include salient comments for the items raised in “**Table 1 of the PMRC Code**” to support the mineral resource statement and classification for release to the public and guide PGMC’s future exploration program to attain an excellent level of compliance.

The Supervising CP has reported the resource estimation within the accuracy of the data provided by the client and as guided by the PMRC Code.

At this stage of project development and mining, reported mineral resource classification would be appropriate until some issues are resolved, including:

- More rigorous detailed QA/QC analysis and improvements in PGMC laboratory;
- Continued reliable topography control through detailed topographic survey;
- Completion of the in-fill drilling program;
- Consideration of dilution and mining losses.

Continued adoption of the exploration protocol and proper implementation/ supervision of exploration program and resource evaluation by PGMC with CP-Geologist will guarantee a high level of compliance to the PMRC Code.

11.4 CP Statement

The Supervising CP believes that the level of accuracy/precision reported here is appropriate for the classification of the resource and the methods used for the estimate. The resource estimate reported may be considered valid within industry applicable limits and PMRC standards.

12.0 RECOMMENDATIONS

To further achieve the company's objective of increasing the resource/reserve inventory of the Project that will extend life of mine (LOM) and maintaining the level of accuracy for resource reporting, the following are recommended:

- Continue and complete the over-all exploration drilling program covering all identified CAGA nickel deposits and adjacent Higdon Prospect.
- Update the resource estimate on deposits with Inferred Resources (CAGA-1 to CAGA-5) thru in-fill drilling at designated grid spacing to upgrade confidence level of these resources to Measured Resources.
- Perform resource (block model) vs actual mine production reconciliation.
- Continue adherence to standard Exploration Protocol on core logging, sampling and data entry in all drilling programs.
- Continue the adoption of the Exploration Protocol for comprehensive QA/QC analysis for resource estimation reporting to be JORC/PMRC compliant.
- Perform accurate topographic surveys for reliable resource modelling and estimation.

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APPENDIX- A

EXPLORATION PROTOCOL

(After BHPB- QNI Philippines)

1.0 INTRODUCTION

This document details exploration protocols to be implemented and followed in the conduct of the PGMC Exploration Program.

The protocols have been derived from the AUSIMM Field Geologists' Manual (Monograph 9) and the AUSIMM publication – Mineral Resource and Ore Reserve Estimation (Monograph 23).

The following systematic procedures should be adhered to at all times. If one stage is not followed then the exploration process is incomplete and this will reflect directly on the confidence level that can be applied during the critical resource estimation and reporting stages.

2.0 MAPPING

The general principles will be that mapping:

- Is always done by a geologist.
- Identifies surficial characteristics, bedrock geology, laterite and structure.
- Describes terrain in terms of topography i.e. elevation, slope, "grain", drainage etc
- Is used to create digital base maps.

2.1 Base Map

The scale of the base map will be 1:5000. The following details should be incorporated:

- Geology
- Topography
- Tenement boundaries
- Environmentally prohibited, restricted or sensitive areas
- Environment damage.
- 'Mined-out' areas
- Previous exploration activity (test pits, drill holes, trenches etc.)
- Infrastructure
- Vegetation
- Structure
- Planning (e.g. drill hole sites)

2.2 Geological Mapping

Detailed mapping can be undertaken by the geologist walking each of the grid lines and the map should be updated at *regular* intervals during the drilling program. All existing features such as creeks/tributaries, ridges/spurs, erosional windows/gullies, road-cuttings and trails should be mapped.

Equipment needed for orientation in the field can include aerial photographs, compass and tape and GPS.

In addition it is essential that all saprolite/bedrock outcrops be recorded along with the boundaries of the resource (limonite and saprolite). The topographic map can be used to assist in the mapping process.

2.3 Map Standards

Implementation of standardized formats, including symbols and essential cartographic elements should be done in order to make maps comprehensive and straightforward. The following symbols and colour fills are suggested:

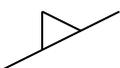
Lithology

Rock Type	Symbol	Colour
Peridotite	L L L L L	Green
Gabbro	┘┘ ┘┘	Blue
Laterite zone	┘┘ ┘┘	Yellow

Lithological boundaries

Line Type

Inferred Structures  Observed 

Faults  Joints 

Shoreline

Including major and minor tributaries - Dark blue in color

Archiving of Data

All raw drawings should be stored as DXF files. Final maps can be stored as CDR (Corel Draw File) or DWG (AutoCAD Drawing File). Associated tables can be archived as DBF, ASCII text or Access MDB files.

3.0 SURVEYING

A detailed topographic survey of all deposit areas will be made simultaneous to the implementation of the core drilling program. This survey will include the siting of previous test pits and bore holes. The technical requirements for the detailed survey are described in a separate document, which also incorporates the terms of reference for the survey.

In addition all new drilling sites will be surveyed in at regular intervals by professional surveyors.

The datum and accuracy of the drill collar and surface surveying will be checked by an independent resource consultant.

4.0 DRILLING

Drill holes will initially be sited by local survey teams using compass-measuring tape and GPS using holes/pits excavated during the previous programs as reference points. At regular intervals these sites will be accurately surveyed by professional surveyors.

As for the previous programs, drilling will be carried out using man-portable Koken rigs using NQ drill rods and tungsten carbide bits. Care must be taken to ensure that bedrock has been penetrated, however a *maximum* of three (3) metres into hard rock is suggested to avoid wastage of time and money (more metres drilled = extra cost).

Core recovery will be checked at the drill site after each 'run' and recorded in the core recovery sheet.

It is essential that all drilling be logged by a geologist so that he gains an intimate knowledge of all geological aspects of the deposit.

The following guidelines should be adhered to in the detailed logging of each bore hole:

Logging Codes

The following standard codes for logging have been modified to classify the saprolite according to grit/rock content:

LF	Red-brown limonite (overburden)
LA	Yellow limonite (without Mg staining or veins)
LB	Yellow limonite (with Mg staining or veins)
TM	Transition Material
SAP	Saprolite (gritty clay with <10% boulders of weathered bedrock)
R_SAP	Rocky saprolite (with 10 to 50% boulders of weathered bedrock)
S_ROCK	Saprolitic rock (with 50-90% bedrock)
SD	Serpentinized Dunite
SS	Serpentinite
H _z	Harzburgite

In addition the size of boulders in each sample interval should be recorded as follows to aid in the analysis of rock distribution and screening in the saprolite (and limonite where boulders rarely occur):

Code	Description
1	<20cm (will be acceptable for shipping)
2	20 – 50cm (will be screened at the grizzly)
3	>50cm (will be left in the pit)

Weathering Scale

The standard weathering scale is as follows:

Lithology	Classification	Characteristics
Fresh Rock	0	Black / green / light grey, unweathered, dense & hard
Saprolite	1	Black / brown, slightly weathered, discolored, still hard
	2	Brown / gray
	3	Pink / brown / green
	4	Pink / brown / green, friable, relatively low density with some remnant textures.
	5	Brown, yellow / red, pink / green-gray, very soft, original textures still visible
Limonite	5F	Yellow – red, very soft "soil-like", very low density to compact, mud-like texture
Ferricrete	6	Red-black, hard, includes pisolites

Combinations of the various weathering 'stages' could be used i.e., 2/3, 3/4, 2-5 or 0-3. The first number in double-digit references indicates the predominant weathering stage, but the numbers separated by a hyphen include all intermediate-weathering stages.

Photography

Photograph the core in boxes (three boxes to each exposure) using a digital camera.

To ensure consistent photography all cores should be wet. Each photograph should include a 'header board' showing project name, hole number, box numbers for the hole, and 'from and to' hole depth for the start and end of the boxes.

Field Supervision

Field staff will be required to:

- Supervise drilling for maximized core recovery
- Supervise core handling security in the field, in transit and in sampling
- Undertake core logging

Additional Comments

Other features / characteristics to be taken into consideration when logging core include:

- texture
- grain size
- colour
- friability
- fracturing / RQD

Field Logging Sheets

The attached logging sheet (Appendix A) has been designed to conform to the above criteria and to be compatible with the resource database. In addition a core recovery sheet has been designed to reflect the recovery per 'run'.

5.0 SAMPLING

5.1 Sampling Procedure

Sampling of the drill core should preferably be done at one (1) meter intervals down the hole, except at lithological boundaries. Samples lengths across this boundary should stay in a range of $1.0 \pm 0.25\text{m}$ to avoid excessively short or long samples. Whole core sampling will be carried out to avoid any bias that could occur during splitting of the core (especially for saprolite).

5.2 Sample Preparation

Sample preparation on site was identified during the Adlay drilling campaign as a bottleneck between drilling and assaying of the samples.

Sampling will be carried out on site by QNPH who have constructed an appropriate sample preparation house and purchased equipment including a mobile jaw crusher, pulverizer and drying oven.

The sample preparation procedure is shown in Appendix C.

A strict record of duplicate samples must be kept as per attached Appendix D (sample submission sheet). These sheets are to be filed and are not to be distributed to the assaying laboratory.

5.3 Wet Density Determination

There are several alternative methods of measuring density, ranging from laboratory tests on small-scale samples to estimates based on bulk sampling.

It is proposed to follow a modified procedure used successfully at CAGA-4 i.e.

- Density determinations will depend on the thickness of limonite and saprolite in each borehole as follows:

	0 – 5m	6 – 10m	11 – 15m	16 – 20m
Limonite & Saprolite	1	1	1	1
Bedrock	One sample for every 5 boreholes			

- Use 10-15cm of 'representative' core.
- Care should be taken, especially in saprolite, not to bias the sample by including unrepresentative hard rock portions, or vice versa. If in doubt, do not sample.
- Weigh first in air and then immersed in water for 10 minutes so that voids are filled.
- Calculate SG using the following formula:

$$SG = \frac{\text{Weight in air}}{\text{Weight in air} - \text{Weight in water}}$$

In situ bulk densities will be measured if mini pits or small shafts are excavated, using standard geotechnical procedures (Appendix I).

5.4 Moisture Content Determination

Moisture content measurements will be obtained using the same frequency protocol as for the density determinations and according to the following method:

- Individual samples will be weighed prior to drying, and as soon as possible after transport from drilling sites to avoid water loss due to evaporation.
- The sample will then be weighed after drying but before sample crushing.
- The formula used for calculating the moisture percentage is:

$$MC\% = \frac{\text{Weight of wet sample} - \text{Weight of dry sample}}{\text{Weight of wet sample}} \times 100$$

After sample preparation 150-200gm pulp samples will be sent to McPhar Geoservices Laboratories in Manila for analysis. The freighting will be organized under strict supervision of QNI field staff.

It is recommended that batches of approximately 250-300 samples be submitted to enable consistent assessment of laboratory performance through insertion of standard samples with each batch.

Security of samples in respect of consistent numbering and transport supervision is essential.

6.0 ASSAYING

6.1 Method

Each sample will be analyzed at McPhar Laboratory in Manila for Ni, Co, Fe, Mg, Si and Al.

Instructions will be given on the standard sample submission sheet (see Appendix E) The analytical method is as follows:

- Ni, Co, Fe, Mg and Al will be assayed by dissolving a 25g charge with a two acid digest (using hydrochloric and nitric acid), and reading the results by Atomic Absorption Spectroscopy (AAS).
- Si analysis for the Feasibility drilling program by a gravimetric process.

6.2 Assay Data Quality Analysis

The objective of quality control of assays is to check the precision of sample preparation, consistent performance of the laboratory and accuracy of the laboratories' analytical results.

This can be achieved as follows:

Duplicate Samples

Duplicate samples will total about 5% of all samples (1 in 20) after preparation.

These samples will be selected subjectively by the Project Geologist to systematically cover the full range of lithologies. Each sample will have a unique number, which is different from the original and can be selected during the 'pulp to storage' stage of the sample preparation process (Appendix C).

For reference purposes all samples submitted for preparation should be accompanied by the sample submission sheet (Appendix D).

In this way a check can be made on the field homogenization process as well as a check on McPhar's analysis.

Standard Samples

A set of standard (reference) samples has been prepared by Intertek Testing Services (ITS) in Jakarta. These control samples consist of one high-grade limonite and one low-grade limonite (blank) taken from Mini Pit 237 at inner 1b on Adlay. They will be prepared, homogenized and placed in approximately 250 separate sample bags (100g each).

Separate batches of the prepared samples will be sent to Ostrea and independent laboratories in Australia for analysis (in order to calculate accepted average or benchmark values for each standard). Analysis will be for all six (6) relevant elements.

One of each standard sample is to be included with each 250 pulp sample batch that is to be freighted to McPhar in Manila.

The purpose of standard sampling is to monitor the accuracy of the assay process on a batch by batch basis. For example problems such as a change in instrument calibration or change in assay protocol can be detected and rectified.

Check Samples

Approximately 2% of the total sample reject pulps from McPhar's laboratory should be sent to at least one independent and internationally accredited laboratory. This equates to about 1 in 50 samples.

Samples should be taken across a broad spectrum of lithologies and sent at appropriate times *during* the program so a constant check on McPhar's analyses is maintained.

The recommended laboratory is Ultra Trace in Perth.

Note: Assay results should be transmitted initially in electronic format for ease of transcription into the data base, and finally in signed hard copies, which can be used for verification purposes.

7.0 GEOTECHNICAL

Geotechnical activities will be carried out during the entire exploration program.

While it is envisioned that a geotechnical program will be conducted by an independent geotechnical consulting contractor, it is essential that the geologist be acquainted with guidelines/procedures related to the geotechnical activities. The geologist may be needed to assist in the performance of these activities and at the same time he has to check/validate the consultant's work.

It should be noted that the designated geotechnical consultant will prepare the final geotechnical program, in coordination with PGMC.

Geotechnical activities that would require standards include:

- Geotechnical site investigations – with particular reference on soil and rock description during geotechnical logging.
- Geotechnical drilling – with emphasis on drilling and sampling equipment, standard penetration tests (SPT), piezometers, etc.
- Geotechnical testing – determination of the field density of a soil by the sand-cone method.

Geotechnical Site Investigation

This procedure describes the basic system used in describing soil and rock during geotechnical logging.

The terms used in this procedure are consistent with the Australian Standard for geotechnical site investigations (AS1726-1993).

Geotechnical Drilling

It is important that this procedure be discussed thoroughly with the drilling contractor prior to commencement of activity. Sampling of required samples at designated depths is essential otherwise re-drilling would be necessary, which is costly and time consuming.

Planning and execution of geotechnical drilling program must be done in close coordination between PGMC, the geotechnical consultant and drilling contractor.

Geotechnical Testing

Determination of field density of soils by the sand-replacement method using a sand-cone pouring apparatus is given on the standard – AS1289.5.3.1 – 1993.

Field tests using mini-pits may be considered for field density of laterites as technique is proven to give good correlation with core density tests.

8.0 DATA

8.1 Data Entry

Data entry and database maintenance will be undertaken in the field office using a Microsoft (MS) Access database, under the supervision of qualified geologists. The contribution of field staff will be as follows:

- Drill hole logging sheets

PGMC Mineral Resource Evaluation (PMRC-CP Report)

- Core recovery sheets
- Progressive digital copies of density and moisture content measurements.

The database will have Collar, Sample and Survey data tables.

The Collar Data Table will have borehole ID, surveyed collar locations, hole depth and average drilling recoveries (per borehole).

The Sample Data Table will have borehole and sample ID, sample intervals, Ni, Co, Fe, Si, Mg and Al analyses, density and moisture content measurements, logging information and core recoveries.

The Survey Data Table will have hole ID, depth, azimuth and dip.

The format of the data base is designed to be compatible with MicroLynx resource estimation software.

Assay results will be entered (copied) electronically from digital Excel files transmitted by e-mail from the laboratory on a batch by batch basis. Wait until *final* results have been received (for each batch) to avoid copying errors.

Survey data will also be transferred into the database on a progressive basis.

8.2 Data Verification

An internal validation audit carried out by PGMC technical staff will include:

Testing of physical data

- Verification using Gemcom Surpac/MicroLynx software to establish that duplicate entries were not made.
- Discrepancies or spurious data to be checked against original log sheets or with the responsible field geologist.
- Approximately 20% of original logs and assay sheets to be checked against the database for typographical errors.
- Review digital terrain model
- Where necessary correct surveying of previous and current drilling
- Correct entry of surface drill hole surveys onto the geological logs and into the data base
- Correct entry of sample recoveries into the data base
- Remember that major errors can be introduced through incorrect transcription of physical data.

Testing of analytical data

- Sample number verification
- Data base entry verification
- Quality control

8.3 Data Security

The security of samples and the integrity of the data base from interference and corruption are essential. Measures to be considered include:

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- Supervision of core handling at the drill site
- Retaining core and sample rejects in locked storage
- Security measures for transportation of core and samples
- Laboratory security
- Restricted access to electronic and hard data
- Computer security
- Security of final reports
- All files must be backed up weekly onto CD and kept in a secure off-site locality.
- When network facilities are installed files can be backed up regularly onto the designated network drive (G).

9.0 RESOURCE ESTIMATION

All exploration staff must be familiar with the basic principles (JORC code of reporting and Yabulu specifications) and systematic functions of resource and reserve estimations.

Preliminary resource estimation can be done 'in-house' using MicroLynx software and standard polygonal and block modeling methods.

Interpretation of lithological zones for digitizing will be done by a geologist. In addition digitizing of these zones will be supervised and checked by geologists.

Validated digital copies of the database will be supplied to an internationally recognized consultant for an independent block model resource calculation. The consultant will also audit the entire exploration procedure.

10.0 REPORTING

A report reviewing the Geology, Mineralization and Mineral Resources of the Project will be produced with the following suggested format.

TABLE OF CONTENTS

1. Introduction
 - 1.1 Project Description
 - 1.2 Previous Exploration
2. Tenure
 - 2.1 Historical
 - 2.2 Current Status
3. Geology and Mineralization
 - 3.1 Regional Geology
 - 3.2 Prospect Geology
 - 3.3 Structure
4. Exploration and Evaluation
 - 4.1 Drilling
 - 4.2 Density Measurements
 - 4.3 Mini Pit Excavations
 - 4.4 Assaying

5. Estimation Procedures
 - 5.1 The Data Base
 - 5.2 Topographic Survey
 - 5.3 Geology
 - 5.4 Vertical Chemical Profiles
 - 5.5 Rock Distribution
 - 5.6 Variography
6. Modeling
 - 6.1 Topographic Surface
 - 6.2 Geological Model
 - 6.3 Block Model
 - 6.4 Grade Estimation Method
7. Mineral Resource Assessment Criteria
 - 7.1 Sampling Techniques and Data
 - 7.2 Estimation and Reporting of the Mineral Resources
8. Resource Statement
9. Additional Resource Potential
10. References

LIST OF FIGURES

- Figure 1: Locality Map
Figure 2: Tenure Map
Figure 3: Regional Geological Map
Figure 4: Geological Map
Figure 5: Schematic Lithological Profile
Figure 6: Drill Hole Location MAP
Figure 7: Topographic Map

11.0 HEALTH, SAFETY AND ENVIRONMENTAL COMMUNITY (HSEC)

Details of procedures include but not limited to the following:

Drill Sites

- Holes to be capped with pre-fabricated concrete plugs and clearly marked (PVC pipe) for future reference
- At each site all rubbish should be removed. This includes bags, gloves, food wrappers, water pipes and discarded machine parts
- Any ground contaminated by oil or diesel should be dug up and buried.
- The status of the drill site cleanup program should be the subject of a systematic field check

Field and Regional Office

- Key field staff must have done basic First Aid training.
- Compliance with PGMC accident/incident reporting procedures (forms available in digital format)

PGMC Mineral Resource Evaluation (PMRC-CP Report)

- Ensure that all field staff are properly versed in camp evacuation and emergency procedures. Written procedures should be strategically placed at all relevant offices and camps i.e. an approved Emergency Response Plan.
- Scheduled (monthly) field camp meetings by the Exploration Manager and Project Geologist, in particular to check on the maintenance of standards (e.g. first aid kits) and procedures e.g. the holding of weekly site meetings.
- Copies of the PGMC Safety Manual to be kept at field camps.
- Reporting of monthly statistics to be done by the Exploration Manager with input from field camp (project) managers.

Environmental

- Compliance with PGMC environmental standards and procedures in the Philippines.
- Preservation of indigenous vegetation, rehabilitating drill hole and fly campsites, securing test pits for safety (even if they were excavated by previous companies).
- Respect for Indigenous Cultural Communities and other communities that could be affected by the mining and exploration operations.

Community

- Before any fieldwork is carried out, consult with local authorities and community leaders to cultivate a working relationship and to obtain agreement (in writing if necessary) with the principles of our exploration program to be implemented.
- Employ and train local labor where possible.

12.0 SUMMARY OF EXPLORATION PROTOCOL

The following table represents a summary of the exploration activities to be carried out during the PGMC Exploration Program.

ACTIVITY	DESCRIPTION
Mapping	<ul style="list-style-type: none"> • Prepare base maps • Field mapping at 1:5000 scale
Siting bore holes	<ul style="list-style-type: none"> • Use previous sites as reference • Use compass and tape • Sites to be accurately surveyed later
Surveying	<ul style="list-style-type: none"> • Detailed topographic survey by independent contractor • Past and present drill sites to be accurately surveyed
Drilling	<ul style="list-style-type: none"> • Use man-portable core rigs • Check core recovery at drill site • Log and sample core at the base camp
Sampling	<ul style="list-style-type: none"> • Wet density determination • Whole core at \pm 1m intervals • Bulk moisture content determination • Field sample preparation as per protocol. • Freight sample pulps to Laboratory in Manila as needed. • Collect reject pulps at appropriate intervals and store at base camp

PGMC Mineral Resource Evaluation (PMRC-CP Report)

ACTIVITY	DESCRIPTION
Assaying	<ul style="list-style-type: none"> • To be done by laboratory- analyses for Ni, Co, Fe, Mg, SiO₂ and Al • Send pulps in batches of 300-400 • Insert duplicates (5%) • Standards and blanks must be included with each batch • 1 in 50 sample pulps sent to independent laboratory for check assaying.
Geotechnical	<ul style="list-style-type: none"> • Co-ordinate activities with the geotechnical consultant.
Data Entry	<ul style="list-style-type: none"> • Format Access database. • Enter geological, survey and density data from field sheets. • Copy final assay data from laboratory's electronic copy.
Data Verification	<ul style="list-style-type: none"> • Check for typographical errors. • Check survey model and entry. • Verify sample numbering.
Data Security	<ul style="list-style-type: none"> • Supervise drilling and sampling operations. • Implement security measures for storage, transportation, laboratory, reports and computers.
Resource Estimation	<ul style="list-style-type: none"> • Conduct in-house and independent estimations
Reporting	<ul style="list-style-type: none"> • Use a standard format
HSEC	<ul style="list-style-type: none"> • Implement proper procedures and controls at drill sites, camps and offices • Have a clearly marked Emergency Response Plan. • Ensure that community relations are maintained.