

A S O 9 4 0 0 3 9 9 2

S.E.C. Registration Number

G L O B A L F E R R O N I C K E L

H O L D I N G S, I N C.

(Company's Full Name)

7th Floor, Corporate Business Centre, 151 Paseo De Roxas corner Arnaiz Street, Makati City

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

Celerina Rose D. Fajardo
Contact Person

830-8000
Company Telephone Number

Month Day
Fiscal Year

Definitive Information Statement
FORM TYPE

Month Day
Annual Meeting

Secondary License Type, if applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

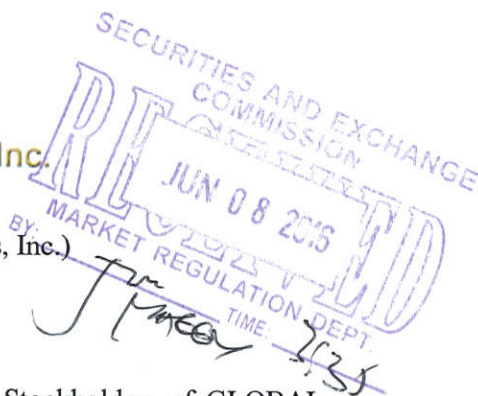
STAMPS

Remarks- pls. Use black ink for scanning purposes



Global Ferronickel Holdings, Inc.

(formerly known as Southeast Asia Cement Holdings, Inc.)



Notice of Annual Meeting of Stockholders

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Stockholders of GLOBAL FERRONICKEL HOLDINGS, INC. (formerly known as Southeast Asia Cement Holdings, Inc.) (the “Company”) shall be held on Wednesday, 29 June 2016, at 2:00 p.m. at Dusit Thani Manila located at EDSA, Makati City to consider the following agenda:

AGENDA

1. Call to Order;
2. Certification of Notice and the Existence of Quorum;
3. Approval of the Minutes of the Previous Annual Stockholders’ Meeting held on 29 July 2015;
4. Annual Report and Approval of the Audited Financial Statements as of 31 December 2015;
5. Election of Directors;
6. Approval of the establishment of Employee Stock Option Plan;
7. Appointment of External Auditor;
8. Appointment of Stock and Transfer Agent;
9. Other Matters; and
10. Adjournment.

The Company has, in accordance with the By-Laws, fixed the close of business on 7 June 2016 as the record date for the determination of the stockholders entitled to notice of and to vote at such meeting and on any adjournment thereof.

Registration for those who are personally attending the meeting will start at 1:00 p.m. and shall end promptly at 2:00 p.m. All stockholders who will not, are unable, or do not expect to attend the meeting in person are encouraged to fill out, date, sign and send a proxy to the Corporation’s Corporate Secretary at 7th Floor, Corporate Business Centre, 151 Paseo De Roxas corner Arnaiz Street, Makati City, Metro Manila, Philippines. All proxies should be received by the Corporate Secretary on or before 17 June 2016. Proxies submitted shall be validated by a Committee of Inspectors on 24 June 2016 at 3:00 p.m. at the aforementioned address. For corporate stockholders, proxies should be accompanied by a Secretary’s Certification on the appointment of the corporation’s authorized signatory.

To avoid inconvenience in registering your attendance at the meeting, you or your proxy is requested to bring identification paper(s) containing a photograph and signature, e.g. passport, driver’s license or any other government identification card.

City of Makati, Metro Manila, 23 May 2016.

NOEL B. LAZARO
Corporate Secretary

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**



1. Check the appropriate box:
☐ Preliminary Information Statement
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter
Global Ferronickel Holdings, Inc. (formerly Southeast Asia Cement Holdings, Inc.)
3. Province, country or other jurisdiction of incorporation or organization
Metro Manila, Philippines
4. SEC Identification Number: **AS094-003992**
5. BIR Tax Identification Code: **003-871-592**
6. Address of Principal Office:
7th Floor, Corporate Business Centre, 151 Paseo De Roxas corner Arnaiz Street, Makati City, Metro Manila, Philippines
7. Registrant's telephone number, including area code: (632) 519-7888
8. Date, time and place of the meeting of security holders:
Date: 29 June 2016, Wednesday
Time: 2:00 p.m.
Place: Dusit Thani Manila
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **8 June 2016**
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants) (as of 31 December 2015):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares	17,467,007,052 shares

11. Are any or all of registrant's securities listed on a Stock Exchange?
 Yes ☒ No ☐

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange	
Common Shares	7,003,920,939 shares

GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders (“Annual Stockholders’ Meeting”)

Date of Meeting: 29 June 2016, Wednesday
Time of Meeting: 2:00 p.m.
Place of Meeting: Dusit Thani Manila

Registrant’s Mailing Address: **7th Floor, Corporate Business Centre,
151 Paseo De Roxas cor. Arnaiz Street,
Makati City, Metro Manila, Philippines**

The approximate date on which the information statement is first to be sent or given to security holder is **8 June 2016**.

Dissenters' Right of Appraisal

A stockholder of the Company may exercise his appraisal right against certain corporate matters or actions and in the manner provided in Title X of the Corporation Code as follows:

- a. A stockholder will be entitled to exercise his appraisal right in case any of the following matters or actions occurs:
 - i. In case of any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any shareholder or any class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of the Company’s corporate existence;
 - ii. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code;
 - iii. In case of merger or consolidation of the Company with another corporation; and
 - iv. In case the Company decides to invest its funds in another corporation or business outside of its primary purpose.
- b. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right;
- c. The dissenting stockholder shall make a written demand on the Company for payment of the fair value of his shares within thirty (30) days after the date on which the vote was taken. The failure of the stockholder to make the demand within such period shall be deemed a waiver of his appraisal right;
- d. If the proposed corporate action is implemented or effected, the Company shall pay to such dissenting stockholder, upon surrender of the certificate(s) of stock representing his shares

within ten (10) days after demanding payment of his shares, the fair value thereof, provided the Company has unrestricted retained earnings; and

- e. Upon payment of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

There are no corporate matters or actions that will entitle dissenting stockholders to exercise their right of appraisal as provided in Title X of the Corporation Code.

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- (a) Except for the Employee Stock Option Plan, no current director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year has had any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the agenda of the annual stockholders' meeting other than the election of directors.
- (b) None of the incumbent directors has informed the Company in writing of an intention to oppose any action to be taken by the Company at the Annual Stockholders' Meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

- (a) The Company has 17,467,007,052 outstanding shares as of 30 April 2016, all of which are common shares of stock. As of 30 April 2016, 4,107,884,593 common shares, or equivalent to 23.52% of the outstanding shares, are owned by foreigners. Each share is entitled to one vote.
- (b) In accordance with the By-Laws of the Company, the Board of Directors has set 7 June 2016 as the record date for the purpose of determining stockholders entitled to notice of and to vote at the Annual Stockholders' Meeting. All stockholders of record on 7 June 2016 are entitled to notice and to vote at the Annual Stockholders' Meeting.

Security Ownership of Certain Record and Beneficial Owners And Management

As of 30 April 2016, the following persons or groups are known to the Company as directly or indirectly the record or beneficial owners of more than five (5%) of the Company's voting securities¹:

¹The shares as stated in the Certificate of Approval of Increase of Capital Stock, as approved by the SEC on 22 December 2014.

<i>Title of Class</i>	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	PCD Nominee Corporation G/F Makati Stock Exchange Building, 6767 Ayala Avenue, Makati City Shareholder	Direct- Please see note below	Filipino	5,258,898,960	30.11%
Common	Huatai Investment Pty. Ltd. Auburn, Australia Shareholder	Direct – Please see note below	Australian	2,923,430,140	16.74%
Common	Sohoton Synergy, Inc. 7 th Floor, Corporate Business Center, 151 Paseo de Roxas cor. Arnaiz St., Makati City Shareholder	Direct – Please see note below	Filipino	2,683,111,939	15.36%
Common	Regulus Best Nickel Holdings, Inc. 7 th Floor, Corporate Business Center, 151 Paseo de Roxas cor. Arnaiz St., Makati City Shareholder	Direct – Please see note below	Filipino	1,569,464,006	8.99%
Common	Blue Eagle Elite Venture, Inc. 7 th Floor, Corporate Business Center, 151 Paseo de Roxas cor. Arnaiz St., Makati City Shareholder	Direct- Please see note below	Filipino	1,046,309,337	5.99%

Common	Ultimate Horizon Capital, Inc. 7 th Floor, Corporate Business Center, 151 Paseo de Roxas cor. Arnaiz St., Makati City Shareholder	Direct- Please see note below	Filipino	1,046,309,337	5.99%
Common	PCD Nominee Corporation G/F Makati Stock Exchange Building, 6767 Ayala Avenue, Makati City Shareholder	Direct- Please see note below	Non-Filipino	1,003,876,791	5.75%

PCD Nominee Corporation (“PCDNC”) is a wholly-owned subsidiary of PCD. The beneficial owners of such shares registered under the name of PCDNC 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 30 April 2016, the participants of PCDNC who own more than 5% of the Company’s outstanding capital are as follows:

<i>Title of Class</i>	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	SB Equities, Inc.	Direct	Filipino	1,072,726,266	17.13%
Common	Aurora Securities, Inc.	Direct	Filipino	737,063,211	11.77%
Common	Maybank Atr Kim Eng Securities, Inc.	Direct	Filipino	605,860,397	9.67%
Common	Sohoton Synergy Inc.	Direct	Filipino	500,000,000	7.98%
Common	Col Financial Group, Inc.	Direct	Filipino	464,347,783	7.41%
Common	Wealth Securities, Inc.	Direct	Filipino	438,447,753	7.00%

Common	BA Securities, Inc.	Direct	Filipino	374,894,344	5.99%
--------	---------------------	--------	----------	-------------	-------

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.

Security Ownership of Directors and Officers as of 30 April 2016 of this Prospectus

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
		8,272,381,527 (direct and indirect)	Filipino	47%
Common	Joseph C. Sy			
Common	Dante R. Bravo	65,032,614 (direct)	Filipino	0.37%
Common	Gu Zhi Fang	1 (direct)	Chinese	0%
Common	Francis C. Chua	1,000 (direct)	Filipino	0.0%
Common	Dennis Allan T. Ang	73,223,084 (direct)	Filipino	0.4%
Common	Shirley Solis-Sin	1(direct)	Filipino	0%
Common	Mary Belle D. Bituin	1(direct)	Filipino	0%
Common	Yuqiang Xie	400,000(direct)	Chinese	0.002%
Common	Miguel B. Varela	1(direct)	Filipino	0%
Common	Roberto C. Amores	1(direct)	Filipino	0%
Common	Noel B. Lazaro	5,800,001(direct)	Filipino	0.03%
Common	Carlo Matilac	1(direct)	Filipino	0%
Common	Ramon Peter E. Adviento	65,000(direct)	Filipino	.0003%
Common	Eveart Grace P. Claro	0	Filipino	0%
TOTAL		<u>8,416,903,232</u>		48.19%

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 which may result in a change in control of the Company.

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

The following are the incumbent directors and officers of the Company:

Name	Age	Nationality	Position
Joseph C. Sy	49	Filipino	Chairman of the Board of Directors and Director
Dante R. Bravo	40	Filipino	President and Director
Gu Zhi Fang	42	Chinese	Director
Francis C. Chua	67	Filipino	Director
Dennis Allan T. Ang	39	Filipino	Director
Shirley Solis-Sin	37	Filipino	Director
Mary Belle D. Bituin	48	Filipino	Senior Vice President, Chief Financial Officer, Director
Yuqiang Xie	54	Chinese	Director
Miguel B. Varela	76	Filipino	Independent Director
Roberto C. Amores	63	Filipino	Independent Director
Noel B. Lazaro	46	Filipino	Senior Vice President for Legal, Corporate Secretary, Compliance Officer and Corporate Information Officer
Carlo Matilac	43	Filipino	Senior Vice President for Operations
Ramon Peter E. Adviento	51	Filipino	Senior Vice President for Investor Relations
Eveart Grace P. Claro	35	Filipino	Assistant Corporate Secretary and Alternate Corporate Information Officer

Upon recommendation of the Company's Nomination Committee as required by the Company's Manual on Corporate Governance, the following are nominated for re-election or election to the position stated below for the year 2016-2017, to hold office as such for one year or until their successors shall have been duly elected and qualified.

The business experience for the past five years of each of our directors and key executive officers is set forth below.

Joseph C. Sy

Chairman of the Board of Directors and Director

Mr. Sy became Chairman of the Board of Directors on 6 August 2015. He became President of Platinum Group Metals Corporation ("PGMC") and Company in July 2011 and 29 August 2014, respectively. He is also a Director and President 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 years of experience in managing and heading companies engaged in mining and mineral exploration and development.

Dante R. Bravo

President and Director

Mr. Bravo is currently President of the Company. 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 PGMCO 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.

Dennis Allan T. Ang

Director

Mr. Ang became a Director of the Company on 6 August 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 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 22 October 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.

Mary Belle D. Bituin

Senior Vice President, Chief Financial Officer and Director

Ms. Bituin became a Director on 2 November 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 International Audits at the Cooperative for Assistance and Relief Everywhere (CARE), 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 22 October 2014. She has been The General Manager of Ferrochrome Resources, Inc. since 2011. 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.

Luis N. Yu, Jr.

Nominated for the Position of Regular Director

Mr. Yu, Jr. is Chairman Emeritus of 8990 Holdings, Inc. since 2012. He is also Chairman of Ceres Homes, Inc. since 2002 and President of Deca Housing Corporation since 1995. He holds a Masteral Degree in Business Management from the Asian Institute of Management and a Bachelor of Arts Major in Social Science from the Velez College in Cebu City.

Chua Ming Huat

Nominated for the Position of Regular Director

Mr. Chua Ming Huat 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.

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 29 June 2005.

In compliance with the requirements of the Code of Corporate Governance and the Securities and Exchange Commission’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 6 August 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

Nominated for Position of Independent Director

Mr. Lacson is currently the President of MIS Maritime Corporation. He is also the President of Safe Seas Shipping Agency and Marine Industrial Supply Corporation. 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.

The Company undertakes to submit the Certifications on the Qualification and Disqualification of Messrs. Lacson and Amores within thirty (30) days from the Annual Stockholders' Meeting.

Other Executive Officers

Noel B. Lazaro

Senior Vice President for Legal, Corporate Secretary, Compliance Officer and Corporate Information Officer

Mr. Lazaro became Senior Vice President and General Counsel of the Company and PGMC in 2014. He joined PGMC on August 1, 2014. He became a director of PGMC on August 1, 2014. He is also a director and Corporate Secretary of Southeast Palawan Nickel Ventures, Inc., PGMC CNEP and SIRC. He is an attorney-at-law in the Philippines. 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 holds a Bachelor of Laws degree from the University of the Philippines College of Law.

Carlo Matilac

Senior Vice President for Operations

Mr. Matilac became Senior Vice President for Operations of the Company on 6 August 2015. He joined PGMC in 2012. Mr. Matilac's primary duties include mineral evaluation, planning and design of the mine, mine development and production. Mr. Matilac served as a technical specialist for BHP Billiton and QNI, and a mine engineering superintendent for Manila Mining Corp. He holds a Master in Business Administration from the Saint Paul University and a Bachelor of Science in Mining Engineering from Cebu Institute of Technology. Mr. Matilac has more than 19 years of technical and engineering experience in managing companies engaged in mining and mineral exploration development.

Ramon Peter E. Adviento*Senior Vice President for Investor Relations*

Mr. Adviento joined the Company in November 2015 as senior vice president for Investor Relations. Mr. Adviento is a licensed mining engineer with experience of over 18 years in mine planning/design, mining operation, rehabilitation, consultancy for copper, gold, nickel, chromite, coal and 14 years in investment banking industry as analyst/investment banker. He was voted by the Fund Management Association of the Philippines as the best mining analyst for 4 years from 2012 till 2015. He was vice president and senior analyst in Maybank ATR Kim Eng where he worked from March 2012 to August 2015. He was vice president Head of Operations in Century Peak Metal Holdings Corp. from 2011 to 2012. He placed 7th in the 1990 Mining Engineer Licensure Exam. He holds a Bachelor of Science degree in Engineer of Mines from the University of the Philippines and a Masters' in Business Management from the Asian Institute of Management.

Eveart Grace Pomarin-Claro*Assistant Corporate Secretary and Alternate Corporate Information Officer*

Atty. Pomarin- Claro has been Assistant Corporate Secretary and Alternate Corporate Information Officer of the Company since September 10, 2014. Atty. Pomarin-Claro served as Corporate Secretary of the Company from February 1, 2014 to August 29, 2014.

Significant Employees

No single person is expected to contribute more significantly than others do to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance. Other than standard employment contracts, there are no arrangements with non-executive employees that will assure the continued stay of these employees with the Company.

Involvement In Certain Legal Proceedings Of Directors And Executive Officers

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-year period prior to the date of this Information Statement: (1) 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-year period of that time; (2) 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; (3) 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 (4) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine 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.

Certain Relationships and Related Transactions

There are no transactions during the past two (2) years to which the Company or any of its subsidiaries was or is to be a party, and in which a director, executive officer, stockholder owning ten percent (10%) or more and members of their immediate family had or are to have a direct or indirect material interest, except that, PGMC transacted and sold ore to Wish Way Resources (“Wish Way”), a company controlled by the family of Ms. Gu Zhi Fang, a director of the Company and the wife of Mr. Joseph C. Sy. PGMC believes that its transactions with Wish Way were fair, reasonable, and made on an arm’s length basis.

Note 29 of the audited financial statements for the period ended 31 December 2015 (Annex “A”) provides information on the Company’s significant transactions with related parties.

There are no transactions with parties that fall outside the definition of “related parties” under SFAS/IAS No. 24, with whom the Company or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm’s length basis.

Disagreement with Director

No director has resigned nor declined to stand for re-election to the Board of Directors since the date of the last Annual Stockholders’ Meeting because of a disagreement with the Company on any matter relating to the latter’s operations, policies, or practices.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Compensation

The following are the Company’s Chairman of the Board of Director, its President and its two other executive officers of the Company as of the date of this Information Statement:

Name	Position
Joseph C. Sy.....	Chairman of the Board of Directors and Director
Dante R. Bravo.....	President and Director
Mary Belle D. Bituin.....	Senior Vice President and Chief Financial Officer
Noel B. Lazaro.....	Senior Vice President for Legal, Corporate Secretary, Compliance Officer, Corporate Information Officer and Corporate Secretary

The following table identifies and summarizes the aggregate compensation of the Company’s President and its three other executive officers of the Group in the fiscal years ended 31 December 2014, 2015 and their estimated compensation for 2016:

	Year	Total⁽¹⁾ (₱) (in millions)
President and the three most highly compensated executive officers named above.....	2014	0
	2015	8.4
	2016	8.4 (<i>estimated</i>)
Aggregate compensation paid to all other officers as a group unnamed	2014	0
	2015	26
	2016	30(<i>estimated</i>)

Note:

(1) Includes salary, bonuses and other income.

The Compensation and Remuneration Committee comprises at least three members, including the President and one 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.

Standard Arrangements

Other than payment of a fixed monthly director's fee of ₱200,000, 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.

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 Information Statement, except Mr. Sy and Ms. Gu who are husband and wife.

Employment Contracts

As of the date of this Information Statement, the Company has no special employment contracts with the named executive officers.

Warrants and Options Outstanding

As of the date of this Information Statement, 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.

CORPORATE GOVERNANCE

The Board of Directors of the Company approved the Company's Revised Corporate Governance Manual (the "Manual") during the meeting of the Board of Directors on 22 July 2014. The Manual assists the Company in monitoring and assessing its level of compliance with leading practices on good corporate governance as specified in pertinent Philippine SEC circulars. 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 Information Statement.

COMPENSATION PLANS

Subject to the approval of the stockholders on the Annual Stockholders' Meeting, the Board of Directors of the Company shall establish and implement a Stock Option Plan (the "Plan") for eligible participants (the "Participants").

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 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, acting on 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 1,940,779,368 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:

- i. a reasonable vesting period; and
- ii. 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.

MANAGEMENT REPORT

Appointment of Stock and Transfer Agent

Securities Transfer Services, Inc. (“STSI”) will be nominated and recommended to the stockholders for reappointment as the Company’s stock and transfer agent for the year 2016-2017. Representatives of STSI are expected to be present at the upcoming Annual Stockholders’ Meeting to respond to appropriate questions and to make a statement if they so desire.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company’s Board of Directors reviews and approves the engagement of services of the Company’s external auditors, who are appointed upon the recommendation of the Audit Committee, and which appointment shall be ratified by the stockholders during the annual stockholders’ meeting. The Chairman of the Company’s Audit Committee is Mr. Roberto C. Amores. He is joined by Atty. Dante R. Bravo and Mr. Miguel B. Varela as members of the Audit Committee.

The auditing firm of Sycip Gorres Velayo & Co. (“SGV”), a member firm of Ernst & Young Global Limited will be nominated and recommended to the stockholders for reappointment as external auditor for the year 2016-2017. Representatives of the said firm are expected to be present at the upcoming Annual Stockholders’ Meeting to respond to appropriate questions and to make a statement if they so desire.

In compliance with SRC Rule 68 (3) (b) (iv) of the Securities Regulation Code, 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.

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 statements. SGV was also appointed by the Company as its auditors. There were no disagreements between the two auditing firms.

External Audit Fees

The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by SGV, excluding fees directly related to the Offer.

	For the year ended 31 December	
	2015	2014
	(₱ thousands)	
Audit and Audit-Related Fees ⁽¹⁾	13,541.80	7,976.9
Non-Audit Services ⁽²⁾	9,998.40	472.2
Total	23,540.20	8,449.1

(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 10.0% 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 PGM's corporate restructuring. The fees presented above include out-of-pocket expenses incidental to the work performed, the amounts of which do not exceed 10.0% of the agreed-upon engagement fees.*

Market Price of and Dividends

Market Information

The PSE is the principal market for the Company's shares. The closing price of the shares as of December 29, 2015 was at ₱0.69 per share. On 13 May 2016, the closing price of the shares on the PSE was ₱0.86 per share.

The high and low sale prices of the shares of stock of the Company for each quarter during the last two fiscal years are as follows:

YEAR	Q1		Q2		Q3		Q4	
	High	Low	High	Low	High	Low	High	Low
2016	3.47	1.84	NA	NA	NA	NA	NA	NA
2015	3.47	1.84	2.30	1.25	1.65	.93	1.30	.67
2014	1.4	0.96	3.1	1.07	3.0	1.82	2.8	1.83

Holders

The Company has approximately 1,7181,724 shareholders owning shares as of 30 April 2016. 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:

Stockholder Name	Nationality	No. of Shares	%
PCD Nominee Corp – Filipino	Filipino	5,258,898,960	30.11
Huatai Investment Pty. Ltd.	Australian	2,923,430,140	16.74
Sohoton Synergy, Inc.	Filipino	2,683,111,939	15.36
Regulus Best Nickel Holdings, Inc.	Filipino	1,569,464,006	8.99
Blue Eagle Elite Venture, Inc.	Filipino	1,046,309,337	5.99
Ultimate Horizon Capital, Inc.	Filipino	1,046,309,337	5.99
PCD Nominee Corp – Non-Filipino	Foreign	1,003,876,791	5.75
Bellatrix Star, Inc.	Filipino	563,856,102	3.23
Alpha Centauri Fortune Group, Inc.	Filipino	563,856,102	3.23
Antares Nickel Capital, Inc.	Filipino	274,028,415	1.57
Red Lion Fortune Group, Inc.	Filipino	172,766,598	.99
Wei Ting	Chinese	148,785,188	.85
Great South Group Ventures, Inc.	Filipino	97,934,554	.56
Dante R. Bravo	Filipino	41,852,374	.24
Seng Gay Chan	Singaporean	31,389,280	.18
Orion-Squire Capital, Inc. A/C-0459	Filipino	6,461,622	.04
Squire Securities, Inc.	Filipino	2,454,733	.01
George L. Go	Filipino	1,534,593	.01
Kuok Philippines Properties, Inc.	Filipino	1,313,076	.01
Gabriel Tong	Filipino	1,189,200	.01

Dividends

Below is the history of the recent dividend declarations made by the Company and PGMC for the three most recent fiscal years.

	For the year ended 31 December 2015	For six months ended December 31 2014	For the year ended June 30, 2014	2013
	(₱ in millions)			
The Company (cash dividend)	-	-		10,500 ⁽¹⁾
(property dividend)	-	-	-	
<i>Subsidiaries</i>	-			
PGMC (cash dividend)	-	1,084	5,069	-
Total	-	1,084 ⁽¹⁾	5,069 ⁽¹⁾	10,500 ⁽¹⁾

Note 1: This dividend declaration was made prior to the Company's acquisition of PGMC in October 2014.

Other than as set forth above, none of our other subsidiaries declared any dividends for the years ended 30 June 2013, 2014, six months ended 31 December 2014, and 31 December 2015, respectively. Declarations of dividends in previous years are not indicative of future dividend declarations.

The Group did not declare or pay any dividends within the three months period ended March 31, 2015.

Description of Registrant's Securities

As of 30 April 2016, the Company has a total issued capital stock of 17,467,014,310 common shares. 17,467,007,052 common shares of the Company are outstanding and 7,258 shares are treasury stock.

Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

On June 30, 2014, IHoldings, Inc., Kwantlen Development Corp. and Januarius Resources Realty Corp (collectively, the IHoldings Group) owned 74.80%, 10.17% and 4.85% of the Company, respectively.

On July 9, 2014, IHoldings Group entered into a Share Purchase Agreement with Huatai Investment Holdings 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 Energy, Inc., Great South Group Ventures, Inc., Red Lion Fortune Group, Inc., Wei Ting, Dante R. Bravo and Seng Gay Chan (collectively, the “Thirteen Stockholders”) pursuant to which IHoldings Group will sell to the Thirteen Stockholders 6,291,132,047 common shares of the Company (the “Subject Shares”) comprising the entirety of their respective shareholdings and representing 89.82% of the total issued and outstanding capital stock of the Company. This Share Purchase Agreement was amended on September 4, 2014,

On September 5, 2014, as a requirement under the Securities Regulation Code (SRC), the Thirteen Stockholders have launched a mandatory tender offer to acquire the shares of the minority stockholders holding 712,781,634 common shares of the Company and filed a Tender Offer Report with the SEC and PSE. The Tender Offer period lapsed October 10, 2014 where 204,264 common shares (the “Tendered Shares”) were tendered to the Thirteen Stockholders. After the lapse of the tender offer period, the Thirteen Stockholders completed the purchase of the Subject Shares in accordance with the Share Purchase Agreement. The Subject and Tendered Shares were crossed through the PSE on October 15, 2014.

On September 10, 2014 and October 22, 2014, the Board of Directors and the stockholders of the Company, respectively, approved the following amendments to the Articles of Incorporation and By-laws:

- Change in the Company’s name from Southeast Asia Cement Holdings, Inc. to Global Ferronickel Holdings, Inc.;
- Change in the registered and principal address from Room 1104, Liberty Center Buildings, 104 H.V. dela Costa corner Leviste Streets, Salcedo Village, Makati City to 7th Floor, Corporate Business Centre, 151 Paseo de Roxas corner Arnaiz Street, Makati City;
- Increase in the number of directors from nine (9) to ten (10) members;

- Increase in the authorized capital stock of the Company from ₱2,555,000,000.00 divided into 7,300,000,000 common shares with 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; and
- Change of fiscal year from June 30 to December 31.

The Board and the stockholders of the Company 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 PGMIC in exchange for the sale and transfer to the Company of 99.85% of the outstanding capital stock of PGMIC under a Deed of Exchange dated October 23, 2014; and the follow-on offering and listing of shares with the PSE which includes the 10,463,093,371 common shares issued to the stockholders of PGMIC.

On October 23, 2014, the Company executed a Deed of Exchange for a share-for-share swap (Share Swap) with the Thirteen Stockholders of PGMIC. The Company will issue 10,463,093,371 common shares to the Thirteen Stockholders in exchange for the 99.85% outstanding shares of PGMIC and cancel the receivables of the Company assumed by the Thirteen Stockholders from the IHoldings Group pursuant to the Share Purchase Agreement dated July 9, 2014, as amended on September 4, 2014. The total par value of the 10,463,093,371 common shares to be issued by the Company to the Thirteen Stockholders amounted to ₱3,662.1 million.

On November 27, 2014, the Company entered into a Memorandum of Agreement with Giantlead Prestige, Inc., Alpha Centauri Fortune Group, Inc., Antares Nickel Capital, Inc., Huatai Investment Holding Pty. Ltd. and an individual for the purchase of 500,000 common shares and 6,250,000,000 preferred shares or one hundred percent (100%) interest of Southeast Palawan Nickel Ventures, Inc. (SPNVI) for \$50.0 million or its Philippine peso equivalent.

On December 1, 2014, the Company filed with SEC a Notice of Exempt Transaction under Section 10.1 (e) and (i) of the Securities Regulation Code, 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, for the issuance of the aforementioned 10,463,093,371 new common shares. An amended Notice of Exempt Transaction was filed on February 18, 2015.

On December 22, 2014, the Philippine SEC approved the Company's application to 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 stockholders of PGMIC who transferred their shares in PGMIC 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.

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

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, FNI subscribed 20,000,000,000 Class A Common Shares or 61.51% of PGMC.

On August 6, 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 one hundred percent (100%) interest of SPNVI for \$50.0 million or its Philippine peso equivalent
- subscription of the company to the remaining unissued and unsubscribed shares of SPNVI 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)

The Company, its Subsidiaries and Affiliates (collectively, the "Group") have no record of any bankruptcy, receivership or similar proceedings during the past three (3) years. Neither has the Group made any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business from 2013 to 2015, except as disclosed and mentioned herein, and in the Company and Subsidiaries' audited financial statements.

Management's Discussion and Analysis of Financial Position and Results of Operations

Plan of Operations

The Company will serve as a holding company and will retain its shares in PGMC. The Company will also explore other opportunities in the next twelve (12) months. The Company shall finalize consolidation of Ipilan Nickel Corporation into the Group as soon as practicable.

Operating Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The mining segment is engaged in the mining and exploration of nickel saprolite and limonite ore and limestone.

The services segment is engaged in the chartering out of land craft tanks (LCTs) to PGMC.

Summary Financial Information

The following discussion and analysis is based on the unaudited interim consolidated financial statements as at March 31, 2016 and for the three-month period ended March 31, 2016 and 2015 and audited consolidated financial statements as at December 31, 2015 and 2014 and for the year ended December 31, 2015, for the six (6) months ended December 31, 2014 and for the fiscal years ended June 30, 2014 and 2013, prepared in conformity with Philippine Financial Reporting Standards (PFRS) and accompanying Notes to the Consolidated Financial Statements and should be read in conjunction with the audited consolidated financial statements.

The Group has not, in the past five years and since its incorporation, revised its consolidated financial statements for reasons other than changes in accounting policies.

Statement of Consolidated Financial Condition

On 22 April 2015, the Company subscribed to PGMCO a total of 20,000,000,000 Class A common shares out of the increase in PGMCO's authorized capital stock with the par value of ₱0.01 each amounting to a total of ₱200.0 million and paid a total amount of ₱50.0 million of the subscription.

The consolidated financial statements as at December 31, 2015 and 2014, and for the fiscal year ended June 30, 2014 are hereto attached.

The following tables set forth the summary financial information as at March 31, 2016 and December 31, 2015 and 2014:

Summary Consolidated Statements of Financial Position

	Horizontal Analysis						
	31 March 2016	31 December 2015	31 December 2014	Increase (Decrease)		Increase (Decrease)	
	<i>(In Thousand Pesos)</i>			2016 vs. 2015	%	2015 vs. 2014	%
Current assets	3,358,614	3,670,086	3,181,492	(311,472)	(8%)	488,594	15%
Noncurrent assets	5,394,184	5,414,927	4,473,379	(20,743)	(0%)	941,548	21%
Total assets	8,752,798	9,085,013	7,654,871	(332,215)	(4%)	1,430,142	19%
Current liabilities	2,293,491	2,440,566	2,076,816	(147,075)	(6%)	363,750	18%
Noncurrent liabilities	106,573	106,573	152,025	-	0%	(45,452)	(30%)
Total Liabilities	2,400,064	2,547,139	2,228,841	(147,075)	(6%)	318,298	14%
Equity attributable to equity holders of the Parent	6,352,734	6,537,874	5,418,652	(185,140)	(3%)	1,119,222	21%
Non-controlling interests	-	-	7,378	-	0%	(7,378)	(100%)
Total liabilities and equity	8,752,798	9,085,013	7,654,871	(332,215)	(4%)	1,430,142	19%

Summary Consolidated Statements of Financial Position

				Vertical Analysis			
	31 March 2016	31 December 2015	31 December 2014	Increase (Decrease)		Increase (Decrease)	
	<i>(In Thousand Pesos)</i>			2016 vs. 2015	%	2015 vs. 2014	%
Current assets	3,358,614	3,670,086	3,181,492	(311,472)	94%	488,594	34%
Noncurrent assets	5,394,184	5,414,927	4,473,379	(20,743)	6%	941,548	66%
Total assets	8,752,798	9,085,013	7,654,871	(332,215)	100%	1,430,142	100%
Current liabilities	2,293,491	2,440,566	2,076,816	(147,075)	44%	363,750	25%
Noncurrent liabilities	106,573	106,573	152,025	-	0%	(45,452)	(3%)
Total Liabilities	2,400,064	2,547,139	2,228,841	(147,075)	44%	318,298	22%
Equity attributable to equity holders of the Parent	6,352,734	6,537,874	5,418,652	(185,140)	56%	1,119,222	78%
Non-controlling interests	-	-	7,378	-	0%	(7,378)	(0%)
Total liabilities and equity	8,752,798	9,085,013	7,654,871	(332,215)	100%	1,430,142	100%

Statement of Consolidated Statement of Income

PGMC mine is only in production during the drier months of the year between April to October of each year, and hence the loss of ₱185.140 million for the three months period ending March 31, 2016 represents the recurring general and administrative expenses of the Group.

Summary of Consolidated Statement of Income

The following table sets forth the summary financial information for the year ended 31 December 2015, and six months ended 31 December 2014 and for the fiscal years ended 30 June 2014 and 30 June 2013:

In Millions	December 31, 2015	Six (6) months ended December 31, 2014	June 30, 2014	June 30, 2013
Revenues	₱6,533.22	₱9,047.48	₱5,667.77	₱4,664.50
Cost and Expenses	(5,277.21)	(4,116.45)	(3,943.52)	(3,526.51)
Gross Profit	1,256.01	4,931.03	1,724.25	1,137.99
Other Income	9.43	3.46	7.96	0.34
Other Expenses	(204.39)	(150.75)	7.10	(342.77)
Profit (Loss) Before Tax	1,061.05	4,783.74	1,739.31	795.56
Income Tax Expense	50.70	33.30	(68.98)	54.22
Profit for the Year	₱1,111.75	₱4,817.04	₱1,670.33	₱849.78
Other Comprehensive Income(Loss) - net of tax	0.09	(4.69)	4.32	(15.61)
Total Comprehensive Income (Loss)	₱1,111.84	₱4,812.35	₱1,674.65	₱834.17
Total Comprehensive Income				

Attributable To				
Equity holders of the Parent Company	₱1,111.84	₱4,804.99	₱1,672.09	₱832.89
NCI	-	₱7.36	₱2.56	₱1.28

The following table sets forth the summary financial information (unaudited) for the three months ended-31 March 2016, 2015 and 2014:

	2016	2015	2014
	<i>(In Thousand Pesos)</i>		
Revenues	₱38,028	₱-	₱-
Cost and Expenses	(209,690)	(204,833)	(926)
Other Income (Charges)-net	(11,784)	(24,957)	-
Profit (Loss) Before Tax	(183,446)	(229,790)	(926)
Income Tax Expense	571	(14,433)	-
Profit (Loss) for the Period	(184,017)	(215,357)	(926)
Other Comprehensive Loss - net of tax	(1,123)	(920)	-
Total Comprehensive Income (Loss)	(₱185,140)	(₱216,277)	(926)
Basic and Diluted Loss Per Share	(0.010535)	(0.030879)	(0.000132)

Material Changes in Statements of Comprehensive Income Accounts

Total Comprehensive Income: Three-Months Ended March 31 2016 Compared with Three-Months Ended March 31, 2015

The Group's PGMC Surigao mine is only in production/shipment during the drier months of the year between April to October of each year, and hence the net loss of ₱184.0 million for the three months period ending March 31, 2016 represents the cost of the one shipment in January and the recurring general and administrative expenses of the Group.

The Group's first quarter 2016 revenues came from one nickel ore shipment over spilled from last year's shipments due to bad weather condition consequently slowing down the loading of nickel ore.

Total Comprehensive Income: Calendar Year Ended December 31, 2015, Six-Months Ended December 31, 2014 and Fiscal Year Ended June 30, 2014

For the year ended December 31, 2015, the Group has total comprehensive income of ₱1,111.84 million, compared to ₱4,812.35 million for the six (6) months ended December 31, 2014 and ₱1,674.65 for the fiscal year ending June 30, 2014 .

The foregoing result was due to the decrease in the volume shipped and decline in the selling price of nickel ore. The Company's mining operations encountered unusually heavy rainfall during the months of June and August that slowed down ship loading activities and necessitated longer time to reduce moisture content to the acceptable and desired level of 33%. This brought down total shipments to ninety nine (99) vessels as compared to one hundred seventeen (117) vessels in the previous year. In addition, the decrease in the value of the ores shipped was exacerbated by the

decline in nickel ore prices from 2014 average of US\$43.30/WMT to US\$26.69/WMT average for 2015, lower by US\$16.61/WMT or 38.4%.

Material Changes in Consolidated Statements of Financial Position Accounts

Financial Position as at March 31, 2016 and December 31, 2015

As at March 31, 2016, total assets of the Group stood at ₱8,752.8 million, a decline of ₱332.2 million or 4%, from ₱9,085.0 million as at December 31, 2015. The decline was due primarily to the decrease in current assets by ₱311.5 million from ₱3,670.1 million to ₱3,358.6 million, because of the decrease in trade and other receivables by ₱444.3 million, from ₱700.8 million to ₱256.5 million as a result of payment proceeds from letters of credit (LC) by nickel ore buyers' LC issuing banks. However, advances to related parties increased by ₱477.6 million from ₱1,639.2 million to ₱2,116.8 million.

Total liabilities of the Group stood at ₱2,400.1 million as at March 31, 2016, a drop of ₱147.1 million or 6%, from ₱2,547.1 million as at December 31, 2015. The decrease was due to the decrease in current liabilities to ₱2,293.5 million from ₱2,440.6 million as result of net payment of the maturing loan and settlement of obligations with the suppliers/contractors.

Financial Position as at December 31, 2015 and December 31, 2014

Total assets amounted to ₱9,085.01 million and ₱7,654.87 million as at December 31, 2015 and 2014, respectively, an increase of ₱1,430.14 or 19%, due to increase in current assets by ₱488.59 million in 2015 from ₱3,181.49 million in 2014 due primarily to the increase in trade receivables and ore inventories.

Total current liabilities increased by ₱363.75 million in December 31, 2015 from ₱2,076.82 million in December 31, 2014 which was the net effect of payments of maturing loans and the availment of additional service vehicle loans and short-term dollar loan amounting to US\$20.0 million equivalent to ₱941.2 million.

Total noncurrent liabilities insignificantly reduced to ₱106.57 million from ₱152.02 million as a result of currently maturing portions of long-term bank loan and finance lease obligation.

Cash Dividends Payable and Treasury stock Distributable as dividends

On June 15, 2014, the PGMC's BOD approved the declaration of cash dividends in the amount of ₱1,411.7 million and property dividends of ₱3,657.4 million to stockholders of record as at June 15, 2014. On September 1, 2014, PGMC's BOD amended its initial dividend declaration dated June 15, 2014 by declaring cash dividends in the amount of ₱5,069.1 million out of its unrestricted retained earnings. Out of the total dividends declared, ₱4,309.0 million pertains to 16% participating, non-cumulative, preferred stockholders at ₱0.07 per share and the remaining ₱760.1 million pertains to common stockholders at ₱0.06 per share. On December 29, 2014, PGMC settled its cash dividends payable amounting to ₱5,069.1 million. The dividends payable was offset against the cash advances to stockholders classified under "Advances to related parties".

On July 15, 2014, the PGMC's BOD approved the declaration of cash dividends amounting to P1,084.6 million at P0.09 per share. The dividends were settled on August 29, 2014.

On May 22, 2013, the BOD of the Parent Company approved the declaration of cash dividends in the amount of P1.656 per outstanding common share or P10,500 million to stockholders of record as at June 5, 2013, payable on June 12, 2013. In 2014, cash dividends declared and payable to certain shareholders on May 22, 2013 amounting to P20.3 million were returned as stale checks and presented as cash dividends payable as at December 31, 2015 and December 31, 2014 and will be reissued to such investors subsequent to year-end.

As at December 31, 2015 and 2014, dividends payable amounted to P20.3 million and P20.3 million, respectively.

On December 1, 2014, the BOD approved the adoption of a dividend policy of declaring dividends equivalent to at least twenty percent (20%) of the unrestricted retained earnings of GFHI for the preceding year as indicated in its audited financial statements.

Capital Stock

The capital structure of the Company as at 31 March 2016, 31 December 2015, and 31 December 2014 is as follows:

	31 March 2016	31 December 2015	31 December 2014
Authorized	35,871,428,572 shares at 0.35 par value	35,871,428,572 shares at P0.35 par value	35,871,428,572 shares at P0.35 par value

The Company has only one class of common shares. The common shares do not carry any right to fixed income.

The Company applied for an increase in its authorized capital stock from P2,555.0 million divided into 7,300,000,000 common shares with a par value of P0.35 per share to P12,555.0 million divided into 35,871,428,572 common shares with a par value of P0.35 per share. The increase in the authorized capital stock as well as the issuance of the 10,463,093,371 common shares to the stockholders of PGMC in accordance with the share swap transaction was approved by the SEC on 22 December 2014.

All issued shares of the Company, except for the newly issued 10,463,093,371 common shares to the stockholders of PGMC, are listed in the PSE. The following table summarizes the track record of registrations of securities under the SRC.

Transaction	Subscribers	Registration Date	Issue/Offer Price	Number of Shares
Initial registration	Various	October 1994	₱1.50	5,000,000,000
Additional registration	Various	September 1996	–	1,150,000,000
Exempt from registration	Various	December 1998	–	305,810,000
Exempt from registration	Two individuals	June 2013	0.35	554,000,000
				7,009,810,000

Treasury Stock

The Company has 7,258 shares in treasury stock amounting to ₱18.4 thousand as of 31 March 2016 and 31 December 2015.

There were no movements in treasury stock in for the period January 1 to March 31, 2016. Pursuant to the Voluntary Tender Offer, which the Company conducted from October to November 2012, the Company bought back 930,730,108 of its shares of stock at fair value of ₱2.496 per share, resulting in treasury stock in the books of the Company. These treasury stocks were declared as property dividends on 20 December 2012 and were distributed to shareholders on 27 May 2013. Due to the rounding down of the fractional shares from the property dividends, there are 7,258 treasury stocks amounting to ₱18,440 remaining as of 30 June 2013.

Retained Earnings

The Group has unrestricted retained earnings amounting to ₱ 238.1 million and ₱422.2 million as at 31 March 2016 and 31 December 2015, respectively.

Key Performance Indicators (KPIs)

The Group identified the following KPIs:

<i>KPI</i>	<i>Formula</i>	<i>December 2015</i>	<i>December 2014</i>	<i>June 2014</i>	<i>June 2013</i>
Profitability					
1. Return on Equity	Profit for the Year / Total Equity	17%	89%	25%	16%
2. Return on Assets	Profit for the Year / Total Assets	12%	63%	15%	9%
3. Earnings Per Share	Profit for the Year / Weighted Average Number of Common Shares Outstanding	0.06	0.66	0.24	0.14

Leverage					
4. Debt-to-Equity Ratio	Total Liabilities / Total Equity	0.38973	0.41077	5.6582	0.7417
Liquidity					
5. Current Ratio	Current Assets / Current Liabilities	151.13	153.19	0.74	16.27

Trends, events or uncertainties

“The LME 3-month nickel price has started 2015 on a weak note as investor confidence has been shaken by increasing concern over the global economy, stronger US dollar and a falling oil price. However, the Chinese nickel market appears to have been fairly resilient to the decline in LME nickel prices so far. This divergence in trend means that the Chinese nickel price is now trading at a small premium to LME nickel prices”, according to CRU. Going into this year there was around 6-7 million tonnes of Indonesian ore stocks in China and CRU calculates that this will last until 2nd quarter of 2015.

The Group identified the following KPIs as of 31 March 2016 and 31 December 2015:

<i>KPI</i>	<i>Formula</i>	<i>2016</i>	<i>2015</i>
Earnings Per Share	Profit for the Period/Weighted Average Number of Shares Outstanding	(0.01)	(0.06)
Debt-to-Equity Ratio	Total Liabilities/Total Equity	0.38:1	0.39:1
Asset-to-Equity Ratio	Total Assets/Total Equity	1.38:1	1.39:1
Current Ratio	Current Assets / Current Liabilities	1.46:1	1.50:1

Capital Expenditures

The Company does not have any outstanding commitment on capital expenditures as of 31 March 2016.

Operational and Financial Requirements

The Company maintains liquid assets in order to meet future operational and financial requirements.

Material Contingencies and Off-Balance Sheet Obligations

The Company is not aware of any significant commitment, guarantee, litigation or contingent liability during the reported period other than those discussed in this report and in the Audited Financial Statements and interim Financial Statements.

Events that will trigger direct or contingent financial obligation

The Group is not aware of any event that will trigger a direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

OTHER MATTERS

Action with Respect to Reports

The approval of the following will be considered during the Annual Stockholders' Meeting:

- a. Report of Management for the year 2015;
- b. Approval of the Audited Financial Statements for the year ended 31 December 2015; and
- c. Approval of the Employee Stock Option Plan.

Other Proposed Actions

The following are to be proposed for approval during the stockholders' meeting:

1. Election of the Directors;
2. Appointment of External Auditors; and
3. Appointment of Stock and Transfer Agent.

Actions of the Board of Directors to be ratified and confirmed by the Stockholders:

The following acts, resolutions, and proceedings of the Board of Directors, the different Committees, and Management of the Company that have been duly reported by the Company in its reports or disclosed to the Philippine Stock Exchange and Securities and Exchange Commission, during the period are subject for the ratification and confirmation of the stockholders:

Date	Results of BOD Meeting
1-9-2015	Creation of Execom and setting of SSM date on 2-26-2015
3-16-2015	Termination of MOA to acquire FRI due to non-fulfillment of pre-conditions.
3-17-2015	Resignation of Mr. Ang as Independent Director of the Company and election of Mr. Amores as replacement. Resignation of Ms. Bituin as Regular Director of the Company and election of Mr. Ang as her replacement.
4-1-2015	Approval of Audited Financial Statements
4-29-2015	Election of BOD Committees Adoption of the following policies <ol style="list-style-type: none">1. Conflict of Interest Policy2. Whistle Blowing policy3. Policy on Short Swing Trading4. Policy on Related Party Transaction5. Policy on Insider Trading6. Compensation Committee Charter7. Nomination Committee Charter8. Audit Committee Charter Approval of monthly allowances of key executives

5-13-2015	Setting of date of ASM to June 24, 2015
6-22-2015	Resetting date of ASM from June 24, 2015 to July 29, 2015
8-6-2015	<p>BOD Organizational Meeting. Election of Officers.</p> <p>BOD Approval for the Company to execute a Contract to Sell for the purchase of South Palawan Nickel Ventures, Inc. (“SPNVI”)</p> <p>BOD approval for the Company to subscribe to the remaining unissued and unsubscribed shares of SPNVI with total subscription price of P37.8B.</p> <p>Contract to Sell and Subscription Contract was signed that same day.</p> <p>Resignation of Mr. Raul M. Ang as Regular Director and election of Mr. Dennis Ang as Mr. Raul M. Ang’s replacement</p> <p>Election of Mr. Sy as Chairman and Mr. Bravo as President</p>
11-2-2015	<p>Election of Mr. Adviento as Senior Vice President for Investor Relations.</p> <p>Resignation of Mr. Matillac as Regular Director and election of Ms. Bituin as Mr. Matillac’s replacement</p>

Voting Procedures

Vote Required

- a. Each share of the common stock outstanding on the record date will be entitled to one (1) vote on all matters.
- b. In the election of directors, the ten (10) nominees with the greatest number of votes will be elected directors. If the number of nominees does not exceed the number of directors to be elected, the Secretary of the meeting, upon motion made, is instructed to cast all votes represented at the meeting in favor of the nominees. However, if the number of nominees exceeds the number of directors to be elected, voting shall be done by ballots. Cumulative voting shall be followed. Slots allotted for independent directors shall be filled only by qualified nominees for independent directors.
- c. For all proposals or matters submitted to a vote, the affirmative vote of stockholders holding at least a majority of the Company’s outstanding capital stock present or represented by proxy and entitled to vote shall be necessary. Unless required by law, or the stockholders, the shares are traditionally voted by verbal motion and duly seconded during the meeting. A matter is carried and approved when there is no objection from the floor.
- c. Counting of votes, when necessary, shall be done by the Corporate Secretary or Assistant Corporate Secretary with the assistance of the independent auditors and the Company’s stock transfer agent.

UNDERTAKING

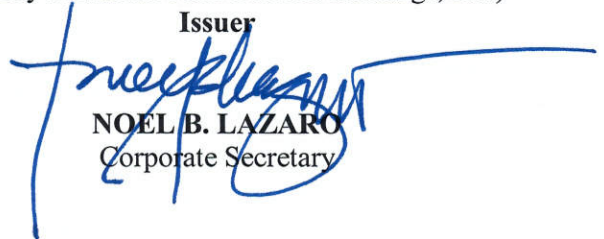
Upon the written request of the stockholder, the Company undertakes to furnish such stockholder with a copy of SEC Form 17-A free of charge. Such written request for a copy of SEC Form 17-A shall be directed to the Office of the Corporate Secretary, 7th Floor, Corporate Business Centre, 151 Paseo De Roxas cor. Arnaiz Street, Makati City, Metro Manila, Philippines. At the discretion of the management, a charge may be made for exhibits provided such charge is limited to reasonable expenses incurred by the Company in furnishing such exhibits.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati, Metro Manila on JUN 08 2016.

GLOBAL FERRONICKEL HOLDINGS, INC.
(formerly Southeast Asia Cement Holdings, Inc.)

Issuer

A handwritten signature in blue ink, appearing to read 'Noel B. Lazaro', is written over the printed name and title.

NOEL B. LAZARO
Corporate Secretary

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	O	9	4	0	0	3	9	9	2
---	---	---	---	---	---	---	---	---	---	---

COMPANY NAME

G	L	O	B	A	L		F	E	R	R	O	N	I	C	K	E	L		H	O	L	D	I	N	G	S	,		I
N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S		(F	O	R	M	E	R	L	Y
	S	O	U	T	H	E	A	S	T		A	S	I	A		C	E	M	E	N	T		H	O	L	D	I	N	G
S	,		I	N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S)					

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

7	t	h		F	l	o	o	r	,		C	o	r	p	o	r	a	t	e		B	u	s	i	n	e	s	s	
C	e	n	t	r	e	,		1	5	1		P	a	s	e	o		d	e		R	o	x	a	s		c	o	r
n	e	r		A	r	n	a	i	z		S	t	r	e	e	t	,		M	a	k	a	t	i		C	i	t	y

Form Type

A	A	C	F	S
---	---	---	---	---

Department requiring the report

C	R	M
---	---	---

Secondary License Type, If Applicable

N	/	A
---	---	---

COMPANY INFORMATION

Company's Email Address

www.gfni.com.ph

Company's Telephone Number

(632) 519-7888

Mobile Number

N/A

No. of Stockholders

1,722

Annual Meeting (Month / Day)

7/29

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Ms. Mary Belle D. Bituin

Email Address

MDBituin@gfni.com.ph

Telephone Number/s

(632) 519-7888

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

7th Floor, Corporate Business Centre, 151 Paseo de Roxas corner Arnaiz Street, Makati City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Global Ferronickel Holdings, Inc. and Subsidiaries
7th Floor, Corporate Business Centre
151 Paseo de Roxas corner Arnaiz Street
Makati City

We have audited the accompanying consolidated financial statements of Global Ferronickel Holdings, Inc. (formerly Southeast Asia Cement Holdings, Inc.) and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Global Ferronickel Holdings, Inc. and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario

Partner

CPA Certificate No. 56915

SEC Accreditation No. 0076-AR-3 (Group A),

March 21, 2013, valid until April 30, 2016

Tax Identification No. 102-096-009

BIR Accreditation No. 08-001998-72-2015,

March 24, 2015, valid until March 23, 2018

PTR No. 5321628, January 4, 2016, Makati City

April 8, 2016





Global Ferronickel Holdings, Inc.

7th Floor Corporate Business Center, 151 Paseo De Roxas corner Arnaiz Street, Makati City, 1228 Philippines
Telephone No.:(632) 812 1494 & (632) 519 7888 Fax No.:(632) 812 0833 & (632)519 7999


STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of Global Ferronickel Holdings, Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2015 and 2014 in accordance with Philippine Financial Reporting Standard. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders and Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signature: 
DANTE R. BRAVO - PRESIDENT

Signature: 
JOSEPH C. SY - CHAIRMAN

Signature: 
MARY BELLE D. BITUIN - CHIEF FINANCE OFFICER

Signed this APR 14 2016 day of April 2016.

SUBSCRIBED AND SWORN TO BEFORE ME ON
THIS DAY OF APR 14 2016 IN THE CITY
OF MAKATI AFFIANNO HAVING EXHIBITED TO ME
HIS/HER CTC NO. _____ ISSUED
ON _____ ISSUED AT _____

JOC. NO. 444
PAGE NO. 89
BOOK NO. 17
SERIES OF 2016

ATTY. JOHN DOMINGO A. PONCE, JR.
NOTARY PUBLIC
APPOINTMENT No. M-492 / MAKATI CITY
UNTIL DECEMBER 31, 2016
PTR No. 53206 / 2 / 01-04-2016 / MAKATI CITY
IBP No. 1013712 / 01-04-2016 / RIZAL
MCLE COMPLIANCE No. IV-00-23626 / 05-29-2014
ROLL NO. 36452

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Southeast Asia Cement Holdings, Inc. and Subsidiaries)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2015	2014 (As restated, Note 2)
ASSETS		
Current Assets		
Cash (Note 4)	₱502,876	₱691,869
Trade and other receivables (Note 5)	700,770	324,468
Current portion of finance lease receivable (Note 18)	167,949	95,910
Advances to related parties (Note 29)	1,639,231	1,767,858
Inventories - at cost (Note 6)	643,783	246,042
Prepayments and other current assets (Note 7)	15,477	55,345
Total Current Assets	3,670,086	3,181,492
Noncurrent Assets		
Property and equipment (Note 8)	2,048,979	2,305,893
Deposits for future acquisition (Note 29a)	1,651,247	—
Mining rights (Note 9)	301,605	396,500
Finance lease receivable - net of current portion (Note 18)	319,593	770,814
Investment property (Note 10)	319,865	319,865
Mine exploration costs (Note 11)	140,790	140,659
Deferred income tax assets - net (Note 30)	97,785	43,263
Available-for-sale (AFS) financial assets (Note 12)	5,903	8,854
Other noncurrent assets (Note 13)	529,160	487,531
Total Noncurrent Assets	5,414,927	4,473,379
TOTAL ASSETS	₱9,085,013	₱7,654,871
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 14 and 13)	₱792,661	₱1,107,819
Current portion of bank loans (Note 15)	987,350	573,865
Amounts owed to related parties (Note 29)	624,211	344,293
Dividends payable (Note 19)	20,287	20,287
Current portion of finance lease liabilities (Note 18)	14,994	26,451
Income tax payable	1,063	4,101
Total Current Liabilities	2,440,566	2,076,816
Noncurrent Liabilities		
Bank loans - net of current portion (Note 15)	7,234	46,361
Provision for mine rehabilitation and decommissioning (Note 16)	58,259	60,212
Retirement obligation (Note 17)	39,985	30,101
Finance lease liabilities - net of current portion (Note 18)	—	14,994
Other noncurrent liabilities (Note 33)	1,095	357
Total Noncurrent Liabilities	106,573	152,025
Total Liabilities	2,547,139	2,228,841
Equity		
Capital stock (Note 19)	6,113,455	6,113,455
Valuation gain on AFS financial assets (Note 12)	—	506
Gain on remeasurement of retirement obligation	2,277	1,675
Retained earnings (deficit) (Note 19)	422,160	(696,966)
Treasury stock (Note 19)	(18)	(18)
Equity attributable to the Equity holders of Global Ferronickel Holdings, Inc. (GFHI; the Parent Company)	6,537,874	5,418,652
Non-controlling interest (NCI)	—	7,378
Total Equity	6,537,874	5,426,030
TOTAL LIABILITIES AND EQUITY	₱9,085,013	₱7,654,871

See accompanying Notes to Consolidated Financial Statements.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Southeast Asia Cement Holdings, Inc. and Subsidiaries)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015, SIX MONTHS ENDED
DECEMBER 31, 2014 AND YEAR ENDED JUNE 30, 2014
(Amounts in Thousands)

	December 31		June 30
	2015	2014	2014
SALE OF ORE (Note 33)	₱6,533,218	₱9,047,476	₱5,667,768
COST OF SALES (Note 21)	3,574,596	2,556,640	2,514,842
GROSS PROFIT	2,958,622	6,490,836	3,152,926
OPERATING EXPENSES			
Excise taxes and royalties (Note 22)	906,351	1,258,746	795,893
General and administrative (Note 23)	629,788	237,316	430,546
Shipping and distribution (Note 24)	166,471	63,749	202,243
	1,702,610	1,559,811	1,428,682
FINANCE INCOME (Notes 4 and 18)	9,431	3,465	7,956
FINANCE COSTS (Note 27)	(88,891)	(73,323)	(202,058)
OTHER INCOME (CHARGES) - net (Note 28)	(115,500)	(77,424)	209,164
INCOME BEFORE INCOME TAX	1,061,052	4,783,743	1,739,306
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)			
Current	4,081	6,673	142
Deferred	(54,779)	(39,977)	68,835
	(50,698)	(33,304)	68,977
NET INCOME	1,111,750	4,817,047	1,670,329
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>			
Valuation gain (loss) on AFS financial assets (Note 12)	(506)	(337)	4,174
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gain (loss) on retirement obligation (Note 17)	857	(6,224)	204
Income tax effect	(257)	1,867	(61)
	600	(4,357)	143
	94	(4,694)	4,317
TOTAL COMPREHENSIVE INCOME	₱1,111,844	₱4,812,353	₱1,674,646
Net Income Attributable To:			
Equity holders of the Parent Company	₱1,111,750	₱4,809,681	₱1,667,776
NCI	—	7,366	2,553
	₱1,111,750	₱4,817,047	₱1,670,329
Total Comprehensive Income Attributable To:			
Equity holders of the Parent Company	₱1,111,844	₱4,804,995	₱1,672,087
NCI	—	7,358	2,559
	₱1,111,844	₱4,812,353	₱1,674,646
Basic/Diluted Earnings Per Share on Net Income Attributable to			
Equity Holders of the Parent Company (Note 20)	₱0.06	₱0.66	₱0.24

See accompanying Notes to Consolidated Financial Statements.



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES

(Formerly Southeast Asia Cement Holdings, Inc. and Subsidiaries)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015, SIX MONTHS ENDED DECEMBER 31, 2014 AND YEAR ENDED JUNE 30, 2014

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock (Note 19)	Additional Paid-in Capital (APIC) (Note 19)	Tresury Stock (Note 19)	Valuation Gain (Loss) on AFS Financial Assets (Note 12)	Gain (Loss) on Remeasurement of Retirement Obligation	Equity Reserve (Note 19)	Retained Earnings (Deficit) (Note 19)	Total	NCI	Total Equity
Balances at June 30, 2013	₱2,451,372	₱127,171	(₱18)	(₱3,326)	₱5,882	(₱1,878,341)	₱4,358,289	₱5,061,029	₱6,868	₱5,067,897
Net income for the year	–	–	–	–	–	–	1,667,776	1,667,776	2,553	1,670,329
Other comprehensive income - net of tax	–	–	–	4,168	143	–	–	4,311	6	4,317
Total comprehensive income	–	–	–	4,168	143	–	1,667,776	1,672,087	2,559	1,674,646
Dividend declaration	–	–	–	–	–	–	(5,061,301)	(5,061,301)	(7,749)	(5,069,050)
Balances at June 30, 2014	2,451,372	127,171	(18)	842	6,025	(1,878,341)	964,764	1,671,815	1,678	1,673,493
Net income for the period	–	–	–	–	–	–	4,809,681	4,809,681	7,366	4,817,047
Other comprehensive loss for the period- net of tax	–	–	–	(336)	(4,350)	–	–	(4,686)	(8)	(4,694)
Total comprehensive income (loss) for the period	–	–	–	(336)	(4,350)	–	4,809,681	4,804,995	7,358	4,812,353
Issuance of shares through Share Swap, As restated (Notes 1 and 2)	3,662,083	1,695,121	–	–	–	(5,357,204)	–	–	–	–
Assumption and cancellation of GFHI receivables	–	–	–	–	–	(2,589,722)	–	(2,589,722)	–	(2,589,722)
Effect of acquisition of net assets of the accounting acquiree	–	–	–	–	–	2,605,460	–	2,605,460	–	2,605,460
Application of APIC and retained earnings to equity reserve	–	(1,822,292)	–	–	–	7,210,807	(5,388,515)	–	–	–
Issuance of shares by Platinum Group Metals Corporation (PGMC)	–	–	–	–	–	9,000	–	9,000	–	9,000
Dividend declaration	–	–	–	–	–	–	(1,082,896)	(1,082,896)	(1,658)	(1,084,554)
Balances at December 31, 2014, As restated (Note 2)	6,113,455	–	(18)	506	1,675	–	(696,966)	5,418,652	7,378	5,426,030
Net income for the year	–	–	–	–	–	–	1,111,750	1,111,750	–	1,111,750
Other comprehensive income (loss) - net of tax	–	–	–	–	600	–	–	600	–	600
Unrealized gains transferred from equity to consolidated statements of comprehensive income	–	–	–	(506)	–	–	–	(506)	–	(506)
Total comprehensive income (loss)	–	–	–	(506)	600	–	1,111,750	1,111,844	–	1,111,844
Dilution of NCI (Note 1)	–	–	–	–	2	–	7,376	7,378	(7,378)	–
Balances at December 31, 2015	₱6,113,455	₱–	(₱18)	₱–	₱2,277	₱–	₱422,160	₱6,537,874	₱–	₱6,537,874

See accompanying Notes to Consolidated Financial Statements.



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Southeast Asia Cement Holdings, Inc. and Subsidiaries)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015, SIX MONTHS ENDED DECEMBER 31, 2014
AND YEAR ENDED JUNE 30, 2014

(Amounts in Thousands)

	December 31		June 30
	2015	2014	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,061,052	₱4,783,743	₱1,739,306
Adjustments for:			
Depreciation, depletion and amortization (Notes 8, 9 and 26)	594,483	92,683	216,890
Loss on modification of finance lease receivable (Notes 18 and 28)	86,885	—	—
Interest expense (Note 27)	75,716	55,348	150,732
Interest income (Notes 4 and 18)	(9,431)	(3,469)	(7,956)
Retirement benefits costs (Notes 17 and 25)	9,368	3,195	6,215
Loss (gain) on disposals of property and equipment (Notes 8 and 28)	6,327	(91)	159
Unrealized foreign exchange gains - net	(3,040)	26,231	(205,543)
Impairment loss on AFS financial assets (Notes 12 and 28)	2,445	—	—
Amortization of discount on bank loans (Note 27)	2,068	6,650	20,805
Accretion interest on provision for mine rehabilitation and decommissioning (Notes 16 and 27)	1,117	549	1,279
Levelization of rental expense	743	(34)	323
Operating income before changes in working capital	1,827,733	4,964,805	1,922,210
Decrease (increase) in:			
Trade and other receivables	(403,448)	563,990	(599,417)
Inventories - at cost	(397,741)	51,065	(58,088)
Prepayments and other current assets	39,868	(187,487)	(98,807)
Increase (decrease) in trade and other payables	(210,403)	(1,997,001)	772,402
Net cash generated from operations	856,009	3,395,372	1,938,300
Interest paid	(73,848)	(58,304)	(144,739)
Income taxes paid	(7,119)	(2,855)	(66)
Interest received	1,202	1,045	813
Retirement benefits paid (Note 17)	(90)	(3,819)	(4,201)
Net cash flows from operating activities	776,154	3,331,439	1,790,107
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment (Notes 8 and 37)	(31,146)	(86,198)	(803,778)
Mine exploration costs (Note 11)	(131)	—	(72,021)
Decrease(increase) in:			
Advances to related parties	(1,499,565)	(2,003,156)	(772,274)
Deposits for future acquisition (Notes 29 and 37)	(23,055)	—	—
Other noncurrent assets	(44,135)	(34,481)	149,894
Proceeds from insurance of property and equipment (Note 8)	1,582	227	—
Cash inflow from acquisition of net assets of accounting acquiree (Parent Company)	—	20,322	—
Net cash flows used in investing activities	(1,596,450)	(2,103,286)	(1,498,179)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availments of bank loans (Note 15)	2,393,284	302,935	432,400
Issuance of capital stock	—	9,000	—
Payments of bank loans	(1,989,598)	(1,074,621)	(632,449)
Increase (decrease) in:			
Amounts owed to related parties	279,982	24,710	78,693
Finance lease liabilities	(26,451)	(19,597)	(28,707)
Other noncurrent - liabilities	—	(282)	—
Net cash flows from (used in) financing activities	657,217	(757,855)	(150,063)
NET INCREASE (DECREASE) IN CASH	(163,079)	470,298	141,865
EFFECT OF EXCHANGE RATE CHANGES ON CASH (Note 28)	(25,914)	(11,593)	(14,048)
CASH AT BEGINNING OF YEAR (Note 4)	691,869	233,164	105,347
CASH AT END OF YEAR	₱502,876	₱691,869	₱233,164

See accompanying Notes to Consolidated Financial Statements.



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Southeast Asia Cement Holdings, Inc. and Subsidiaries)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

The Parent Company

GFHI (formerly Southeast Asia Cement Holdings, Inc) is a corporation listed in the Philippine Stock Exchange (PSE). It was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 3, 1994. The principal activities of the Parent Company 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, and other securities or obligations of any corporation.

As at June 30, 2014, the Parent Company is 74.80%, 10.17% and 4.85% owned by IHoldings, Inc., Kwantlen Development Corp. and Januarius Resources Realty Corp. (collectively, the IHoldings Group), respectively.

On July 9, 2014, IHoldings Group entered into a Share Purchase Agreement, as amended on September 4, 2014, with Huatai Investment Holding Pty. Ltd. (HIHPL), Regulus Best Nickel Holdings, Inc., Bellatrix Star, Inc., Alpha Centauri Fortune Group, Inc. (ACFGI), Antares Nickel Capital, Inc. (ANCI), Blue Eagle Elite Ventures, Inc., Ultimate Horizon Capital, Inc., Sohoton Energy, Inc., Great South Group Ventures, Inc., Red Lion Fortune Group, Inc., and three (3) individuals (collectively the Thirteen Stockholders) pursuant to which IHoldings Group will sell to the Thirteen Stockholders 6,291,132,047 common shares of GFHI (the Subject Shares), comprising the entirety of their respective shareholdings and representing 89.82% of the total issued and outstanding capital stock of GFHI.

On September 5, 2014, as a requirement under the Securities Regulation Code (SRC), the Thirteen Stockholders have launched a mandatory tender offer to acquire the shares of the minority stockholders holding 712,781,634 common shares of GFHI and filed a Tender Offer Report with the SEC and PSE. The Tender Offer period lapsed last October 10, 2014 where 204,264 common shares were tendered to the Thirteen Stockholders (the Tendered Shares). After the lapse of the tender offer period, the Thirteen Stockholders completed the purchase of the Subject Shares in accordance with the Share Purchase Agreement. The Subject and Tendered Shares were crossed through the PSE on October 15, 2014.

On September 10, 2014 and October 22, 2014, the Board of Directors (BOD) and stockholders of the Parent Company, respectively, approved the following amendments to the Articles of Incorporation (AOI) and By-laws:

- Change in the Parent Company's name from Southeast Asia Cement Holdings, Inc. to Global Ferronickel Holdings, Inc.;
- Change in the registered and principal address from Room 1104, Liberty Center Building, 104 H.V. dela Costa corner Leviste Streets, Salcedo Village, Makati City to 7th Floor, Corporate Business Centre, 151 Paseo de Roxas corner Arnaiz Street, Makati City;
- Increase in the number of directors from nine (9) to ten (10) members;
- Increase in the authorized capital stock of the Parent Company from ₱2,555.0 million divided into 7,300,000,000 common shares with a par value of ₱0.35 per share to ₱12,555.0 million divided into 35,871,428,572 common shares with a par value of ₱0.35 per share; and
- Change in the reporting period from June 30 to December 31.



The amendments to the AOI and By-laws of the Parent Company were approved by the SEC on December 22, 2014.

Moreover, the BOD and stockholders of the Parent Company also approved the following transactions on September 10, 2014 and October 22, 2014, respectively:

- The acquisition of the 99.85% outstanding shares of PGMC through issuance of 10,463,093,371 common shares, coming from the increase in authorized capital stock, to the stockholders of PGMC selling and/or exchanging their shares in PGMC to the Parent Company; and
- The follow-on offering and listing of shares with the PSE which includes the 10,463,093,371 common shares issued to the stockholders of PGMC.

GFHI and PGMC Share-for-Share Swap (Share Swap) Transaction

On October 23, 2014, GFHI executed a Deed of Exchange for a Share Swap with the Thirteen Stockholders of PGMC. GFHI will issue 10,463,093,371 common shares to the Thirteen Stockholders in exchange for the 99.85% outstanding shares of PGMC and cancel the ₱2,591.9 million receivables of GFHI assumed by the Thirteen Stockholders from IHoldings Group pursuant to the Share Purchase Agreement dated July 9, 2014, as amended on September 4, 2014. The total par value of the 10,463,093,371 common shares to be issued by GFHI to the Thirteen Stockholders amounted to ₱3,662.1 million.

The shares issued by GFHI to the Thirteen Stockholders of PGMC came from the increase in authorized capital stock. The increase in the authorized capital stock was approved by the SEC on December 22, 2014.

Memorandum of Agreements (MOA)

On November 27, 2014, GFHI entered into two (2) MOAs with the following:

- GHGC Metallic Ore Resources, Inc. (GMORI) and eight (8) individuals for the purchase of 126,500,000 common shares or one hundred percent (100%) interest of Ferrochrome Resources, Inc. (FRI; formerly Golden Harvest Global Corporation) for United States Dollar (US\$)30.0 million or its Philippine Peso equivalent.
- Giantlead Prestige, Inc., ACFGI, ANCI, HIHPL and an individual (the Sellers) for the purchase of 500,000 common shares and 6,250,000,000 preferred shares or one hundred percent (100%) interest of Southeast Palawan Nickel Ventures, Inc. (SPNVI) for US\$50.0 million or its Philippine Peso equivalent.

The acquisition of FRI and SPNVI shares are still subject to the fulfillment of the pre-conditions as indicated in the MOA including the need to conduct a due diligence examination of FRI and SPNVI. The MOA shall expire upon the lapse of six (6) months from the date of execution of the MOA, unless extended by the parties under a written agreement.

On February 26, 2015, the Group's stockholders representing 71.64% of the total issued shares unanimously approved and ratified the above planned acquisitions.

On March 16, 2015, the Parent Company's BOD approved the termination of the MOA with GMORI and eight (8) individuals for the acquisition of one hundred percent (100%) interest of FRI due to the non-fulfillment of the conditions in the MOA.



On August 6, 2015, the members of the BOD of the Parent Company approved the following:

- Pursuant to the MOA dated November 27, 2014 executed between GFHI and the Sellers, for the sale of 500,000 common shares and 6,250,000,000 preferred shares or one hundred percent (100%) interest of SPNVI for the purchase price of US\$50.0 million or its Philippine Peso equivalent, GFHI shall execute a Contract to Sell to acquire the aforementioned shares with the understanding that the payment of the purchase price shall be made by GFHI 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 or whenever GFHI has generated sufficient funds to pay the purchase price from its operations or the conduct of other fund raising activities; and
- To allow SPNVI to complete the permitting processes of its mineral property covered by Mineral Production Sharing Agreement (MPSA) No. 017-93-IV granted by the Philippine Government to Celestial Nickel Mining Exploration Corporation on September 19, 1993, as amended on April 10, 2000, the Parent Company shall subscribe to the remaining unissued and unsubscribed shares of SPNVI consisting of 300,000 common shares with a par value of ₱1.00 per share and 3,750,000,000 preferred shares with a par value of ₱0.01 per share, for a total subscription price of ₱37.8 million.

The approval of the stockholders to authorize this transaction has already been secured during the Corporation's Special Stockholders' Meeting held last February 26, 2015.

As at December 31, 2015, the Parent Company has made various cash advances for the acquisition of SPNVI and treated these advances as deposits for future acquisition amounting to ₱1,628.1 million (see Note 29). The acquisition of SPNVI will be finalized in 2016.

The Subsidiaries

PGMC

PGMC was registered with the SEC on February 10, 1983. PGMC's primary purpose is "to prospect, explore, locate, acquire, hold, work, develop, lease, operate and exploit mineral lands for chromite, copper, manganese, magnesite, silver, gold, and other precious and non-precious minerals; to acquire and dispose of mining claims and rights, and to conduct and carry on the business of preparing, milling, concentrating, smelting, treating or preparing for market; and to market, sell, exchange or otherwise deal in chromite, copper, manganese, magnesite, silver, gold and other mineral products". Pursuant to this purpose, PGMC acquired control and currently operates the mining tenement containing nickel ore located in Surigao del Norte.

Registration with the Board of Investments (BOI)

On November 16, 2007, PGMC was registered with the BOI as a new producer of beneficiated nickel ore on a non-pioneer status on its Surigao registered nickel project (see Note 34).

PGMC has been certified by BOI as a qualified enterprise for the purpose of value-added tax (VAT) zero-rating of its transactions pursuant to the terms and conditions set forth by the BOI. On February 17, 2015, PGMC received the renewed certification of BOI for the VAT zero-rated status (see Note 33).

On July 23, 2014, PGMC received the approval for the extension of its one (1) year income tax holiday (ITH) starting November 16, 2014 to November 15, 2015.



Increase in Authorized Capital Stock

In March 2015, PGMC applied for an increase in authorized capital stock, from ₱715.4 million, consisting of 12,522,318,274 shares, to ₱1,515.4 million, consisting of 92,522,318,274 shares by increasing the number of Class A common shares by 80,000,000,000 shares. The increase was approved by the Philippine SEC on May 19, 2015.

On April 22, 2015, GFHI subscribed for an additional 20,000,000,000 Class A common shares with a par value of ₱0.01 amounting to a total of ₱200.0 million and paid a total amount of ₱50.0 million out of the subscribed shares. There was no additional subscription of shares from the increase in authorized capital stock of PGMC by the NCI which resulted to its dilution as at December 31, 2015.

As a result, PGMC is 99.98% and 99.89%, owned by GFHI as at December 31, 2015 and 2014, respectively.

Surigao Integrated Resources Corporation (SIRC)

SIRC is a one hundred percent (100%)-owned subsidiary of PGMC and was organized in July 1999 and duly registered with the SEC on July 16, 1999. Its primary purposes are to engage in the exploration and processing of minerals, petroleum and other mineral oils, to enter into financial and technical assistance agreements for the large scale exploration, development and utilization of mineral resources or otherwise engage in mining activities or enter into agreements as may be allowed by law.

On June 2, 2015, the Philippine SEC approved the increase in authorized capital stock of SIRC from ₱10.0 million divided into 15,000 common shares with a par value of ₱100 to ₱100.0 million divided into 915,000 common shares with a par value of ₱100. PGMC subscribed for additional 225,000 common shares amounting to ₱22.5 million of which forty two percent (42%) have been paid.

PGMC-CNEP Shipping Services Corp. (PCSSC)

On June 4, 2013, PGMC incorporated PCSSC, its wholly owned subsidiary. It was registered with the SEC, primarily to conduct and carry on the business of inter-island shipping, including chartering, hiring, leasing, or otherwise acquiring tug and barge, self-propelled barges or landing craft transport or other ships or vessels, together with equipment, appurtenances and furniture therefor; and to employ the same in the conveyance and carriage of ores, minerals, goods, wares and merchandise of every kind and description.

PGMC, SIRC and PCSSC are hereinafter collectively referred to as PGMC Group. PGMC Group's registered address is the same as that of the Parent Company.

The accompanying consolidated financial statements of GFHI and Subsidiaries (the Group) as at December 31, 2015 and 2014 and for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014 were authorized for issue by the BOD on April 8, 2016.



2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for quoted AFS financial assets, which are carried at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency under the Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest thousand (₱000), except number of shares, per share data and as indicated.

Acquisition of PGMC Group

As discussed in Note 1, GFHI and the Thirteen Stockholders of PGMC entered into a Share Swap that resulted to GFHI owning 99.85% of PGMC.

The transaction is an asset acquisition because GFHI does not meet the definition of a business. PGMC was deemed to be the accounting acquirer for accounting purposes accounted for under the reverse acquisition method following the guidance provided by the standard. In a reverse acquisition, the legal parent, GFHI is identified as the acquiree for accounting purposes because based on the substance of the transaction, the legal subsidiary PGMC is adjudged to be the entity that gained control over the legal parent. Accordingly, the consolidated financial statements of GFHI have been prepared as a continuation of the financial statements of PGMC Group. PGMC has accounted for the acquisition of GFHI on December 22, 2014, which was the date when PGMC acquired or gained control over GFHI.

The Share Swap transaction was a transaction between entities under common control since at acquisition date on December 22, 2014, GFHI and PGMC are under the common control of the Thirteen Stockholders.

The comparative June 30, 2014 information presented in the consolidated statements of changes in equity is that of PGMC Group, not originally presented in the previous financial statements of the legal parent (the Parent Company - accounting acquiree) and is also retroactively adjusted to reflect the legal capital (i.e., the number and type of "Capital stock" issued, "APIC" and "Treasury stock") of GFHI. The adjustment, which is the difference between the capital structure of PGMC Group and GFHI, is recognized as part of the "Equity reserve" in the consolidated statements of financial position. Refer to Note 19 for the movements in the "Equity reserve" account.

Because the accompanying consolidated financial statements represent a continuation of the financial statements of PGMC Group, except for its capital structure, the consolidation reflects:

- a. The consolidated assets and liabilities of PGMC Group (legal subsidiary/accounting acquirer) recognized and measured at their pre-combination carrying amounts and not at fair value, and the assets and liabilities of GFHI (legal parent/accounting acquiree) were recognized and measured at acquisition cost;
- b. The retained earnings of PGMC Group for full period together with the post-combination results of GFHI from December 22, 2014, the date when GFHI was acquired by PGMC;
- c. The total equity that shows the combined equity of PGMC Group and GFHI. However, the legal capital of PGMC Group will be eliminated as the legal capital that will be reflected would be that of GFHI (legal parent);
- d. Any difference between the consideration transferred by GFHI and the legal capital of PGMC Group that is eliminated is reflected as "Equity reserve"; and



- e. The consolidated statements of comprehensive income for the year ended December 31, 2015, six months ended December 31, 2014 and for the year ended June 30, 2014 reflect that of the PGMC Group for the full period. The six months ended December 31 2014 includes the post-combination results of GFHI (e.g. for the period from December 22, 2014 to December 31, 2014).

Reverse acquisition applies only to the consolidated financial statements. The Parent Company financial statements will continue to represent GFHI as a stand-alone entity as at December 31, 2015 and 2014.

Statement of Compliance

The accompanying consolidated financial statements of the Group have been prepared in compliance with PFRS.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries after eliminating significant intercompany balances and transactions. These subsidiaries are all based in the Philippines and are duly registered with the SEC. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using uniform and consistent accounting policies.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.



Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the NCI, even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were adopted as at January 1, 2015 and the accounting for equity reserve as a result of reverse acquisition.

- *PAS 19, Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is not relevant to the Group, since the Group has no defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and have no material impact on the Group's consolidated financial statements. They include:

- *PFRS 2, Share-based Payment - Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
 - A performance condition must contain a service condition.
 - A performance target must be met while the counterparty is rendering service.
 - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same company.
 - A performance condition may be a market or non-market condition.
 - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
- *PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of



PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:
 - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are “similar”.
 - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
- PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and do not have an impact on the Group's consolidated financial statements. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
 - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
 - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, if early adopted).



- *PAS 40, Investment Property*

The description of ancillary services in PAS 40 differentiates between the investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Accounting for Equity Reserve

Any difference between the consideration transferred by GFHI and the legal capital of PGMG that is eliminated is reflected as “Equity reserve” (see Note 19). In 2015, the Group changed the accounting treatment for equity reserve as a result of change in the valuation of investment in a subsidiary (PGMG) of the Parent Company acquired through Share Swap from ₱6,565.7 million to ₱7,946.9 million. Management assessed that the investment in a subsidiary should be measured using the original carrying amount of the investment in a subsidiary in the Thirteen Stockholder’s separate financial statements since the Share Swap is considered as common control transaction.

The change made is accounted for as change in accounting policy and has been applied retrospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. In 2015, management retrospectively applied its existing APIC to equity reserve with the excess applied to retained earnings amounting to ₱1,822.3 million and ₱5,388.5 million, respectively.

The composition of equity reserve, APIC and retained earnings in the consolidated financial statements are as follows:

	As at December 31, 2014		
	As previously reported	Increase (decrease)	As restated
Equity Reserve			
Issuance of GFHI shares	₱3,662,083	₱—	₱3,662,083
APIC from issuance of shares through Share Swap	313,893	1,381,228	1,695,121
Assumption and cancellation of receivables	2,589,722	—	2,589,722
Elimination of PGMG Capital, net of NCI of ₱191	(709,184)	—	(709,184)
Elimination of GFHI retained earnings prior to acquisition	(26,935)	—	(26,935)
	₱5,829,579	₱1,381,228	₱7,210,807
Application of:			
APIC	—	(1,822,292)	(1,822,292)
Retained earnings	—	(5,388,515)	(5,388,515)
Equity reserve (Note 19)	₱5,829,579	(₱5,829,579)	₱—



As at December 31, 2014			
	As previously reported	Increase (decrease)	As restated
APIC			
Balances as at June 30, 2014	₱127,171	₱–	₱127,171
Issuance of shares through Share Swap	313,893	1,381,228	1,695,121
	441,064	1,381,228	1,822,292
Application to equity reserve	–	(1,822,292)	(1,822,292)
Balances as at December 31, 2014	₱441,064	(₱441,064)	₱–

As at December 31, 2014			
	As previously reported	Increase (decrease)	As restated
Retained Earnings			
Balances as at June 30, 2014	₱964,764	₱–	₱964,764
Net income	4,809,681	–	4,809,681
Dividend declaration	(1,082,896)	–	(1,082,896)
	4,691,549	–	4,691,549
Application to equity reserve	–	(5,388,515)	(5,388,515)
Balances as at December 31, 2014, As restated	₱4,691,549	(₱5,388,515)	(₱696,966)

Standards and Interpretations Issued but not yet Effective

The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on its consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

Effective beginning January 1, 2016

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* (Amendments)

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity associate or joint venture), when applying the equity method, to retain fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)

These amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.



- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

These amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendments)

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions;
- That specific line items in the statement of profit or loss and other comprehensive income (OCI) and the statement of financial position may be disaggregated; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect the entity's accounting policies or accounting estimates. The Group will assess the impact of these amendments on its financial statements.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

- PAS 16 and PAS 41, *Agriculture - Bearer Plants* (Amendments)

These amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer



plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

- PAS 16 and PAS 38 - *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*

These amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

Annual Improvements to PFRSs (2012-2014 cycle)

These Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have an impact on the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

This amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*

This standard requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.



- PAS 34, *Interim Financial Reporting - Disclosure of Information “Elsewhere in the Interim Financial Report”*

This amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments* (2014 or final version)

In July 2014, the International Accounting Standards Board (IASB) issued a final version of International Financial Reporting Standards (IFRS) 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of all financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all of previous PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classifications and measurements of the Group's financial liabilities. The Group will assess the impact of adopting this standard.

The following new standards issued by IASB has not yet been adopted by the Financial Reporting Standards Council (FRSC).

- IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019

- IFRS 16, *Leases*

On January 13, 2016, the IASB issued its new standard, IFRS 16 which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.



Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of twelve (12) months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure into residual value.

Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group will assess the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

Effective Date to be Determined

- *Philippine Interpretation IFRIC 15, Agreement for Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and FRSC have deferred the effectivity of this interpretation until the final revenue standard is issued by the IASB and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

The revised, amended and additional disclosures or accounting changes provided by the standards and interpretations will be included in the consolidated financial statements in the year of adoption, if applicable.

Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements

The Group has elected to present all items of recognized income and expense in single consolidated statements of comprehensive income.

Cash

Cash represents cash on hand and with banks.



Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition

Financial instruments within the scope of PAS 39 are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provision of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Group commits to purchase or sell the asset).

Initial Recognition and Measurement of Financial Instruments

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

All financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial instruments, except for financial instruments measured at FVPL.

Financial Assets

Financial assets are classified, at initial recognition, as financial FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVPL, transaction costs that are attributable to the acquisition of the financial asset.

The Group's financial assets are in the nature of loans and receivables and AFS financial assets. As at December 31, 2015 and 2014, there were no financial assets at FVPL, HTM investments or as derivatives designated as hedging instruments in an effective hedge.

Financial Liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities are in the nature of loans and borrowings and payables. As at December 31, 2015 and 2014, the Group has no financial liabilities at FVPL or as derivatives designated as hedging instruments in an effective hedge.

Fair Value Measurement

The Group measures financial instruments, such as AFS financial assets, at fair value at the end of the reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 32.

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.



The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each end of the reporting period.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business on the end of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Subsequent Measurement

The subsequent measurement of financial instruments depends on their classification as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as "Financial assets held for trading", designated as "AFS financial assets" or "Financial assets designated at FVPL". After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in "Finance income" in the consolidated statements of



comprehensive income. Any losses arising from impairment are recognized in “General and administrative expenses” in the consolidated statements of comprehensive income. Gains and losses are recognized in the consolidated statements of comprehensive income when the loans are derecognized or impaired as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of the reporting period or within the Group’s operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2015 and 2014, the Group’s loans and receivables include cash, trade and other receivables, advances to related parties, and restricted cash and mine rehabilitation fund (MRF) classified under “Other noncurrent assets” (see Notes 4, 5, 29 and 13).

AFS Financial Assets

AFS financial assets are those which are designated as such or do not qualify to be classified as designated as at FVPL, HTM investments, or loans and receivables.

Financial assets may be designated at initial recognition as AFS financial assets if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. The Group’s AFS financial assets include equity investments. After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as “Valuation gain (loss) on AFS financial assets” in the OCI until the investment is derecognized, at which time the cumulative gain or loss is recognized in “Other income (charges)” or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statements of comprehensive income in “Other charges” and removed from “Valuation gain (loss) on AFS financial assets”. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

As at December 31, 2015 and 2014, the Group’s AFS financial assets consist of quoted equity instruments (see Note 12).

Other Financial Liabilities

Financial liabilities are classified in this category if these are not held for trading, not derivatives, or not designated as at FVPL upon inception of the liability.

After initial recognition, interest-bearing other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in “Finance costs” in the consolidated statements of comprehensive income.

Other financial liabilities are included under current liabilities if it will be settled within twelve (12) months after the end of the reporting period. Otherwise, these are classified as noncurrent liabilities.



As at December 31, 2015 and 2014, the Group's other financial liabilities include trade and other payables (excluding statutory payables), bank loans, amounts owed to related parties and dividends payable (see Notes 14, 15, 29 and 19).

Derecognition of Financial Instruments

Financial Assets

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

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial Liabilities

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in the consolidated statements of comprehensive income.

Impairment of Financial Assets

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one (1) or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an effect on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.



Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

Interest income continues to be recognized based on the original EIR of the asset. The interest income is recorded as part of "Finance income" in the consolidated statements of comprehensive income. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of comprehensive income. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance amount. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets

For AFS financial assets, the Group assesses at each end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. "Significant" is to be evaluated against the original cost of the investment and "Prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized as OCI is removed from equity and recognized in "Other charges" in the consolidated statements of comprehensive income.

Impairment losses on equity investments are not reversed through the consolidated profit or loss; while increases in fair value after impairment are recognized directly in equity through the consolidated statements of comprehensive income.



Objective evidence of impairment includes, but is not limited to, significant financial difficulty of the issuer or obligor and it becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined by the moving average production cost during the year for nickel ore inventories exceeding a determined cut-off grade and moving average method for materials and supplies. The NRV of nickel ore inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The NRV of materials and supplies is the current replacement cost. In determining NRV, the Group considers any adjustment necessary for obsolescence.

Prepayments and Other Current and Noncurrent Assets

Prepayments and other current assets are composed of prepaid rent, prepaid taxes and licenses and prepaid insurance. Other noncurrent assets are composed of restricted cash, input VAT, advances to suppliers and MRF. These are classified as current when it is probable to be realized or consumed within one (1) year from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

Input VAT

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations.

Input VAT on capitalized assets subject to amortization and any excess which may be utilized against output VAT, if any, beyond twelve (12) months from the end of the reporting period or will be claimed for refund or as tax credits with the Court of Tax Appeals are presented as part of "Other noncurrent assets" in the consolidated statements of financial position. Input VAT is stated at its estimated NRV.

Deferred Transaction Costs

Transaction costs are specific incremental costs directly associated with the Parent Company's follow-on offering, primarily legal and accounting costs, which are deferred and reflected as assets until classification to equity upon successful conclusion of the follow-on offering. These capitalized costs is expensed out and charged to the consolidated statements of comprehensive income if the follow-on offering is not materialized.

Deposits for Future Acquisition

This pertains to advances made to related parties converted into deposits for future acquisition of shares with the intention of applying the same as payment for future issuance of stock. This is shown as part of noncurrent assets in the consolidated statement of financial position.



Property and Equipment

Property and equipment, except land, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and depletion and accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Likewise, when significant parts of equipment are required to be repaired at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. Land is carried at cost less any impairment in value.

Construction in-progress (CIP), included in property and equipment, is stated at cost. CIP is not depreciated until such time the relevant assets are completed and become available for use.

Depreciation of property and equipment, excluding mining properties, are computed on a straight-line basis over the following estimated useful lives of the respective assets:

Category	Number of Years
Building and land improvements	25
Machineries and other equipment	5-10
Furniture and fixtures, and equipment and supplies	2-5
Roads and bridges	5-10

Leasehold improvements included under “Building and land improvements” are amortized over the term of the lease or the estimated useful life of five (5) to ten (10) years, whichever is shorter.

Mining properties, included in property and equipment, consist of mine development costs and capitalized costs of mine rehabilitation and decommissioning, and other development costs necessary to prepare the area for operations.

Mine development costs consist of capitalized costs previously carried under “Mine exploration costs”, which are transferred to mining properties under “Property and equipment” upon start of commercial operations. The net carrying amount of mine development costs, including the capitalized cost of mine rehabilitation and decommissioning, is depleted using the unit-of-production (UOP) method based on the estimated economically recoverable reserves to which they relate or are written off if the property is abandoned.

Depreciation and depletion of property and equipment, except land, begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, or in case of mining properties, from start of commercial operations upon extraction of mineral reserves. Depreciation and depletion ceases when the assets are fully depreciated or depleted, or at the earlier of the date that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

The estimated recoverable reserves, estimated useful lives and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, residual values, if any, periods and methods of depreciation and depletion are consistent with the expected pattern of economic benefits from items of property and equipment. The residual values is reviewed and adjusted, if appropriate, at each end of the reporting period. If there is an indication that there has been a significant change in depreciation and depletion rate, useful life, mineral reserve estimates



or residual value of an asset, the depreciation and depletion of that asset is revised prospectively to reflect the new expectations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income in the year the asset is derecognized.

The residual values and useful lives of property and equipment are reviewed at each financial year and adjusted prospectively, if appropriate. Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

Mining Rights

Mining rights refer to the right of the Group as the holder of the MPSA located in Cagdianao, Claver, Surigao del Norte acquired with the assignment of MPSA from Case Mining Development Corporation (CMDC) to the Group under the Deed of Assignment. It also includes initial deferred exploration costs incurred by the Group relative to the exploration works on the mining properties.

Mining rights with an indefinite useful life is stated at cost less accumulated impairment in value and is not amortized. The useful life of such an asset is reviewed at each end of the reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in estimate. Mining rights with finite useful life is stated at cost less amortization and accumulated impairment in value. Impairment assessments are made if events or changes of circumstances indicate that the carrying value of the assets may not be recoverable.

The net carrying amount of mining rights of the Group is amortized using the UOP method based on the estimated economically recoverable reserves to which they relate or are written off if the properties covered by the mining rights are abandoned.

Investment Property

Investment property is measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment property is carried at cost less any accumulated impairment.

Investment property is derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statements of comprehensive income in the period of derecognition.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.



Under the cost model, transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Mine Exploration Costs

Pre-license costs are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditure is deferred as asset when future economic benefit is more likely than not to be realized. These costs include materials and fuels used, surveying costs, drilling costs and payments made to contractors. The Group capitalizes any further evaluation costs incurred to exploration and evaluation assets up to the point when a commercial reserved is established. Upon the start of commercial operations, such costs are transferred to property and equipment. If no mineable ore body is discovered, capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value.

Impairment of Non-Financial Assets

Property and Equipment, Mining Rights, Investment Property and Other Noncurrent Assets

The Group assesses, at each end of the reporting period, whether there is an indication that an asset may be impaired. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset cash generating unit (CGU) is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. The fair value less cost to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date less the costs of disposal, while VIU is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in "General and administrative expenses" in the consolidated statements of comprehensive income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statements of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for that asset in prior years.

Mine Exploration Costs

An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, at the end of the reporting period in which this is determined. Mine exploration costs are reassessed on a regular basis and these costs are carried forward provided that at least one (1) of the following conditions is met:

- The period for which the entity has the right to explore in the specific area has not expired during the period or will not expire in the near future, and is expected to be renewed;
- Such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or



- Exploration and evaluation activities in the area of interest have reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

Advances from Customers

The Group obtained advances from its customers in the form of deposits for future nickel ore shipments. These deposits are to be applied against receivables from the customers on ore shipment made to them.

Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as "Finance costs" in the consolidated statements of comprehensive income.

Provision for Mine Rehabilitation and Decommissioning

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and demolition of infrastructures, removal of residual materials and remediation of disturbed areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in "Finance costs" in the consolidated statements of comprehensive income. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and provision for mine rehabilitation and decommissioning when they occur.

Decrease in provision for mine rehabilitation and decommissioning that exceeds the carrying amount of the corresponding rehabilitation asset is recognized immediately in the consolidated statements of comprehensive income.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each end of the reporting period and the cost is charged to the consolidated statements of comprehensive income.

The ultimate cost of mine rehabilitation and decommissioning is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience. The expected timing of expenditure can also change, for example in response to changes in mineral reserves or production rates. As a result, there could be significant adjustments to the provision for mine rehabilitation and decommissioning, which would affect future financial results.



MRF committed for use in satisfying environmental obligations are included under “Other noncurrent assets” in the consolidated statement of financial position.

OCI

OCI comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Capital Stock

Common shares are classified as equity.

Preferred shares are classified as equity if these are non-redeemable, or redeemable only at the Group’s option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Group’s BOD. Preferred shares are classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary.

Subscribed capital stock is reported in equity less the related subscription receivable not collectible currently.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to APIC.

Treasury Stock

Treasury stock is recorded at cost and is presented as a deduction from equity. Any consideration paid or received in connection with treasury stock is recognized directly in equity.

When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (1) APIC to the extent of the specific or average APIC when the shares are issued, and (2) retained earnings. When shares are sold, the treasury stock account is credited and reduced by the weighted average cost of the shares sold. The excess of any consideration over the cost is credited to APIC.

Transaction costs incurred such as registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties (net of any related income tax benefit) in relation to the issuing or acquiring the treasury shares are accounted for as reduction from equity, which is disclosed separately.

Retained Earnings (Deficit) and Dividends

Retained earnings represent the cumulative balance of periodic net income or loss, dividend declarations, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

Dividend distribution to the Group’s stockholders is recognized as a liability and deducted from retained earnings when they are approved by the Group’s BOD. Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the end of the reporting period.



Equity Reserve

Equity reserve represents the residual amount recognized in the consolidated financial statements to reflect the equity of the legal subsidiary (accounting acquirer) before the business combination, which was accounted for as a reverse acquisition. However, the equity structure (i.e., the number and type of equity instruments issued) still reflects the equity structure of the legal parent (accounting acquiree), including the equity instruments issued by the legal parent to effect the combination.

Reverse Acquisition

Consolidated financial statements prepared following a reverse acquisition are issued under the name of the legal parent (accounting acquiree) but described in the notes as a continuation of the financial statements of the legal subsidiary (accounting acquirer), with one adjustment, which is to adjust retroactively the accounting acquirer's legal capital to reflect the legal capital of the accounting acquiree. That adjustment is required to reflect the capital of the legal parent (the accounting acquiree). Comparative information presented in those consolidated financial statements also is retroactively adjusted to reflect the legal capital of the legal parent (accounting acquiree).

Earnings Per Share (EPS)

Basic EPS is computed by dividing earnings applicable to common equity holders of the Parent Company by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

Diluted EPS amounts are calculated by dividing the net income attributable to common equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares, excluding treasury shares.

Since the Parent Company has no potential dilutive common shares, basic and diluted EPS are stated at the same amount.

Operating Segment

For management purposes, the Group is organized and managed separately according to the nature of the products and services provided. The Group has two segments: (1) the mining segment which is engaged in the mining and exploration of nickel saprolite and limonite ore; and (2) the services segment which is engaged in the chartering out of Landing Craft Transport by PCSSC to PGMCC. The Group's core service is the sale of ore to external customers which accounted for the majority of the Group's total revenue. Accordingly, the Group operates mainly in one reportable business and geographical segment which is the Philippines. Noncurrent assets of the Group comprising property and equipment, finance lease receivable, mining rights, investment property, mine exploration costs and other noncurrent assets are located in the Philippines.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payments are being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.



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

Sale of Beneficiated Nickel Ore

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which coincides with the completion of loading of the ores onto the buyer's vessel and date of the bill of lading issued by the buyer's shipping agent. Under the terms of supply agreements with customers, the Group issues a provisional invoice for the entire volume of ore loaded to customer's vessel. Final invoice is made thereafter upon customer's outturn of ore delivered and submission of their final assay report. Adjustment is accordingly made against the final invoice with respect to provisional collections received by the Group to determine amounts still owing from customers.

Interest Income

Revenue is recognized as the interest accrues (using the EIR that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Other Income

Revenue is recognized in the consolidated statements of comprehensive income as they are earned.

Costs and Expenses Recognition

Costs and expenses are decreases in economic benefits during the period in the form of outflows or decreases in assets or incurrences of liabilities that result in decrease in retained earnings or increase in deficit. Cost and expenses are recognized in the consolidated statements of comprehensive income in the period these are incurred.

Cost of Sales

Cost of sales is incurred in the normal course of business and is recognized when incurred. They comprise mainly of contract hire, personnel costs, depreciation, depletion, and amortization, fuel, operation overhead and others, which are provided in the period when the goods are delivered.

Operating Expenses

Operating expenses consist of costs associated with the development and execution of shipping and distribution activities, excise taxes and royalties due to government and other third parties and expense incurred in the direction and general administration of day-to-day operations of the Group. These are generally recognized when the expense arises.

Leases

Determination of Whether an Arrangement Contains a Lease

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

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

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



Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating Leases

Operating leases represent those leases under which substantially all risks and rewards of ownership of the leased assets remains with the lessors. Noncancellable operating lease payments are recognized under “General and administrative expenses” in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

Finance Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Lease receivables are based on the present value of contractual cash flows discounted at market adjusted rates. “Finance income” and “Finance costs” are reflected in the consolidated statements of comprehensive income.

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

Retirement Benefits Costs

The Group has an unfunded, noncontributory, defined benefits retirement plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees’ projected salaries.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as “Retirement benefits costs” under “Personnel costs” under “Cost of sales” and “General and administrative expenses” in the consolidated statements of comprehensive income.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as “Finance costs” or “Finance income” in the consolidated statements of comprehensive income.



Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements recognized in OCI after the initial adoption of Revised PAS 19 are retained in OCI which is presented as “Gain on remeasurement of retirement obligation” under equity.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The standard requires an entity to recognize short-term employee benefits when an employee has rendered services in exchange of those benefits.

Foreign Currency Transactions

The consolidated financial statements are presented in Philippine peso, which is the Group’s functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at functional currency rate of exchange ruling at the end of the reporting period. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions. All differences are taken to the consolidated statements of comprehensive income.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The income tax rates and income tax laws used to compute the amount are those that have been enacted or substantively enacted at the end of the reporting period.

Deferred Income Tax

Deferred income tax is provided using liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and



- In respect of taxable temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, and the carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- In respect of deductible temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax asset to be recovered.

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

Deferred income tax assets and liabilities are measured at the income tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on income tax rates and income tax laws that have been enacted or substantively enacted at each end of the reporting period.

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

Contingencies

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



Events After the End of the Reporting Period

Post year-end events that provide additional information about the Group's position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgment, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine peso. The Philippine peso is the currency that most faithfully represents the economic substance of the Group's underlying transactions, events and conditions.

Classifying Financial Instruments

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

The Group classified its equity instruments as AFS financial assets and classified under noncurrent assets since management does not intend to dispose the investments within twelve (12) months from the end of the reporting period.



Distinction Between Investment Property and Owner-occupied Property

The Group determines whether a property is classified as investment property or owner-occupied property:

- Investment property comprises land which is not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Owner-occupied property is property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes.

Operating Lease Commitments - Group as Lessee

The Group has entered into leases on its mine site and facility, and administrative office locations. The Group has determined that it does not retain all the significant risks and rewards of ownership of these properties which are leased on operating leases.

Finance Lease Commitments - Group as Lessor

The Group has entered into a mining contract with Frasec Ventures Corporation (FVC) and JL Earthmoving Corporation (JLEC) to undertake mining operations within the mining property of the Group, wherein the latter shall be allowed to the use of all the Group's transportation and handling equipment subject to reimbursement based on the book value and estimated useful life. In the contract, the Group will transfer all the risk and rewards incidental to the ownership of the equipment at the end of the lease term. At the inception of the lease, the present value of the minimum lease payment that the Group will receive amounts to at least substantially the fair value of the leased asset (see Note 18).

Finance Lease Commitments - Group as Lessee

The Group has entered into Master Finance Lease Agreement with the Caterpillar Financial Services Philippines, Inc. (CFSPI) and SBM Leasing Inc. (SBML) on its equipment. In the lease contract with CFSPI, the Group has determined that the lease transfers substantially all the risks and rewards incidental to the ownership of the contractor's equipment at the end of the lease term. At the inception of the lease, the Group has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the period the option becomes exercisable. In the lease contract with SBML, the present value of all minimum lease payment amounts to at least substantially the fair value of the leased asset at the inception of the lease (see Note 18).

Assessing Production Start Date

The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase.

Some of the criteria include, but are not limited to the following:

- The level of capital expenditure compared to construction or development cost estimates;
- Completion of a reasonable period of testing of the property and equipment;
- Ability to produce ore in saleable form; and
- Ability to sustain ongoing production of ore.



When a mine development project moves into the production stage, the capitalization of certain mine construction or development costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements or mineable reserve development. It is also at this point that depreciation or depletion commences.

Assessing UOP Depletion

Estimated recoverable reserves are used in determining the depletion of mine assets. This results in a depletion charge proportional to the depletion of the anticipated remaining mine life. Each item's life, which is assessed annually, has regard to both physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates of future capital expenditure. The Group uses the tons of ore produced as the basis for depletion. Any change in mineral reserves estimates is accounted for prospectively.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

Estimating Allowance for Impairment Losses on Trade and Other Receivables and Advances to Related Parties

The provision for impairment losses on trade and other receivables and advances to related parties is based on the Group's assessment of the collectibility of payments from customers, contractors, related parties and others. This assessment requires judgment regarding the outcome of disputes and the ability of each of the debtors to pay the amounts owed to the Group. The Group assesses individually the receivable based on factors that affect the collectibility of the receivables, such as the length of the relationship of the Group with the debtor, the historical payment behavior, a review of the age and status of its receivable, the probability of insolvency of the counterparty, as well as its significant financial difficulties.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Group's assessment of the accounts since their inception. The Group's assessments take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows. The Group used specific impairment on its loans and receivables. The Group did not assess its loans and receivables for collective impairment due to the few counterparties which can be specifically identified.

Trade and other receivables amounted to ₱700.8 million and ₱324.5 million as at December 31, 2015 and 2014, respectively (see Note 5).

Allowance for impairment losses on trade and other receivables amounted to ₱17.4 million as at December 31, 2015 and 2014. There were no impairment losses recognized for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014 (see Note 5).

Advances to related parties amounted to ₱1,639.2 million and ₱1,767.9 million as at December 31, 2015 and 2014, respectively. There were no allowance for impairment losses on advances to related parties as at December 31, 2015 and 2014 (see Note 29).



Allowance for Inventory Losses

The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of their original acquisition costs.

The carrying value of inventories amounted to ₱643.8 million and ₱246.0 million as at December 31, 2015 and 2014, respectively. There were no allowance for inventory losses as at December 31, 2015 and 2014 (see Note 6).

Estimating Mineral Reserves and Resources

Mineral reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its mineral reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may affect the carrying value of mine exploration costs, property and equipment, provision for mine rehabilitation and decommissioning, recognition of deferred income tax assets, and depreciation and depletion charges. Any change in the reserve or resource estimates as a result of latest available information is accounted for prospectively.

In 2015, total ore estimate pertaining to the Surigao Mine Cagdianao Area (CAGA) was changed from 77.7 million dry metric tons (DMT) of mineral resources to 24.2 million DMT of mineral reserves based on the latest Joint Ore Reserves Committee (JORC) Report received in February 2015.

Estimating Useful Lives of Property and Equipment

The Group estimates the useful lives of property and equipment, except land, based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the noncurrent assets. Any change in the reserve or resource estimates as a result of latest available information is accounted for prospectively.

In 2015, total ore estimate pertaining to the operating CAGA 2 and 4 was changed from 55.9 million DMT of mineral resources to 13.2 million DMT of mineral reserves based on the latest JORC Report received in February 2015 which will have an impact on the remaining life of the Group's mining properties classified under "Property and equipment". Except for the effect of the change in mineral reserves mentioned, there is no other change in the estimated useful lives of property and equipment as at December 31, 2015 and 2014.



The aggregate net book values of property and equipment amounted to ₱2,049.0 million and ₱2,305.9 million as at December 31, 2015 and 2014, respectively. The balance of the accumulated depreciation and depletion of property and equipment amounted to ₱793.1 million and ₱309.9 million and as at December 31, 2015 and 2014, respectively (see Note 8).

Estimating Impairment of Property and Equipment and Investment Property

The Group assesses impairment of property and equipment and investment property whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use and ultimate disposition of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. There were no impairment losses recognized in 2015 and 2014.

The aggregate net book values of property and equipment amounted to ₱2,049.0 million and ₱2,305.9 million as at December 31, 2015 and 2014, respectively (see Note 8).

The carrying value of mining rights amounted to ₱301.6 million and ₱396.5 million as at December 31, 2015 and 2014, respectively (see Note 9).

The aggregate net book value of investment property amounted to ₱319.9 million as at December 31, 2015 and 2014 (see Note 10).

Assessing Recoverability of Mining Rights and Mine Exploration Costs

The application of the Group's accounting policy for mining rights and mine exploration costs requires judgment in determining whether it is likely that future economic benefits are certain, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after mining rights and mine exploration costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-off in the consolidated statements of comprehensive income in the period when the new information becomes available. An impairment loss is recognized when the carrying value of these assets do not exceed their fair value.

The Group has no provision for impairment loss for mining rights and mine exploration costs for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014.



As at December 31, 2015 and 2014, the carrying values of mining rights amounted to ₱301.6 million and ₱396.5 million, respectively (see Note 9).

As at December 31, 2015 and 2014, mine exploration costs amounted to ₱140.8 million and ₱140.7 million, respectively (see Note 11).

Assessing Recoverability of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is probable that sufficient future taxable income will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of sufficient future taxable income together with future tax planning strategies.

Net deferred income tax assets amounted to ₱97.8 million and ₱43.3 million as at December 31, 2015 and 2014, respectively. The Group has NOLCO amounting to ₱613.1 million, ₱425.8 million and ₱357.2 million as at December 31, 2015 and 2014 and June 30, 2014, respectively. The Group has excess MCIT amounting to ₱1.8 million, ₱1.3 million and ₱1.3 million as at December 31, 2015 and 2014 and June 30, 2014, respectively. Deferred income tax asset on NOLCO amounting to ₱43.5 million and nil was recognized as at December 31, 2015 and 2014, respectively. Deferred income tax asset on excess MCIT amounting to ₱2.0 million and nil was recognized as at December 31, 2015 and 2014, respectively (see Note 30).

Estimating Impairment Losses on AFS Financial Assets

The Group follows the guidance of PAS 39 in determining when an AFS financial asset is other-than-temporarily impaired. The determination of what is significant or prolonged requires judgment. The Group treats “Significant” generally as twenty percent (20%) or more and “Prolonged” as greater than six (6) months. Also, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flow.

In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities. The fair value of AFS financial assets amounted to ₱5.9 million and ₱8.9 million as at December 31, 2015 and 2014, respectively. Impairment loss recognized amounted to ₱2.4 million for the year ended December 31, 2015 and nil for the six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Notes 12 and 28).

Estimating Allowance for Impairment Losses on Prepayments and Other Current Assets and Other Noncurrent Assets

The Group provides allowance for impairment losses on prepayments and other current assets and other noncurrent assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease prepayments and other current assets and other noncurrent assets.

As at December 31, 2015 and 2014, the carrying value of prepayments and other current assets amounted to ₱15.5 million and ₱55.3 million, respectively. An allowance for bad debts was written-off as at December 31, 2015 (see Note 7).



The carrying values of other noncurrent assets excluding restricted cash and MRF amounted to ₱352.5 million and ₱252.4 million as at December 31, 2015 and 2014, respectively. Allowance for impairment losses on input VAT amounted to ₱19.5 million as at December 31, 2015 and 2014 (see Note 13).

Estimating Provision for Mine Rehabilitation and Decommissioning

The Group assesses its provision for mine rehabilitation and decommissioning annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation and decommissioning as there are numerous factors that will affect the provision. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statement of financial position by adjusting the rehabilitation asset and liability.

Provision for mine rehabilitation and decommissioning amounted to ₱58.3 million and ₱60.2 million as at December 31, 2015 and 2014, respectively (see Note 16).

Estimating Retirement Benefits Costs

The cost of defined benefit retirement as well as the present value of the retirement obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates, and future retirement expenses. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit retirement obligation are highly sensitive to changes in these assumptions. All assumptions are reviewed at each end of the reporting period. The retirement obligation amounted to ₱40.0 million and ₱30.1 million as at December 31, 2015 and 2014, respectively (see Note 17).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit retirement obligation.

Further details about the assumptions used are provided in Note 17.

Determining Fair Values of Financial Instruments

Where the fair values of financial assets and liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation.

Any change in the fair value of financial assets and financial liabilities would directly affect net income (see Note 32).



Estimating Contingencies

The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 35).

4. Cash

	2015	2014
Cash on hand	₱614	₱620
Cash with banks	502,262	691,249
	₱502,876	₱691,869

Cash with banks earn interest at the respective bank deposit rates. Interest income earned on cash with banks amounted to ₱1.2 million, ₱1.1 million and ₱0.8 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively.

The Group has US\$-denominated cash with banks amounting to US\$8.5 million and US\$5.6 million as at December 31, 2015 and 2014, respectively (see Note 31).

5. Trade and Other Receivables

	2015	2014
Trade	₱704,056	₱337,544
Advances to:		
Contractors	2,203	1,347
Officers, employees and others	11,870	2,936
	718,129	341,827
Less allowance for impairment losses	17,359	17,359
	₱700,770	₱324,468

Trade receivables arising from shipment of nickel ore are noninterest-bearing and are generally collectible within thirty (30) to ninety (90) days. The Group has US\$-denominated trade receivables amounting to US\$15.3 million and US\$7.5 million as at December 31, 2015 and 2014, respectively (see Note 31).

Advances to contractors are advanced payment for contract hire fee. These advances will be offset against the contract hire billings upon completion of future ore loading to vessel shipments by the contractors.

The Group provides cash advances to its officers and employees for various business related expenses incurred which are subject for liquidation. Other advances include advances to third party companies which are collectible upon demand.



Movements in the allowance for impairment losses follow:

	2015	2014
Beginning balance	₱17,359	₱21,834
Write-off	–	(4,475)
Ending balance	₱17,359	₱17,359

In 2013, the Group considered ₱17.4 million of trade receivables as impaired of which an allowance was provided. Advances to claim-owners under “Advances - others” amounting to ₱4.5 million were written-off as at December 31, 2014.

6. Inventories - at cost

	2015	2014
Beneficiated nickel ore	₱574,726	₱166,893
Materials and supplies	69,057	79,149
	₱643,783	₱246,042

Materials and supplies consist of tires, spare parts, and fuel and lubricants which were valued at cost.

7. Prepayments and Other Current Assets

	2015	2014
Prepaid taxes and licenses	₱9,899	₱1,957
Prepaid rent	463	921
Deferred transaction costs	–	50,179
Prepaid insurance and others	5,115	2,288
	₱15,477	₱55,345

Prepaid taxes and licenses represent advance payments made to Mines and Geosciences Bureau (MGB) and Bureau of Internal Revenue (BIR) necessary for the processing of shipments. These are expected to be realized within twelve (12) months after the end of reporting period.

Deferred transaction costs pertain to actual offer expenses incurred such as registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, in relation to the follow-on offering of new shares. In 2015, the Group 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. The Group re-assessed its accounting treatment for these costs and accounted it through expensing the transaction costs incurred in 2014 that could have been deducted from the offering proceeds. The Group considers postponing the follow-on offering of new shares until there is an upturn on nickel prices in the market.

Prepaid insurance and prepaid rent represent advance payments made for the insurance of the Group’s property and equipment and for the rent of the Group’s registered office address.



8. Property and Equipment

	December 31, 2015								Total
	Land	Building and Land Improvements	Machineries and Other Equipment	Furniture and Fixtures	Equipment and Supplies	Mining Properties	Roads and Bridges	CIP	
Cost:									
Balances at December 31, 2014	₱10,435	₱46,014	₱543,482	₱6,844	₱4,134	₱1,396,257	₱592,545	₱16,104	₱2,615,815
Additions	—	7,978	237,539	702	643	—	3,067	2,143	252,072
Adjustment to capitalized cost of mine rehabilitation (see Note 16)	—	—	—	—	—	(3,070)	—	—	(3,070)
Disposals	—	—	(22,702)	—	—	—	—	—	(22,702)
Reclassifications	—	—	—	(78)	78	—	—	—	—
Balances at December 31, 2015	10,435	53,992	758,319	7,468	4,855	1,393,187	595,612	18,247	2,842,115
Accumulated depreciation and depletion:									
Balances at December 31, 2014	—	13,400	102,081	4,532	1,742	119,893	68,274	—	309,922
Depreciation and depletion (see Note 26)	—	5,611	99,309	924	783	360,561	32,401	—	499,589
Disposals	—	—	(16,375)	—	—	—	—	—	(16,375)
Balances at December 31, 2015	—	19,011	185,015	5,456	2,525	480,454	100,675	—	793,136
Net book values	₱10,435	₱34,981	₱573,304	₱2,012	₱2,330	₱912,733	₱494,937	₱18,247	₱2,048,979

	December 31, 2014								Total
	Land	Building and Land Improvements	Machineries and Other Equipment	Furniture and Fixtures	Equipment and Supplies	Mining Properties	Roads and Bridges	CIP	
Cost:									
Balances at July 1, 2014	₱10,435	₱38,490	₱476,340	₱6,386	₱2,927	₱1,396,257	₱590,045	₱16,073	₱2,536,953
Additions	—	7,524	79,981	679	1,207	—	2,500	159	92,050
Disposals	—	—	(12,839)	(221)	—	—	—	(128)	(13,188)
Balances at December 31, 2014	10,435	46,014	543,482	6,844	4,134	1,396,257	592,545	16,104	2,615,815
Accumulated depreciation and depletion:									
Balances at July 1, 2014	—	11,153	85,804	4,363	1,477	72,268	54,264	—	229,329
Depreciation and depletion (see Note 26)	—	2,247	28,146	390	265	47,625	14,010	—	92,683
Disposals	—	—	(11,869)	(221)	—	—	—	—	(12,090)
Balances at December 31, 2014	—	13,400	102,081	4,532	1,742	119,893	68,274	—	309,922
Net book values	₱10,435	₱32,614	₱441,401	₱2,312	₱2,392	₱1,276,364	₱524,271	₱16,104	₱2,305,893



On March 7, 2014, the Group entered into a mining contract with FVC that resulted into the recognition of finance lease of transportation and handling equipment. Accordingly, the book value of transportation and handling equipment subjected to finance lease amounted to ₱954.3 million.

On February 26, 2015, the Group engaged JLEC as additional mining contractor in CAGA 2 whereby some assets to be returned by FVC to the Group are to be transferred to JLEC.

On March 7, 2015, the Group and FVC executed a First Addendum to the Mining Contract modifying the area where FVC undertake their mining operations and that some equipment originally transferred to them be reverted to the Group. Net book value of the assets transferred as result of the addendum and new mining contract entered into with FVC and JLEC, respectively, amounted to a total of ₱648.3 million. Assets amounting to ₱208.1 million were returned to and retained by the Group were recorded back as part of “Machineries and other equipment” under “Property and equipment” (Notes 18 and 37).

Part of the returned assets are damaged equipment due to accident with a book value amounting to ₱2.9 million. The Group received proceeds from insurance amounting to ₱1.6 million and a loss amounting to ₱1.3 million was recognized as part of the total loss on modification of finance lease receivable amounting to ₱86.9 million (see Notes 18 and 28).

In 2015, the Group disposed various assets under “Machineries and equipment” and recorded a loss equivalent to its net book value amounting to ₱6.3 million (see Note 28).

The rates used by the Group in computing depletion are ₱60.48, ₱15.57 and ₱11.21 per wet metric ton (WMT) for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively. For the year ended December 31, 2015, the rates used was based on the latest JORC Report received from Runge Pincock Minarco (RPM) in February 2015 with an indicated mineral reserve estimate of 13.2 million DMT for CAGAs 2 and 4. For the six months ended December 31, 2014 and the year ended June 30, 2014, the rates used was based on the previous JORC Report dated February 20, 2013 with an indicated mineral resource estimate of 55.9 million DMT for CAGAs 2 and 4.

The CIP balance in the books of the Group pertains to the construction of roads, fences and improvements in the mine site and ongoing construction of shipping equipment. The estimated completion of the CIP for the mine site improvements is ninety-five percent (95%) and eighty percent (80%) for the ongoing construction of shipping equipment as at December 31, 2015 and 2014.

The gross carrying amount of fully depreciated property and equipment that is still in use by the Group amounted to ₱33.7 million as at December 31, 2015 and 2014.

9. Mining Rights

Mining rights refer to the rights of the Group as the holder of MPSA No. 007-92-X located in Cagdianao, Claver, Surigao del Norte acquired through the assignment of MPSA from CMDC to SIRC, a wholly owned subsidiary, under the Deed of Assignment executed on March 3, 2004. Pursuant to the Deed of Assignment, CMDC transferred to SIRC all its rights, interest and obligations relating to the MPSA.



There were no provision for impairment losses on mining rights recognized for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014.

As at December 31, 2015 and 2014, the carrying value of mining rights amounted to ₱301.6 million and ₱396.5 million, respectively. Amortization of mining rights amounted to ₱94.9 million for the year ended December 31, 2015 and nil for the six months ended December 31, 2014 and year ended June 30, 2014.

10. Investment Property

State Properties Corporation (SPC)

In August 2011, the Group acquired parcels of land consisting of twenty (20) lots from SPC amounting to ₱79.6 million located in Las Piñas. The land was held for capital appreciation.

On March 7 and July 7, 2014, the Group sold eight (8) and twelve (12) lots from these parcels of land with proceeds from the sale amounting to ₱32.0 million and ₱47.6 million, respectively. No gain or loss related to the sale of land was recognized.

Portal Holdings, Inc. (PHI)

In June 2012, the Group acquired a parcel of land (Aseana Property) from PHI amounting to ₱319.9 million located in Paranaque. The land was held for capital appreciation. As at December 31, 2015 and 2014, related borrowings amounting to ₱40.0 million and ₱120.0 million, respectively, are presented as “Bank loans” (see Note 15).

Total investment property amounted to ₱319.9 million as at December 31, 2015 and 2014. The fair value of investment property amounted to ₱367.0 million as at December 31, 2015 and 2014 (see Note 32). The latest appraisal report is dated June 19, 2014.

There was no income earned nor direct operating expense incurred related to the investment property for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014.

11. Mine Exploration Costs

	2015	2014
Beginning balance	₱140,659	₱140,659
Exploration expenditures incurred	131	—
Ending balance	₱140,790	₱140,659

The Group operates the Cagdianao mineral tenements by virtue of the twenty-five (25)-year Operating Agreement executed by and between the PGMC and SIRC (see Note 33).

In February 2015, the Group received an updated JORC Report from RPM for the CAGA 1, 2, 3, 4 and 5 of the Cagdianao mining property. CAGA 2 and 4 are operating areas while CAGA 1, 3, and 5 are under exploration activities. The Group is yet to conduct its exploration activities for CAGA 6 and 7.

In 2015, the Group incurred costs for the deferred exploration activities and feasibility study of the Cagdianao Nickel Expansion Project in CAGA 1, 3 and 5.



12. AFS Financial Assets

As at December 31, 2015 and 2014, the Group holds 4,216,100 shares of stock of Oriental Peninsula Resources Group, Inc. (OPRGI), a publicly listed company in the Philippines. The fair value of the quoted equity instrument is based on the exit market price as at December 31, 2015 and 2014.

Movements in fair value of quoted equity instrument follow:

	2015	2014
Beginning balance	₱8,854	₱9,191
Impairment loss on AFS financial assets (see Note 28)	(2,445)	—
Unrealized gains transferred from equity to consolidated statements of comprehensive income	(506)	—
Valuation gain	—	(337)
Ending balance	₱5,903	₱8,854

Movements in the “Valuation gain (loss) on AFS financial assets” presented as a separate component in the consolidated statements of changes in equity follow:

	2015	2014
Beginning balance	₱506	₱843
Unrealized gains transferred from equity to consolidated statements of comprehensive income	(506)	—
Increase in fair value of AFS financial assets	—	(337)
Ending balance	₱—	₱506

There was no dividend income earned from the quoted equity instrument for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014.

Impairment loss recognized amounted to ₱2.4 million for the year ended December 31, 2015 and nil for the six months ended December 31, 2014 and year ended June 30, 2014 (see Note 28).

13. Other Noncurrent Assets

	2015	2014
Input VAT	₱177,888	₱185,029
Advances to suppliers	174,572	67,368
Restricted cash	114,583	196,708
MRF	62,117	38,426
	₱529,160	₱487,531

Input VAT represents the VAT paid on purchases of applicable goods and services, net of output tax liabilities, if any, which may be recovered as tax credit against future tax liability of the Group upon approval by the Philippine BIR and/or the Philippine Bureau of Customs. Allowance for impairment losses on input VAT amounted to ₱19.5 million as at December 31, 2015 and 2014.

Advances to suppliers pertain to miscellaneous deposits on Group’s purchase of property and equipment from various suppliers.



Restricted cash includes Debt Service Reserve Account (DSRA) with Amsterdam Trade Bank (ATB), Taiwan Cooperative Bank (TCB) and Bank of China (BOC) for the FRI loans (see Notes 15 and 29). These will be utilized for application against the Group's outstanding loans for principal, interest and fees with the banks. The Group has US\$-denominated restricted cash as at December 31, 2015 and 2014 amounting to US\$2.4 million and US\$4.4 million, respectively (see Note 31). As at December 31, 2015, the DSRA of the Group with ATB was closed when the related loans were fully paid.

Pursuant to Section 181 of the Implementing Rules and Regulations of the Republic Act (RA) No. 7492, better known as the Philippine Mining Act of 1995, the Group has MRF at the Development Bank of the Philippines Surigao City Branch. The funds are to be used for physical and social rehabilitation, reforestation and restoration of areas and communities affected by mining activities, for pollution control and integrated community development. The funds earned interest based on the prevailing market rate.

14. Trade and Other Payables

	2015	2014
Trade payables	₱383,368	₱225,007
Advances from customers (see Note 33)	223,779	146,271
Accrued expenses and taxes	141,349	629,809
Nontrade payables	43,108	106,079
Interest payables	1,057	653
	₱792,661	₱1,107,819

Trade payables are noninterest-bearing and generally settled within thirty (30) days. Trade payables relate to payables to suppliers and relate to transactions in the ordinary course of business.

Advances from customers refer to amount received from customers before a service has been provided or before goods have been shipped. Advances from customers are settled by deducting the payments from collections based on the schedule of shipments.

Details of the accrued expenses and taxes are summarized below:

	2015	2014
Excise taxes and royalties payable	₱96,808	₱64,924
Business and other taxes	32,929	537,827
Provision for Indigenous People (IP)	3,604	3,056
Government dues	1,473	4,007
Accrued payroll	296	245
Others	6,239	19,750
	₱141,349	₱629,809

The Group paid final withholding tax amounting to ₱507.0 million, lodged under "Business and other taxes", related to the payment of dividends on December 29, 2014.

Mining companies are mandated to establish a provision for IP that would enhance the quality of life and ultimately develop a progressive and self-reliant host and neighboring communities. The program includes community development projects and activities such as establishment,



construction, and maintenance of infrastructures including schools, hospitals, roads, and the like; establishment of livelihood industries; and programs on education and health. The Company is required to allot annually a minimum of one and a half percent (1.5%) of the operating costs based on the Administrative Order No. 2010-13 issued by the Department of Environment and Natural Resources (DENR).

Accrued payroll and royalty fees to claim owners are noninterest-bearing and are payable on demand and/or generally settled within thirty (30) days' term. Royalty and excise taxes are payable immediately upon receipt from DENR-MGB of the Order of Payment and before every shipment of beneficiated nickel ores. Government dues consist of employer contributions normally payable fifteen (15) to thirty (30) days after the end of each month.

Other payables substantially consist of outside services, accrued professional fees and purchases of supplies which are usual in the business operations of the Group. Other payables are noninterest-bearing and are payable on demand and/or normally settled within thirty (30) days' term.

Nontrade payables are normally settled within thirty (30) to ninety (90)-day term. This account includes purchases of machineries and equipment and land held for capital appreciation (see Notes 8 and 10). Interest expense related to interest-bearing nontrade payables amounted to nil, ₱11.1 million and ₱4.4 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 27).

Interest payables arise from bank loans and finance lease obligations of the Group (see Notes 15 and 18).

The Group has US\$-denominated trade and other payables amounting to US\$6.0 million and US\$3.9 million as at December 31, 2015 and 2014, respectively (see Note 31).

15. Bank Loans

	2015	2014
TCB	₱941,200	₱166,543
Banco de Oro (BDO)	53,001	128,950
Unionbank of the Philippines (UnionBank)	215	1,528
EastWest Bank (EastWest)	168	961
ATB	—	281,426
Trade and Investment Development Corporation of the Philippines (PhilEXIM)	—	43,775
	994,584	623,183
Less unamortized discount on bank loans	—	2,957
	994,584	620,226
Less current portion		
TCB	941,200	165,385
BDO	45,767	82,804
UnionBank	215	1,314
EastWest	168	961
ATB	—	279,626
PhilEXIM	—	43,775
	987,350	573,865
	₱7,234	₱46,361



TCB

On July 4, 2013, the Group entered into a loan agreement with TCB to avail a US\$10.0 million loan for capital expenditure and general corporate purposes including refinancing of existing obligations. The loan is payable in eight (8) quarterly consecutive installments to commence on the first (1st) quarter from the date of borrowing.

As at December 31, 2015, the US\$10.0 million loan was fully paid and another US\$20.0 million or ₱941.2 million short-term loan was availed of by the Group.

Interest expense related to TCB loan amounted to ₱35.1 million, ₱6.6 million and ₱17.6 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 27).

Amortization of discount on bank loans related to TCB loan amounted to ₱0.6 million, ₱2.0 million, and ₱7.6 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended December June 30, 2014, respectively (see Note 27).

The terms of the loan are complied by the Group as at December 31, 2015 and 2014, the Group's relevant reporting period.

BDO

On February 14, 2013, the Group obtained a term loan amounting to ₱240.0 million from BDO to finance seventy-five percent (75%) of the purchase price of Aseana property located at Brgy. Tambo, Paranaque City. The loan is payable in six (6) semi-annual payments every August and February with an interest of five and a half percent (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 amounting to ₱319.9 million (see Note 10).

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, 2015 and 2014, the remaining balance of the loan availed to nil.

During the year, 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%) to nine percent (9%) per annum.

Interest expense related to BDO loan amounted to ₱13.4 million, ₱7.1 million and ₱13.1 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 27).

The terms of the loan are complied by the Group as at December 31, 2015 and 2014.

UnionBank and EastWest

The Group entered into several service vehicle loans with UnionBank and EastWest. The loans are payable within three (3) years at an interest rate ranging from twelve percent (12%) to fourteen percent (14%) per annum.

Interest expense related to the service vehicle loans amounted to ₱0.6 million, ₱0.3 million and ₱1.2 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 27).



ATB and PhilEXIM

The Group obtained a US\$35.0 million loan facility (with an accordion feature of US\$5.0 million; Facility Agreement) from ATB to finance the Group's working capital and capital expenditures. The Facility Agreement was executed by and between the Group (as borrower), certain stockholders of PGMC and SIRC (collectively as Guarantors) and ATB (as original lender, arranger, agent, security agent, and account bank) on October 6, 2011.

The Group availed of the ATB loan amounting to US\$20.0 million and US\$15.0 million on November 25, 2011 and December 6, 2011, respectively.

On November 25, 2011, the Group, PhilEXIM and ATB entered into an increase deed in relation to the Original Facility Agreement to which PhilEXIM agreed to accede to the Original Facility Agreement as a lender to regulate and facilitate the making of Peso Loans amounting to ₱218.9 million payable in thirty (30) monthly installments starting on April 27, 2012.

The PhilEXIM loan was availed on November 29, 2011 and December 6, 2011 amounting to ₱93.8 million and ₱125.1 million, respectively.

As at December 31, 2015, the loans from ATB and PhilEXIM are fully paid.

Interest expense related to ATB loan amounted to ₱13.7 million, ₱18.5 million and ₱67.7 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 27).

Interest expense related to PhilEXIM loan amounted to ₱2.0 million, ₱3.8 million and ₱9.1 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 27).

Amortization of discount on bank loans amounted to ₱1.4 million, ₱3.3 million and ₱9.9 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 27).

The terms of the Facility Agreement are complied by the Group as at December 31, 2015 and 2014.

BOC

The Group's US\$6.0 million short-term credit facility granted by BOC in 2014 to finance its working capital requirements, composed of US\$2.0 million export bills purchase and US\$4.0 million export packing credit line, was renewed by BOC with no sub-limit effective May 21, 2015 renewable yearly and payable from the collection proceeds on the assigned sales contract and/or covering Letter of Credit. The facility has no outstanding balance as at December 31, 2015 and 2014.

Interest expense amounted to ₱2.0 million, ₱0.4 million and ₱1.8 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 27).



16. Provision for Mine Rehabilitation and Decommissioning

	2015	2014
Beginning balance	₱60,212	₱59,663
Accretion interest (see Note 27)	1,117	549
Effect of change in estimate (see Note 8)	(3,070)	–
Ending balance	₱58,259	₱60,212

Provision for mine rehabilitation and decommissioning pertains to the estimated decommissioning costs to be incurred in the future on the mined-out areas of the Group. The Group makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis on the development of mines or installation of those facilities. The rehabilitation provision represents the present value of rehabilitation costs. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment, have been made which management believes are reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future ore prices, which are inherently uncertain.

In 2015, the Group adjusted its provision for mine rehabilitation and decommissioning to reflect the current discount rates which resulted to a change in estimate amounting to ₱3.1 million (see Note 8).

17. Retirement Obligation

The Group has an unfunded, non-contributory defined benefit retirement plan covering substantially all of its regular employees. The Group does not have an established retirement plan and only conforms to the minimum regulatory benefit under the RA 7641, *Retirement Pay Law*, which is of the defined benefit type and provides a retirement benefit equal to twenty-two and a half (22.5) days' pay for every year of credit service. The regulatory benefit is paid in lump sum upon retirement. There was no plan termination, curtailment or settlement as at December 31, 2015 and 2014.

The latest actuarial valuation report of the retirement plan is as at December 31, 2015.



The following tables summarize the components of retirement benefits costs recognized in the consolidated statements of comprehensive income and the unfunded status and amounts recognized in the consolidated statements of financial position and other information about the plan.

The details of retirement benefits costs are as follows:

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Retirement benefit costs (see Note 25)	₱9,368	₱3,195	₱6,215
Interest cost on retirement obligation (see Note 27)	1,463	641	1,197
	₱10,831	₱3,836	₱7,412

The Group has ninety-five (95) regular employees, eight (8) employees on probationary and project status and two hundred eighty (280) employees on a fixed term as at December 31, 2015 and eighty-seven (87) regular employees, six (6) employees on probationary and project status and forty-six (46) employees on a fixed term as at December 31, 2014.

The movements in present value of the retirement obligation are as follows:

	2015	2014
Beginning balance	₱30,101	₱23,860
Retirement benefit costs	9,368	3,195
Interest cost on retirement obligation	1,463	641
Remeasurement loss (gain) arising from:		
Financial assumptions	(3,746)	4,079
Experience adjustments	2,889	2,145
Benefits paid	(90)	(3,819)
Ending balance	₱39,985	₱30,101

The Group does not have any plan assets as at December 31, 2015 and 2014.

The cost of defined retirement benefits plan, as well as the present value of the retirement obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining retirement obligation for the defined retirement plan are shown below:

	December 31		June 30
	2015	2014	2014
Discount rate	5.38%	4.86%	5.69%
Salary increase rate	10.00%	10.00%	10.00%
Turnover rate	7.5% at age 19 decreasing to 0% at age 45	7.5% at age 19 decreasing to 0% at age 45	7.5% at age 19 decreasing to 0% at age 45



The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits obligation at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2015	2014
Discount rate	+100 basis points	(P6,115)	(P4,967)
	-100 basis points	7,612	6,257
Salary increase rate	+100 basis points	P6,773	P5,555
	-100 basis points	(5,633)	(4,574)

The Group does not expect to contribute to the defined benefit pension plan in 2016. The Group does not have a Trustee Bank, and does not currently employ any asset-liability matching. Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2015 and 2014:

	2015	2014
Less than one (1) year	P1,615	P824
More than one (1) year to five (5) years	3,202	887
More than five (5) years to ten (10) years	5,636	5,381
	P10,453	P7,092

The average duration of the defined retirement benefits obligation as at December 31, 2015 and 2014 is 21.2 years and 22.9 years, respectively.

18. Finance Lease

Finance Lease Receivable

On March 7, 2014, the Group entered into a service contract agreement with FVC that resulted into a finance lease of the Group's transportation and handling equipment which was formerly part of the "Machineries and other equipment" category under "Property and equipment" (see Note 8).

Finance lease receivable as at December 31, 2015 and 2014 consists of:

	2015		2014	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one (1) year	P173,214	P167,949	P109,375	P95,910
After one (1) year but not more than five (5) years	326,755	319,593	801,947	750,115
More than five (5) years	—	—	20,955	20,699
Total minimum lease payments	499,969	487,542	932,277	866,724
Less amount representing finance charge	12,427	—	65,553	—
Present value of minimum lease payments	P487,542	P487,542	P866,724	P866,724

In 2015, an addendum to the mining contract with FVC was executed which resulted to FVC returning some assets to the Group amounting to P519.4 million. Subsequently, the Group entered into another mining contract with JLEC to operate part of the CAGA 2 area and to lease the property and equipment returned by FVC amounting to P311.3 million (see Note 8) which resulted to a loss amounting to P86.9 million (see Note 28). The remaining P208.1 million reverted by FVC to the Group are included as part of total additions (see Note 8).



Derived interest income related to finance lease amounted to ₱8.2 million, ₱2.4 million and ₱7.1 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively.

Finance Lease Liabilities

In 2013, the Group entered into finance lease agreements with SBML and CFSPI for various equipment. These are included as part of “Machineries and other equipment” category under “Property and equipment” as at December 31, 2015 and 2014.

Future annual minimum lease payments under the lease agreements, together with the present value of the minimum lease payments as at December 31, 2015 and 2014 are as follows:

	2015		2014	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one (1) year	₱15,850	₱14,994	₱29,434	₱26,451
After one (1) year but not more than five (5) years	–	–	15,850	14,994
Total minimum lease payments	15,850	14,994	45,284	41,445
Less amount representing finance charge	856	–	3,839	–
Present value of minimum lease payments	₱14,994	₱14,994	₱41,445	₱41,445

Interest expense related to finance lease amounted to ₱3.1 million, ₱4.0 million and ₱6.5 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively, is reported under “Finance costs” (see Note 27).

19. Equity

Capital Stock

The Parent Company has 35,871,428,572 authorized shares at ₱0.35 par value as at December 31, 2015 and 2014. Out of the total authorized shares of the Parent Company, 17,467,014,310 shares are issued amounting to ₱6,113,455 as at December 31, 2015 and 2014.

The Parent Company has only one class of common shares. The common shares do not carry any right to fixed income.

The Parent Company applied for an increase in its authorized capital stock from ₱2,555.0 million divided into 7,300,000,000 common shares with a par value of ₱0.35 per share to ₱12,555.0 million divided into 35,871,428,572 common shares with a par value of ₱0.35 per share. The increase in the authorized capital stock as well as the issuance of the 10,463,093,371 common shares to the Thirteen Stockholders in accordance with the Share Swap transaction was approved by the SEC on December 22, 2014 (see Note 1).



All issued shares of GFHI, except for the newly issued 10,463,093,371 common shares to the Thirteen Stockholders, are listed in the PSE. The following table summarizes the track record of registrations of securities under the SRC.

Transaction	Subscribers	Registration Date	Issue/Offer Price	Number of Shares
Initial registration	Various	October 1994	₱1.50	5,000,000,000
Additional registration	Various	September 1996	–	1,150,000,000
Exempt from registration	Various	December 1998	–	305,810,000
Exempt from registration	Two individuals	June 2013	0.35	554,000,000
				7,009,810,000

APIC

Below is the summary of the movements of the “APIC” account:

Balances at June 30, 2014	₱127,171
Issuance of shares through Share Swap (see Note 1); As restated (see Note 2)	1,695,121
Application of APIC to equity reserve	(1,822,292)
Balances at December 31, 2014, As restated (see Note 2)	–
Movement	–
Balances at December 31, 2015	₱–

Treasury Stock

The Company has 7,258 shares in treasury stock amounting to ₱18.4 thousand as at December 31, 2015 and 2014.

Retained Earnings (Deficit)

The Group has retained earnings (deficit) amounting to ₱422.2 million and (₱697.0 million) as at December 31, 2015 and 2014, respectively.

On June 15, 2014, PGMC’s BOD approved the declaration of cash dividends in the amount of ₱1,411.7 million and property dividends of ₱3,657.4 million to stockholders of record as at June 15, 2014. On September 1, 2014, PGMC’s BOD amended its initial dividend declaration dated June 15, 2014 by declaring cash dividends in the amount of ₱5,069.1 million out of its unrestricted retained earnings. Out of the total dividends declared, ₱4,309.0 million pertains to 16% participating, non-cumulative, preferred stockholders at ₱0.07 per share and the remaining ₱760.1 million pertains to common stockholders at ₱0.06 per share. On December 29, 2014, PGMC settled its cash dividends payable amounting to ₱5,069.1 million declared on June 15, 2014 to stockholders of record as at June 15, 2014. The dividends payable was offset against the cash advances to stockholders classified under “Advances to related parties”.

On July 15, 2014, PGMC’s BOD 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.

Dividends Payable

On May 22, 2013, the BOD of the Parent Company approved the declaration of cash dividends in the amount of ₱1.656 per outstanding common share or ₱10,500.0 million to stockholders of record as at June 5, 2013, payable on June 12, 2013. In 2014, cash dividends declared and paid to certain shareholders on May 22, 2013 amounting to ₱20.3 million were returned as stale checks and presented as cash dividends payable as at December 31, 2015 and 2014 and will be reissued to such investors subsequent to year-end.



Equity Reserve

As at July 1, 2013, as a result of the reverse acquisition, the “Equity reserve” account represents the difference between the legal capital (i.e., the number and type of “Capital stock” issued, “APIC” and “Treasury stock”) of the legal acquirer (GFHI) and accounting acquirer (PGMC). Subsequent to July 1, 2013 up to the date of the Share Swap transaction, the movements of the equity accounts of PGMC Group are adjusted to “Equity reserve”.

Below is the summary of the movements of the “Equity reserve” account:

Legal capital of PGMC (Accounting acquirer):	
Capital stock, net of NCI of ₱191	₱700,184
Legal capital of GFHI (legal acquirer):	
Capital stock	(2,257,472)
APIC	(127,171)
Issuance of stock by GFHI	(193,900)
Treasury stock	18
Balance as at June 30, 2013	(1,878,341)
Movement	—
Balance as at June 30, 2014	(1,878,341)
Issuance of stock by GFHI through Share Swap	(5,357,204)
Assumption and cancellation of GFHI receivables	(2,589,722)
Acquisition of net assets of the accounting acquiree (GFHI)	2,605,460
Application of equity reserve to APIC and retained earnings	7,210,807
Issuance of stock by PGMC	9,000
Balance as at December 31, 2014, as restated	₱—

20. EPS

The following reflects the income and share data used in the basic and diluted EPS computations:

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Net income	₱1,111,750	₱4,809,681	₱1,667,776
Weighted average number of shares for basic EPS	17,467,014,310	7,261,907,764	7,003,913,681
Basic/Diluted EPS	₱0.06	₱0.66	₱0.24

As at December 31, 2015 and 2014, there is no potentially dilutive common shares.



21. Cost of Sales

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Contract hire (see Note 33)	₱2,388,897	₱1,921,467	₱1,593,768
Depreciation, depletion and amortization (see Notes 8, 9 and 26)	579,482	86,889	204,893
Fuel, oil and lubricants	151,474	170,388	164,898
Personnel costs (see Note 25)	125,806	50,378	153,276
Rentals (see Note 33)	70,807	42,009	69,935
Contribution for IP	66,195	92,809	56,963
Community relations	45,003	10,996	44,630
Environmental protection cost	56,394	82,148	14,266
Assaying and laboratory	25,393	28,149	41,100
Repairs and maintenance	12,054	5,546	104,588
Operation overhead	7,993	44,582	32,485
Other charges	45,098	21,279	34,040
	₱3,574,596	₱2,556,640	₱2,514,842

Contract hire pertains to services offered by the contractors related to the mining operating activities of the Group. These services include, but not limited to, ore extraction and beneficiation, hauling and equipment rental.

Other charges include, but not limited to, power and utilities, health and safety expenses in mine site, manning expenses, agency fees, materials, supplies and spare parts, service fee and dry docking.

22. Excise Taxes and Royalties

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Royalties to claim-owners (see Note 33)	₱449,053	₱631,610	₱395,901
Royalties to government	326,634	447,932	284,422
Excise taxes	130,664	179,204	115,570
	₱906,351	₱1,258,746	₱795,893

The Group, in accordance with DENR Administrative Order No. 96-40, Series 1996, on the Revised Implementing Rules and Regulations of RA No. 7942, is required to pay to the Philippine Government the following:

- A royalty tax of five percent (5%) of the market value of the gross output of the minerals/mineral products extracted or produced from its Surigao mines to DENR-MGB; and
- An excise tax of two percent (2%) of the market value of the gross output of the minerals/mineral products extracted or produced from its Surigao mines to the BIR.



The Group is paying to CMDC royalty fees of three percent (3%) to seven percent (7%) of gross receipts.

As at December 31, 2015 and 2014, excise taxes and royalties payable amounted to ₱96.8 million ₱64.9 million, respectively (see Note 14).

23. General and Administrative

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Consultancy fees	₱160,780	₱19,837	₱23,252
Personnel costs (see Note 25)	159,459	56,924	65,155
Marketing and entertainment	72,926	32,334	157,137
Taxes and licenses	50,025	48,812	56,308
Outside services	38,124	18,592	39,612
Travel and transportation	37,088	18,557	23,864
SEC and listing fees	28,401	—	—
Depreciation and depletion (see Notes 8 and 26)	15,001	5,794	11,997
Rentals (see Note 33)	7,402	2,800	3,203
Repairs and maintenance	6,987	5,725	2,041
Supplies	6,389	3,351	2,382
Communication	5,771	2,501	3,572
Fuel, oil and lubricants	4,935	11,006	9,357
Membership and subscription	2,042	509	48
Insurance	1,887	1,519	232
Trainings, seminars and meetings	1,194	158	93
Power and utilities	1,347	630	967
Proressive mine rehabilitation	—	—	15,078
Other charges	30,030	8,267	16,248
	₱629,788	₱237,316	₱430,546

Other charges pertain to various expenses such as mailing and postage charges, and health and safety supplies.

24. Shipping and Distribution

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Barging charges	₱121,872	₱63,704	₱156,544
Stevedoring charges and shipping expenses	29,627	—	21,268
Fuel, oil and lubricants	14,885	45	24,431
Government fees	87	—	—
	₱166,471	₱63,749	₱202,243

Barging charges pertain to expenses incurred from services provided to transport nickel ore.



25. Personnel Costs

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Salaries and wages	₱239,459	₱94,301	₱189,155
Retirement benefits costs (see Note 17)	9,368	3,195	6,215
Other employee benefits	36,438	9,806	23,061
	₱285,265	₱107,302	₱218,431

Other employee benefits are composed of various benefits given to employees that are individually immaterial.

The personnel costs were distributed as follows:

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Cost of sales (see Note 21)	₱125,806	₱50,378	₱153,276
General and administrative (see Note 23)	159,459	56,924	65,155
	₱285,265	₱107,302	₱218,431

26. Depreciation, Depletion and Amortization

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Cost of sales (see Notes 8, 9 and 21)	₱579,482	₱86,889	₱204,893
General and administrative (see Notes 8 and 23)	15,001	5,794	11,997
	₱594,483	₱92,683	₱216,890

27. Finance Costs

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Interest expense (see Notes 14, 15, 17, 18 and 29)	₱75,716	₱55,348	₱150,732
Bank charges	9,990	10,776	17,339
Amortization of discount on bank loans (see Notes 15 and 29)	2,068	6,650	20,805
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 16)	1,117	549	1,279
Commission expense	—	—	11,903
	₱88,891	₱73,323	₱202,058



28. Other Income (Charges) - net

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2013
Loss on modification of finance lease receivable (see Note 8)	(P86,885)	P-	P-
Foreign exchange gains (losses) - net	(19,843)	(77,631)	209,323
Gain (loss) on disposals of property and equipment (see Note 8)	(6,327)	91	(159)
Impairment loss on AFS financial assets (see Note 12)	(2,445)	-	-
Others	-	116	-
	(P115,500)	(P77,424)	P209,164

Breakdown of the net foreign exchange gains (losses) follows:

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Net realized foreign exchange gains (losses)	(P27,863)	P46,168	(P36,363)
Unrealized foreign exchange gains (losses) on:			
Cash	25,914	11,593	14,048
Trade and other receivables	14,196	(1,988)	(7,620)
Advances to related parties	-	(3,895)	142,486
Other noncurrent assets	2,506	1,986	(2,313)
Trade and other payables	(3,136)	(72,856)	23,267
Bank loans	(31,396)	(48,692)	67,965
Amounts owed to related parties	(64)	(9,947)	7,853
	(P19,843)	(P77,631)	P209,323



29. Related Party Disclosures

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors or its stockholders.

Category	Amount/ Volume	Advances to related parties	Amounts owed to related parties	Terms	Conditions
Stockholders					
2015	₱715,806	₱1,538,677	₱50,000	Noninterest-bearing; collectible or payable on demand	Unsecured; no guarantee
2014	₱1,397,150	₱872,871	₱—		
Affiliates with common officers, directors and stockholders					
2015	(564,515)	100,554	574,211	Interest-bearing; payable in 8 installments	Unsecured; no guarantee
2014	1,256,212	894,987	344,293		
Other Related Party					
2015	—	—	—	Noninterest-bearing; collectible or payable on demand	Unsecured; no guarantee
2014	410,360	—	—		
Total		₱1,639,231	₱624,211		
Total		₱1,767,858	₱344,293		

The summary of significant transactions and account balances with related parties are as follows:

- In 2015, the Group entered into the following transactions which were recorded under “Deposits for future stock subscription”:
 - The Group made cash deposit amounting to US\$0.5 million or ₱23.1 million for the purchase of 10,000 shares or one hundred percent (100%) interest of PGMC International Limited, an entity incorporated in Hong Kong, China as part of the Group’s expansion plans.
 - GFHI, PGMC and the stockholders of SPNVI executed various Deed of Assignments wherein PGMC assigned all the rights, title, and interest for the cash advances made by PGMC to SPNVI, amounting to ₱1,628.1 million, to GFHI. These advances will form part of the purchase price of the acquisition of SPNVI pursuant to the Contract to Sell executed on August 6, 2015 (see Note 1).
- On December 30, 2012, the Group entered into a MOA with Century Sunshine PGMC Company Ltd. (CSPC), a corporation incorporated in British Virgin Islands, wherein the Group’s advances to CSPC under “Advances to related parties” amounting to ₱1,758.9 million will be treated by CSPC as deposit for future stock subscription of PGMC.



The advances to CSPC were made by PGMC partly to finance the acquisition of a joint venture entered by CSPC. Pending the listing of CSPC, both parties agree to treat the said advances as deposit for future subscription to shares equivalent to not more than ten percent (10%) of the total outstanding shares in CSPC. The actual conversion and issuance of the shares of stock of CSPC shall be subject to mutual agreement of the parties upon determination of the appropriate valuation of the shares of stock of CSPC, whether before or after the said listing. However, since the listing of CSPC was put on hold, the deposit for future subscription is treated purely as advances to shareholders and formed part of the declared dividends which was paid on December 29, 2014 (see Note 19).

- c. The Group's US\$35.0 million loan facility (with an accordion feature of US\$5.0 million) with ATB under the Facility Agreement, guaranteed by a Group's subsidiary and two (2) of the Parent Company's stockholders, was fully paid as at December 31, 2015 (see Note 15).
- d. In 2013, FRI availed a loan facility from BOC amounting to US\$5.0 million. On August 3, 2013, the Group and FRI executed a Deed of Assignment wherein FRI agreed to assign its rights, titles, interest, and benefits in the loan facility. As required, a DSRA was opened by the Group which have in deposit an amount equivalent to one and a half times (1.5x) the amount necessary to pay the principal, interest and fees for the immediately following quarterly loan repayment schedule.

The loan facility was actually utilized by the Group. Accordingly, the Group hereby assumes payment of the loan facility, its interest, charges and fees, and all other obligations stipulated in the loan agreement in which FRI was obliged to perform or comply.

The annual effective interest of the loan is 4.4%. The current portion of the loan recorded under "Amounts owed to related parties" amounted to nil and US\$1.9 million as at December 31, 2015 and 2014, respectively. The noncurrent portion of the loan amounted to nil as at December 31, 2015 and 2014, respectively. The loan was fully paid in during the year.

Interest expense amounted to ₱4.3 million, ₱2.9 million and ₱21.0 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively. Amortization of the discount on the loan amounted to ₱0.1 million, ₱1.3 million and ₱3.3 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014 (see Note 27).

- e. In March 2014, PGMC entered into a charter agreement with PCSSC for the use of five (5) land tank crafts at ₱2.6 million each per month. The charter hire incurred amounting to ₱89.6 million, ₱50.0 million and ₱29.9 million for the year ended December 31, 2015, six months ended December 31, 2014 and for the year ended June 30, 2014, respectively, is recorded as barging charges.
- f. On August 31, 2014 and December 29, 2014, the Group settled its dividends payables amounting to ₱975.9 million and ₱4,561.2 million, net of withholding tax, declared on July 15, 2014 and June 15, 2014, respectively. The dividends payables were offset against the cash advances to stockholders classified under "Advances to related parties".
- g. In 2013, the Group obtained advances from other related party amounting to US\$3.5 million. The amount advanced is used for working capital purposes. As at December 31, 2015, the Group has fully paid the advances. Interest expense for the advances amounted to nil, nil and



₱7.1 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively.

- h. 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. Compensation of the key management personnel of the Group follows:

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Salaries and other employee benefits	₱39,339	₱16,960	₱27,216
Post-employee benefits	—	3,819	2,745
	₱39,339	₱20,779	₱29,961

30. Income Taxes

The current provision for income tax represents MCIT for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014 for taxable income not covered under ITH. Effective November 2007, the Group is entitled to ITH as one of the incentives granted by the BOI as a non-pioneer enterprise (see Note 36). The Group's ITH incentive expired last November 15, 2015.

The reconciliation between income before income tax computed at the statutory income tax rate and the provision for (benefit from) income tax at the effective income tax rates as shown in the consolidated statements of comprehensive income follow:

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Income tax computed at statutory income tax rate	₱378,975	₱1,435,123	₱521,792
Add (deduct) tax effects of:			
Operating income subject to ITH	(551,677)	(1,531,852)	(570,123)
Change in unrecognized deferred income tax asset on NOLCO and excess MCIT	32,752	20,701	34,896
Expiration of deferred income tax asset on NOLCO and excess MCIT	41,331	—	—
Nondeductible expenses:			
Loss on modification of finance lease receivable	26,066	—	—
Marketing and entertainment	19,300	41,349	55,260
Interest	720	2,117	13,232
Donation	—	120	30
Deficiency taxes	—	1,789	6,168
Others	2,808	—	10,108
Interest income already subjected to final tax	(354)	(313)	(243)
Other nontaxable income	(619)	(2,338)	(2,143)
	(₱50,698)	(₱33,304)	₱68,977



The components of the Group's net deferred income tax assets follow:

	2015	2014
Deferred income tax assets:		
NOLCO	₱43,491	₱—
Provision for mine rehabilitation and decommissioning	17,478	18,064
Unrealized foreign exchange losses - net	14,891	22,182
Retirement obligation	11,996	9,030
Accrued taxes	11,969	3,300
Allowance for impairment losses on trade and other receivables	5,208	5,206
Excess MCIT	1,966	—
Rent payable	329	107
	107,328	57,889
Deferred income tax liability:		
Undepleted asset retirement obligation	9,543	14,626
	9,543	14,626
	₱97,785	₱43,263

The Group has the following NOLCO and excess MCIT that can be claimed as deduction from sufficient future taxable income and income tax due, respectively:

Year Incurred	Year of Expiration	NOLCO	MCIT
December 31, 2015	December 31, 2018	₱428,648	₱1,574
December 31, 2014	December 31, 2017	68,631	43
June 30, 2014	June 30, 2017	115,847	142
		₱613,126	₱1,759

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
NOLCO			
Beginning balance	₱425,840	₱357,209	₱264,531
Additions	428,648	68,631	115,847
Expirations	(241,362)	—	(23,169)
Ending balance	₱613,126	₱425,840	₱357,209

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
MCIT			
Beginning balance	₱1,331	₱1,288	₱1,180
Additions	1,574	43	142
Expirations	(1,146)	—	(34)
Ending balance	₱1,759	₱1,331	₱1,288

As at December 31, 2015, the Group has recognized deferred income tax assets on NOLCO amounting to ₱43.8 million as a result of the expiration of its ITH incentive. Deferred income tax assets on NOLCO amounting to ₱140.1 million were not recognized since these NOLCO came from activities subjected to ITH incentive.

As at December 31, 2015, the Group has recognized deferred income tax assets on excess MCIT amounting to ₱2.0 million.



As at December 31, 2014, there were no deferred income tax assets recognized for NOLCO and MCIT as it is not probable that sufficient taxable income will be available against which the benefits of the deferred income tax assets can be utilized. Recognized deferred income tax assets in 2014 pertain to the NOLCO of PCSSC since the Subsidiary is expecting that sufficient taxable income will be available and its benefits can be utilized.

The Group has availed of the itemized deductions method in claiming its deductions for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014.

31. Financial Risk Management Objectives and Policies and Capital Management

The Group's financial instruments consist mainly of cash, amounts owed to related parties, AFS financial assets and bank loans. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Group. The Group has other financial assets and liabilities such as trade and other receivables, and restricted cash and MRF classified under "Other noncurrent assets", trade and other payables and advances to related parties, which arise directly from its operations.

The main risks arising from the Group's financial instruments are market, credit and liquidity risk. The BOD and Management review and agree on the policies for managing each of these risks which are summarized below.

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates, interest rates and equity prices.

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings arising from changes in foreign exchange rates.

The Group has transactional currency exposures. The Group's exposure to foreign currency risk pertains to US\$-denominated financial assets and liabilities which primarily arise from export sales of mineral products and US\$-denominated loans with ATB, TCB and other bank loans.

To mitigate the effects of foreign currency risk, the Group seeks to accelerate the collection of foreign currency-denominated receivables and the settlement of foreign currency-denominated payables, whenever practicable. Also, foreign exchange movements are monitored on a daily basis via Philippine Dealing and Exchange Corp.



The Group's foreign currency-denominated financial assets and liabilities and their Philippine Peso equivalents as at December 31, 2015 and 2014 are as follows:

	2015		2014	
	US\$ Amount	Peso Equivalent	US\$ Amount	Peso Equivalent
Financial Assets:				
Cash with banks	US\$8,486	₱399,351	US\$5,586	₱249,806
Trade receivables	15,322	721,053	7,548	337,544
Restricted cash under "Other noncurrent assets"	2,438	114,732	4,399	196,723
	26,246	1,235,136	17,533	784,073
Financial Liabilities:				
Trade and other payables	6,007	282,689	3,921	175,347
Bank loans	20,000	941,200	10,017	447,969
	26,007	1,223,889	13,938	623,316
Net Financial Assets	US\$239	₱11,247	US\$3,595	₱160,757

The exchange rates used for conversion of US\$1.00 to peso equivalent were ₱47.06 and ₱44.72 as at December 31, 2015 and 2014, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US\$ exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in revaluation of financial assets and liabilities) for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014.

	Foreign Currency Appreciates/Depreciates by	Effect on Income Before Income Tax
December 31, 2015	+2	(₱478)
	-2	478
December 31, 2014	+2	(₱7,604)
	-2	7,604
June 30, 2014	+2	(₱69,180)
	-2	69,180

There is no other effect on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk for changes in interest relates primarily to its loan with banks with floating interest rate.

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.



The terms and maturity profile of the interest-bearing financial assets and liabilities as at December 31, 2015 and 2014, together with its corresponding nominal interest rate and carrying values are shown in the following table:

2015	Nominal Interest Rate	Less than 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash with banks	Various	₱502,262	₱—	₱—	₱—	₱502,262
MRF under “Other noncurrent assets”	Various	—	—	—	62,117	62,117
Bank loans	10.50%-14.00%; LIBOR plus 9.00%	984,384	2,966	5,479	1,755	994,584
Amounts owed to related parties	6.72%	624,211	—	—	—	624,211
2014	Nominal Interest Rate	Less than 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash with banks	Various	₱691,249	₱—	₱—	₱—	₱691,249
MRF under “Other noncurrent assets”	Various	—	—	—	38,426	38,426
Bank loans	10.50%-14.00%; LIBOR plus 9.00%	286,727	287,138	43,350	3,011	620,226
Amounts owed to a related party	6.72%	289,729	54,564	—	—	344,293

The following table sets forth, for the year indicated, the impact of a reasonably possible change in interest rate for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014 consolidated statements of comprehensive income (through the impact of floating rate borrowings):

	Increase/Decrease in Basis Points	Effect on Income Before Income Tax
December 31, 2015	+100	(₱9,412)
	-100	9,412
December 31, 2014	+100	(₱2,348)
	-100	2,348
June 30, 2014	+100	(₱15,098)
	-100	15,098

There is no other effect on the Group’s equity other than those already affecting the consolidated statements of comprehensive income.

Equity Price Risk

Equity price risk is the risk to earnings or capital arising from changes in stock prices relating to its quoted equity instrument. The Group’s exposure to equity price risk relates primarily to its AFS financial assets in OPRGI.

The Group’s policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine effect on its financial position.



The table below shows the sensitivity to a reasonably possible change in equity prices on AFS equity instrument as at December 31, 2015 and 2014. The equity impact is arrived using the reasonably possible change of the relevant market indices and the specific adjusted beta of each stock the Group holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

	Average change in market indices	Sensitivity to equity
2015	-1.25%	(P94)
	1.25%	94
2014	-0.52%	(P56)
	0.52%	56

The AFS financial assets shares of stock are traded in the PSE.

Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits in banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognized, reputable and creditworthy third parties and/or transacts only with institutions and/or banks which have demonstrated financial soundness. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, export buyers are required to pay via Letters of Credit issued by reputable banks with the result that Group's exposure to bad debts is not significant. Also, the Group, in some circumstances, requires advances from customers. Since the Group trades only with recognized third parties, there is no requirement for collateral.

Credit Risk Exposure

The table below shows the gross maximum exposure to credit risk for the components of consolidated statements of financial position.

	Notes	2015	2014
Cash with banks	4	P502,262	P691,249
Trade and other receivables:	5		
Trade receivables		704,056	337,544
Advances to officers, employees and others		11,870	2,936
Advances to related parties:	29		
Stockholders		1,538,677	872,871
Affiliates with common officers, directors and stockholders		100,554	894,987
AFS financial assets:	12		
Quoted equity instrument		5,903	8,854
Other noncurrent assets:	13		
Restricted cash		114,583	196,708
MRF		62,117	38,426
Total		P3,040,022	P3,043,575



Aging Analyses of Financial Assets

The aging analyses of the Group's financial assets as at December 31, 2015 and 2014 are summarized in the following tables:

2015	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		90 days or less	91-120 days	More than 120 days		
Cash with banks	₱502,262	₱-	₱-	₱-	₱-	₱502,262
Trade and other receivables:						
Trade receivables	393,138	-	-	293,559	17,359	704,056
Advances to officers, employees and others	-	-	-	11,870	-	11,870
Advances to related parties:						
Stockholders	1,538,677	-	-	-	-	1,538,677
Affiliates with common officers, directors and stockholders	100,554	-	-	-	-	100,554
AFS financial assets:						
Quoted equity instrument	5,903	-	-	-	-	5,903
Other noncurrent assets:						
Restricted cash	114,583	-	-	-	-	114,583
MRF	62,117	-	-	-	-	62,117
Total	₱2,717,234	₱-	₱-	₱305,429	₱17,359	₱3,040,022

2014	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		90 days or less	91-120 days	More than 120 days		
Cash with banks	₱691,249	₱-	₱-	₱-	₱-	₱691,249
Trade and other receivables:						
Trade receivables	320,185	-	-	-	17,359	337,544
Advances to officers, employees and others	-	-	-	2,936	-	2,936
Advances to related parties:						
Stockholders	872,871	-	-	-	-	872,871
Affiliate with common officers, directors and stockholders	894,987	-	-	-	-	894,987
AFS financial assets:						
Quoted equity instrument	8,854	-	-	-	-	8,854
Other noncurrent assets:						
Restricted cash	196,708	-	-	-	-	196,708
MRF	38,426	-	-	-	-	38,426
Total	₱3,023,280	₱-	₱-	₱2,936	₱17,359	₱3,043,575

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Group using credit ratings and is classified into three (3): High grade, which has no history of default; Standard grade, which pertains to accounts with history of one (1) or two (2) defaults; and Substandard grade, which pertains to accounts with history of at least three (3) payment defaults or no repayment dates.



Accordingly, the Group has assessed the credit quality of the following financial assets classified as neither past due nor impaired:

- Cash with banks and other noncurrent assets are considered high-grade since these are deposited in reputable banks.
- Trade receivables, which pertain mainly from sale of ore, are assessed as high grade since these receivables are fully matched with advances from customers.
- Advances to officers, employees, and others are assessed as standard grade since these are subject for liquidation. Other advances are assessed as standard grade since amounts are collectible upon demand.
- Advances to related parties are assessed as substandard grade since these have no repayment dates.
- AFS financial assets in equity instrument are investments that can be traded to and from companies with good financial capacity, making the investment secured and realizable. Management assesses the quality of these assets as high grade.

The Group has no significant concentration of credit risk in relation to its financial assets.

Liquidity Risk

Liquidity risk arises from the possibility that 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.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2015 and 2014 based on contractual undiscounted payments.

	On	Less					
	Demand	than 3	3 to 6	6 to 12	1 to 2	More	Total
2015		Months	Months	Months	Years	than	
	P=	Months	Months	Months	Years	2 Years	
Bank loans	₱	₱512,198	₱472,186	₱2,966	₱5,479	₱1,755	₱994,584
Trade and other payables							
Trade	383,368	—	—	—	—	—	383,368
Accrued expenses	61,642	—	—	—	—	—	61,642
Nontrade	3,214	—	—	—	—	—	3,214
Amounts owed to related parties	624,211	—	—	—	—	—	624,211
Total	₱1,072,435	₱512,198	₱472,186	₱2,966	₱5,479	₱1,755	₱2,067,019



2014	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Bank loans	P-	P77,573	P209,155	P287,137	P43,351	P3,010	P620,226
Trade and other payables							
Trade	225,007	-	-	-	-	-	225,007
Accrued expenses	44,355	-	-	-	-	-	44,355
Nontrade	106,079	-	-	-	-	-	106,079
Amounts owed to related parties	262,145	27,584	27,630	26,934	-	-	344,293
Total	P637,586	P105,157	P236,785	P314,070	P43,352	P3,010	P1,339,960

The tables below summarize the maturity profile of the Group's financial assets used to manage the liquidity risk of the Group as at December 31, 2015 and 2014.

2015	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash							
Cash on hand	P614	P-	P-	P-	P-	P-	P614
Cash with banks	502,262	-	-	-	-	-	502,262
Trade receivables	704,056	-	-	-	-	-	704,056
AFS financial assets	5,903	-	-	-	-	-	5,903
Restricted cash under "Other noncurrent assets"	-	-	-	-	-	114,583	114,583
Total	P1,212,835	P-	P-	P-	P-	P114,583	P1,327,418

2014	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash							
Cash on hand	P620	P-	P-	P-	P-	P-	P620
Cash with banks	691,249	-	-	-	-	-	691,249
Trade receivables	337,544	-	-	-	-	-	337,544
AFS financial assets	8,854	-	-	-	-	-	8,854
Restricted cash under "Other noncurrent assets"	-	-	-	-	-	196,708	196,708
Total	P1,038,267	P-	P-	P-	P-	P196,708	P1,234,975

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains sufficient cash balances and strong credit rating to support its business and to maximize shareholders' value. The Group manages its capital structure and makes adjustments to it after carefully considering changes in the economic environment. To maintain or adjust the capital structure, the Group may utilize the following: (a) obtain additional shareholders' advances to augment capital, (b) issuance of new shares, and (c) to return capital to shareholders if and when feasible. No changes were made in the objectives, policies or processes in December 31, 2015 and 2014 and June 30, 2014.

The Group monitors capital using the monthly cash flows and financial statements. It is the policy of the Group to maintain a positive cash flow from operations. The Group determines the inflows from operations for the analysis of its cash position in order to pay currently maturing obligations.



The Group place reliance on sales projections and cost management in addressing cash flow concerns.

The Group likewise monitors certain ratios respective of the loan covenants it signed for credit facility obtained for the Surigao mining operations financing as well as for capital expenditure purposes.

32. Fair Value Measurement

The following table shows the carrying values and fair values of the Group's assets and liabilities, whose carrying values does not approximate its fair values as at December 31, 2015 and 2014:

	Carrying Values		Fair Values	
	2015	2014	2015	2014
Investment property	₱319,865	₱319,865	₱367,003	₱367,003
Bank loans	994,584	620,226	826,538	649,091
Finance leases liabilities	14,994	41,445	23,930	42,987

Cash, Trade and Other Receivables and Trade and Other Payables

The carrying amounts of cash, trade and other receivables and trade and other payables approximate their fair values due to the short-term nature of these accounts.

Restricted Cash and MRF

The carrying amounts of restricted cash and MRF approximate their fair values since they are restricted cash with bank. Restricted cash and MRF earns interest based on prevailing market rates repriced monthly.

AFS Financial Assets

The fair value of quoted equity instrument is determined by reference to market closing quotes at the end of the reporting period.

Investment Property

The fair value of investment property is determined using the Market Data Approach. In this approach, the value of the land was based on the sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison was premised on the factors of location, size and shape of the lot, time element and others.

	Valuation technique	Significant unobservable Inputs	Range (weighted average)
Investment property	Market Data Approach	Estimated price per square meter Land area square meter	₱109,000 3,367



Advances to Related Parties and Amounts Owed to Related Parties

Advances to related parties and amounts owed to related parties do not have fixed repayment terms. As such, their carrying amounts approximate their fair values.

Bank Loans

Fair value of bank loans is estimated using the discounted cash flow methodology using the benchmark risk free rates for similar types of loans and borrowings, except for variable-rate borrowings which are repriced quarterly.

Finance Lease Receivables and Liabilities

The fair value of finance lease receivables approximates its carrying value given that it is valued on discount rates on the same year. The fair value of finance lease liabilities are based on the present value of contractual cash flows discounted at market adjusted rates.

Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy as follows:

2015	Level 1	Level 2	Level 3	Total
<i>Asset measured at fair value:</i>				
AFS financial assets	₱5,903	₱—	₱—	₱5,903
<i>Asset for which the fair value is disclosed:</i>				
Investment property	—	—	367,003	367,003
	₱5,903	₱—	₱367,003	₱372,906
<i>Liabilities for which fair values are disclosed:</i>				
Bank loans	₱—	₱—	₱826,538	₱826,538
Finance lease liabilities	—	—	23,930	23,930
	₱—	₱—	₱850,468	₱850,468
2014	Level 1	Level 2	Level 3	Total
<i>Asset measured at fair value:</i>				
AFS financial assets	₱8,854	₱—	₱—	₱8,854
<i>Asset for which the fair value is disclosed:</i>				
Investment property	—	—	367,003	367,003
	₱8,854	₱—	₱367,003	₱375,857
<i>Liabilities for which fair values are disclosed:</i>				
Bank loans	₱—	₱—	₱649,091	₱649,091
Finance lease liabilities	—	—	42,987	42,987
	₱—	₱—	₱692,078	₱692,078

There were no transfers between levels of fair value measurement as at December 31, 2015 and 2014.



33. Significant Agreements and Other Matters

Ore Supply Agreements

Ore Supply Agreements with Chinese Customers

The Group has ore supply agreements with Chinese customers, each for a fixed tonnage at specific nickel grades and iron content. The fixed tonnage of ore is generally the volume expected delivery within a few months. Revenue from Chinese customers amounted to ₱6,533.2 million, ₱8,218.7 million and ₱5,667.8 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively.

Queensland Nickel Pty. Limited (QNPL)

The Group has ore supply agreement with QNPL, an Australian corporation, for a fixed tonnage at specific nickel grades and iron content. The fixed tonnage of ore is generally the volume expected delivery within a few months. Revenue from QNPL amounted to nil and ₱828.8 million for the years ended December 31, 2015 and six months ended December 31, 2014, respectively.

Advances from QNPL to the Group to be applied against future shipments amounted to nil and ₱27.1 million as at December 31, 2015 and 2014, respectively.

Operating Agreements

SIRC

On September 15, 2006, PGMC entered into an Operating Agreement with SIRC, holder of rights to mining tenements located in the Surigao provinces. SIRC grants PGMC exclusive privilege and right to occupy, explore, develop, utilize, mine, mill, beneficiate and undertake activities within the areas in the Cagdianao mining tenement covered under MPSA No. 007-92-X for a period of twenty-five (25) years. For purposes of royalty obligation, PGMC adopts the royalty agreement entered into by SIRC with CMDC. PGMC shall pay CMDC royalty fees of three percent (3%) to seven percent (7%) of gross receipts determined through freight on board price from the sale of nickel ore mined and produced from the Cagdianao mining properties.

Total royalty fees incurred to CMDC amounted to ₱449.1 million, ₱631.6 million and ₱395.9 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 22).

4K Development Corporation

On July 16, 2009, as amended on March 8, 2011, the Group entered into a service contract with 4K Development Corporation, a contractor, to operate the mining activities within CAGA 4 in Surigao, wherein the Group will pay the contractor a fixed amount of per metric ton shipped ore. Total contract hire incurred amounted to ₱1,552.0 million, ₱1,298.3 million and ₱1,428.9 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 21). The service contract expired this year and was not renewed.

FVC and JLEC

On February 26, 2015 and March 7, 2014, the Group entered into a service contract with JLEC and FVC, mining contractors, respectively, to operate the mining activities within CAGA 1 upon start of commercial operations and CAGA 2 in Surigao, wherein the Group will pay the contractor on a per metric ton based on the grade of the ore shipped. Total contract hire incurred amounted to ₱836.9 million, ₱623.2 million and ₱164.9 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively for CAGA 2 (see Note 21).



Lease Agreements

The Group leases its Makati office premises and various machineries and equipment in the mine site. This lease has a remaining term of less than ten (10) years. Renewals are subject to the mutual consent of the lessors and the lessee.

Future minimum lease payments follow:

Category	2015	2014
Within one (1) year	₱2.9 million	₱4.7 million
After one (1) year but not more than five (5) years	20.8 million	26.9 million
More than five (5) years	10.0 million	10.4 million

Rent payable reported under “Other noncurrent liabilities” amounted to ₱1.1 million and ₱0.4 million as at December 31, 2015 and 2014, respectively.

Total rent expense incurred amounted to ₱78.2 million, ₱44.8 million and ₱73.1 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended December 31, 2014, respectively (see Notes 21 and 23). Prepaid rent related to these lease agreements amounted to ₱0.5 million and ₱0.9 million as at December 31, 2015 and 2014, respectively (see Note 7).

Certification for VAT Zero-Rated Status

On February 17, 2015, BOI issued a certification pursuant to Revenue Memorandum Order No. 9-2000 entitled “Tax Treatment of Sales of Goods, Properties and Services made by VAT-registered Suppliers to BOI registered Manufacturers-Exporters with one hundred percent (100%) Export Sales”. The certification is valid from February 9 to December 31, 2015 and renewable annually, unless sooner revoked by the BOI Governing Board (see Note 1).

34. Registration with the BOI

On November 16, 2007, the Group was registered with the BOI as a new producer of beneficiated nickel ore on a non-pioneer status on its Surigao registered nickel project.

The terms and conditions of the registration, as well as the fiscal and non-fiscal incentives available to the registered project are as follows:

Significant Terms and Conditions

- The Group to start commercial operations in November 2007. Request for amendment of timetable shall be filed before the scheduled start of commercial operations.
- The Group to comply with all the provisions of RA 7942, the Philippine Mining Act of 1995, its implementing rules and regulations and the Group’s MPSA.
- The Group to maintain a separate book of account for its registered nickel project located in Claver, Surigao del Norte.
- The Group to undertake Corporate Social Responsibility (CSR) projects/activities. A report on completed/on-going CSR projects/activities shall be submitted to the BOI prior to availment of ITH incentive.
- The Group to submit a copy of Operating Agreement between SIRC, duly noted by the Secretary of DENR-MGB prior to availment of the ITH incentive.
- The Group to submit to the Supervision and Monitoring Department of the BOI, a quarterly report on actual investments, employment and sales pertaining to the registered project. This



report shall be due within fifteen (15) days after the end of each quarter, starting on the date of registration.

- Observance of a specified production and sales schedule and project timetable.

Fiscal and Non-fiscal Incentives

- ITH for a period of six (6) years from November 2007 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.
- For the first five (5) years from the date of registration, the firm shall be allowed an additional deduction from taxable income of one hundred percent (100%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board of US\$10,000 to one worker and provided that this incentive shall not be availed of simultaneously with ITH.
- Employment of foreign nationals for five (5) years from the date of registration.
- Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for ten (10) years from the start of commercial operations.
- Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.
- Access to Customs Bonded Manufacturing Warehouse (CBMW) subject to Custom rules and regulations provided firm exports are at least seventy percent (70%) of production output.
- Exemption from wharfage dues, any export tax, duty, imports and fees for ten (10) years from date of registration.
- Importation of consigned equipment for a period of ten (10) years from date of registration, subject to the posting of re-export bond.
- Exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least seventy percent (70%) of production.
- Additional deduction from taxable income of one hundred percent (100%) of the expenses incurred in the development of necessary and major infrastructure facilities, provided that the location of the project is in a less developed area (Surigao del Norte).

On April 4 2016, PGMC received the Certificate of ITH Entitlement for taxable year 2015. This certifies that PGMC is a bonafide BOI-registered enterprise and is entitled to ITH incentive as provided above. This certificate shall be attached to the income tax return where the ITH claim is reflected and cannot be used for any other purpose. PGMC availed of the ITH incentives amounting to ₱547.4 million and ₱1,847.7 million in 2015 and 2014, respectively (see Note 30). The ITH incentive of PGMC expired last November 15, 2015.

35. Other Matters

- a. PGMC is a defendant to a certain pending legal case filed by Tribal Coalition of Mindanao, Inc, for a petition for Writ of Kalikasan with Prayer for Temporary Environmental Protection Order (TEPO) on May 25, 2011, originally filed before the Supreme Court (SC) and which is currently pending before the Court of Appeals (CA). Petitioner alleged that a member of mining companies, including PGMC, are causing environmental damage of such magnitude in Surigao del Sur and Surigao del Norte so as to cause irreparable prejudice and damage to the lives, health and properties of the Petitioners. As such, Petitioners prayed for: (i) the issuance of a TEPO and/or a Writ of Kalikasan ordering the mining companies to cease and desist from conducting all mining activities and that all ships docked in the ports not be allowed to leave



the area; (ii) a resolution be issued to the effect that the TEPO remains effective until termination of the case; and (iii) after due proceedings, a decision be rendered in favor of petitioners: (a) making the TEPO and/or Writ of Kalikasan permanent and directing all mining companies to cease and desist from conducting all mining activities and directing the management/proper authorities responsible for the ports, as well as the ships in the port, to release all loaded nickel and other minerals and equipment of mining companies in favor of the petitioners and (b) nullifying all mining-related permits, licenses or agreements issued by government agencies.

The SC denied petitioners' prayer for TEPO and the case was remanded to the CA in Cagayan de Oro City for reception of evidence, in a resolution dated June 28, 2011. On March 2, 2012, the CA issued a Notice of Resolution with Writ of Kalikasan requiring the respondents to file a verified return. The prayer for TEPO by petitioners was denied by the CA. Respondents of PGMC have filed its verified return as well as a Motion for Reconsideration to the CA. Said Motion for Reconsideration was denied by the CA and considered the case as submitted for resolution. As at December 31, 2015, the case is still pending before the CA.

- b. Caraga IP Management and Development Corp and alleged tribal chieftains Bago and Olorico, filed an environmental case for payment of one percent (1%) royalty fees, accounting, liquidation and receivership for violation of RA 7942 (The Philippine Mining Act of 1995) and RA 8371 (IP's Rights Act Law) before the Regional Trial Court Branch 4 docketed as Civil Case No. 6111. However, PGMC has been religiously paying the royalty fees to the IP community duly recognized and registered with the National Commission on IP. PGMC filed a Motion to Dismiss last February 3, 2014 following the decision of the CA in PGMC, etc. vs. CIPMAD, etc., et. al., docketed as CA-GR. SP No. 04842-MIN, ordering the Regional Trial Court to dismiss the case for lack of jurisdiction.

Based on management's assessment in consultation with PGMC's legal counsel, PGMC does not have present legal or constructive obligation with respect to these pending legal cases as at December 31, 2015 and 2014. There was no provision recognized in the consolidated financial statements with respect to these matters as at December 31, 2015 and 2014.

- c. There were some reclassifications made in 2014 balances to conform with 2015 presentation.

36. Events after the End of the Reporting Period

During the first quarter of 2016, PGMC has secured commitments from various customers for the delivery of a total of 4.5 million WMT of nickel ore for a period of one (1) year at spot prices. The orders represent almost ninety percent (90%) of the Group's target production for 2016.

On February 9, 2016, PGMC has received the certification from BOI granting the renewal of the VAT zero-rated status. The certification is valid from February 9 up to December 31, 2016 unless sooner revoked by the BOI Governing Board.

On April 4, 2016, PGMC received the Certificate of ITH Entitlement for taxable year 2015 and ITH entitlement period is November 16, 2014 to November 15, 2015 bonus year.



37. Supplemental Disclosure to Consolidated Statements of Cash Flows

Noncash financing and investing activities as at December 31, 2015 pertain to the following:

- a. Increase in property and equipment amounting to ₱208.1 million due to the return of equipment as a result of the amended finance lease agreement with FVC.
- b. Net decrease in trade and other payables as a result of:
 - Offset of finance lease receivable with the Group's payable to contractors amounting to ₱90.8 million.
 - Application of advances from customers to outstanding receivables amounting to ₱27.1 million (see Note 33).
 - On account purchases of property and equipment amounting to ₱12.8 million.
 - Accrual of interest in relation to retirement obligation amounting to ₱1.5 million (see Note 17).
- c. Increase in deposits for future acquisition due to various Deed of Assignments wherein PGMC assigned all the rights, title, and interest for the cash advances made by PGMC to SPNVI, amounting to ₱1,628.1 million, to GFHI.

Noncash financing and investing activities as at December 31, 2014 pertain to the increase in property and equipment amounting to ₱5.9 million due to purchases on account.

Noncash financing and investing activities as of June 30, 2014 pertain to the following:

- a. Decrease in property and equipment amounting to ₱942.3 million due to the finance lease agreement entered into by the Group with FVC.
- b. Increase in property and equipment amounting to ₱61.2 million due to the finance lease agreement entered into by the Group with SBML and CFSPI.

38. Operating Segment Information

The Group's operating business are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has revenue information from external customers as follows:

Country of Domicile	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
China	₱6,533,218	₱8,218,683	₱5,667,768
Australia	—	828,793	—
	₱6,533,218	₱9,047,476	₱5,667,768

The mining segment is engaged in the mining and exploration of nickel saprolite and limonite ore and limestone.

The services segment is engaged in the chartering out of land craft tanks to PGMC.



Financial information on the operation of the various business segments for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014 are as follows:

	December 31, 2015				
	Mining	Service	Others	Elimination	Total
External customers	₱6,533,218	₱–	₱–	₱–	₱6,533,218
Intersegment revenues	–	89,594	–	(89,594)	–
Total revenues	6,533,218	89,594	–	(89,594)	6,533,218
Cost of sales	3,493,488	81,108	–	–	3,574,596
Excise taxes and royalties	906,351	–	–	–	906,351
Shipping and distributions	256,065	–	–	(89,594)	166,471
Segment operating earnings	1,877,314	8,486	–	–	1,885,800
General and administrative	462,832	9,884	157,072	–	629,788
Finance income	9,408	6	17	–	9,431
Finance costs	(88,888)	–	(3)	–	(88,891)
Other charges - net	(115,500)	–	–	–	(115,500)
Provision for (benefit from) income tax	(53,205)	2,507	–	–	(50,698)
Net income attributable to equity holders of GFHI	₱1,272,707	(₱3,899)	(₱157,058)	₱–	₱1,111,750
Segment assets	₱9,271,572	₱347,125	₱11,461,116	(₱12,102,128)	₱8,977,685
Deferred income tax assets	107,328	–	–	–	107,328
Total assets	₱9,378,900	₱347,125	₱11,461,116	(₱12,102,128)	₱9,085,013
Segment liabilities	₱2,784,787	₱5,200	₱3,657,390	(₱3,909,781)	₱2,537,596
Deferred income tax liabilities	9,543	–	–	–	9,543
Total liabilities	₱2,794,330	₱5,200	₱3,657,390	(₱3,909,781)	₱2,547,139
Capital expenditures	₱252	₱–	₱–	₱–	₱252
Depreciation, depletion and amortization	₱548,631	₱45,852	₱–	₱–	₱594,483

	December 31, 2014				
	Mining	Service	Others	Elimination	Total
External customers	₱9,033,646	₱–	₱–	₱–	₱9,033,646
Intersegment revenues	–	49,930	–	(49,930)	–
Total revenues	9,033,646	49,930	–	(49,930)	9,033,646
Cost of sales	2,532,403	20,329	–	–	2,552,732
Excise taxes and royalties	1,256,821	–	–	–	1,256,821
Shipping and distribution	113,583	–	–	(49,930)	63,653
Segment operating earnings	5,130,839	29,601	–	–	5,160,440
General and administrative	234,966	111	1,878	–	236,955
Finance income	3,462	(2)	–	–	3,460
Finance costs	(73,211)	–	–	–	(73,211)
Other income (charges)	(77,307)	–	1	–	(77,306)
Provision for (benefit from) income tax	(40,646)	7,393	–	–	(33,253)
Net income attributable to equity holders of GFHI	₱4,789,463	₱22,095	(₱1,877)	₱–	₱4,809,681
Segment assets	₱7,943,094	₱353,048	₱–	(₱684,534)	₱7,611,608
Deferred income tax assets	57,889	–	–	–	57,889
Total assets	₱8,000,983	₱353,048	₱–	(₱684,534)	₱7,669,497



December 31, 2014					
	Mining	Service	Others	Elimination	Total
Segment liabilities	₱2,251,894	₱7,223	₱—	(₱30,276)	₱2,228,841
Deferred income tax liabilities	14,626	—	—	—	14,626
Total liabilities	₱2,266,520	₱7,223	₱—	(₱30,276)	₱2,243,467
Capital expenditures	₱78,656	₱17,768	₱—	₱—	₱96,424
Depreciation, depletion and amortization	₱84,380	₱8,303	₱—	₱—	₱92,683

June 30, 2014				
	Mining	Service	Elimination	Total
External customers	₱5,659,105	₱—	₱—	₱5,659,105
Intersegment revenues	—	29,854	(29,854)	—
Total revenues	5,659,105	29,854	(29,854)	5,659,105
Cost of sales	2,486,561	24,436	—	2,510,997
Excise taxes and royalties	794,676	—	—	794,676
Shipping and distribution	231,790	—	(29,854)	201,936
Segment operating earnings	2,146,078	5,418	—	2,151,496
General and administrative	417,150	12,738	—	429,888
Finance income	7,943	—	—	7,943
Finance costs	(201,749)	—	—	(201,749)
Other income - net	208,844	—	—	208,844
Provision for (benefit from) income tax	69,336	(466)	—	68,870
Net income attributable to equity holders of GFHI	₱1,674,630	(₱6,854)	₱—	₱1,667,776
Segment assets	₱11,505,913	₱359,152	(₱713,463)	₱11,151,602
Deferred income tax assets	35,779	—	—	35,779
Total assets	₱11,541,692	₱359,152	(₱713,463)	₱11,187,381
Segment liabilities	₱9,492,666	₱35,457	(₱59,205)	₱9,468,918
Deferred income tax liabilities	34,359	—	—	34,359
Total liabilities	₱9,527,025	₱35,457	(₱59,205)	₱9,503,277
Capital expenditures	₱610,915	₱326,084	₱—	₱936,999
Depreciation, depletion and amortization	₱210,662	₱6,230	₱—	₱216,892



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2015

SUPPLEMENTARY SCHEDULES

- I. Reconciliation of retained earnings available for dividend declaration
- II. Tabular schedule of effective standards and interpretations under the PFRS
- III. Supplementary schedules under Annex 68-E
- IV. Map of the relationships of the companies within the group
- V. Schedule showing financial soundness indicators



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Global Ferronickel Holdings, Inc. and Subsidiaries
7th Floor, Corporate Business Centre
151 Paseo de Roxas corner Arnaiz Street
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Global Ferronickel Holdings Inc. and Subsidiaries as at December 31, 2015 and December 31, 2014 and for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, and have issued our report thereon dated April 8, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Parent Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until April 30, 2016
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 5321628, January 4, 2016, Makati City

April 8, 2016



SCHEDULE I
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
PURSUANT TO SRC RULE 68, AS AMENDED AND
SEC MEMORANDUM CIRCULAR NO. 11
FOR THE YEAR ENDED DECEMBER 31, 2015
(Amounts in Thousands)

Unappropriated Retained Earnings, beginning		₱4,611,935
Unrealized foreign exchange loss - net except attributable to cash		85,528
Recognized deferred tax assets		(57,889)
Unappropriated Retained Earnings, as adjusted, beginning		4,639,574
Add: Net income during the period closed to retained earnings	1,369,149	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	—	
Unrealized actuarial gain	—	
Fair value adjustment (FVPL)	—	
Fair value adjustment of investment property resulting to gain	—	
Adjustment due to deviation from PFRS/GAAP - gain	—	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—	
Benefit from income tax - deferred recognized directly to statement of income	47,933	
Subtotal	47,933	
Add: Non-actual losses		
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	108,436	
Depreciation on revaluation increment (after tax)	—	
Adjustment due to deviation from PFRS/GAAP - loss	—	
Loss on fair value adjustment of investment property (after tax)	—	
Stock option expense for the period	—	
Unrealized actuarial loss	—	
Subtotal	108,436	
<u>Net Income Actual/Realized</u>		<u>1,429,652</u>
Add (Less):		
Dividend declarations during the period	—	
Appropriations of retained earnings	—	
Reversals of appropriations	—	
Effects of prior period adjustments	—	
Treasury shares	—	—
Unappropriated Retained Earnings, as adjusted, ending		₱6,069,226



SCHEDULE II
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
TABULAR SCHEDULE OF EFFECTIVE STANDARDS
AND INTERPRETATIONS UNDER THE PFRS
PURSUANT TO SRC RULE 68, AS AMENDED
AS AT DECEMBER 31, 2015

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2015:

PFRS		Adopted	Not adopted	Not applicable
Framework for the Preparation and Presentation of Financial Statements				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓



PFRS		Adopted	Not adopted	Not applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 10, PFRS 12 and PAS 27	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
PAS 1 (Revised)	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		



PFRS		Adopted	Not adopted	Not applicable
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓



PFRS		Adopted	Not adopted	Not applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
PAS 39	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		



PFRS		Adopted	Not adopted	Not applicable
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
IFRIC 9	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓



PFRS		Adopted	Not adopted	Not applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

The Group has not early adopted any PFRSs, PAS and Philippine Interpretations effective January 1, 2015 onwards.



SCHEDULE III
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
AS AT DECEMBER 31, 2015
(Amounts in Thousands; Except Number of Shares)

Schedule A. Financial Assets

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Quotations at the End of Reporting Period	Income Received and Accrued
Cash on hand and with banks	N/A	₱502,876	₱502,876	₱1,201
Trade Advances to:	N/A	704,056	704,056	—
Contractors	N/A	2,203	2,203	—
Officers, employees and others	N/A	11,870	11,870	—
Trade and other receivables		718,129	718,129	
Advances to related parties	N/A	1,639,231	1,639,231	—
Oriental Peninsula Resources Group, Inc.	4, 216,100 shares	5,903	5,903	—
AFS financial assets		5,903	5,903	
Restricted cash	N/A	114,583	114,583	—
Mine rehabilitation fund	N/A	62,117	62,117	—
Other noncurrent assets		176,700	176,700	
Total		₱3,042,839	₱3,042,839	₱1,201

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off/ reclassified	Current	Not current	Balance at end of period
Various stockholders	₱872,871	₱—	₱130,426	₱—	₱742,445	₱—	₱742,445
GHGC Metallic Resources Inc.	6,054	—	—	—	6,054	—	6,054
Southeast Palawan Nickel Ventures Inc.	888,933	—	—	796,232	92,701	—	92,701
Ferrochrome Resources Inc.	—	1,799			1,799		1,799
	₱1,767,858	₱1,799	₱130,426	₱796,232	₱842,999	₱—	₱842,999



Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Amount eliminated
PGMC-CNEP Shipping Services, Corp.	₱29,758	₱34,565	₱—	₱—	₱64,323	₱—	₱64,323
Surigao Integrated Resources Inc.	518	7,948	—	—	8,466	—	8,466
	₱30,276	₱42,513	₱—	₱—	₱72,789	₱—	₱72,789

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Mining rights	₱396,500	₱—	₱94,895	₱—	₱—	₱301,605

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown as Current	Amount shown as Noncurrent
Taiwan Cooperative Bank	₱—	₱941,200	₱—
Banco de Oro	—	45,767	7,234
Unionbank of the Philippines	—	215	—
EastWest Bank	—	168	—
	₱—	₱987,350	₱7,234

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Beginning balance	Ending balance
	Not Applicable	

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by a person for which statement is filed	Nature of guarantee
		Not Applicable		

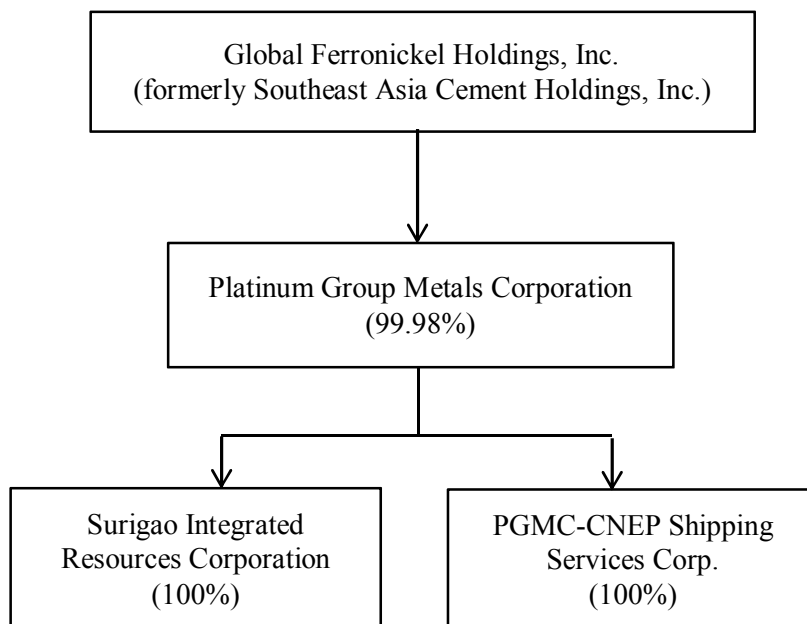


Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for options, warrants, conversion and other rights	No of shares held by		
				Affiliates	Directors and Officers	Others
Common shares	35,871,428,572	17,467,014,310	–	12,058,574,192	138,666,704	5,269,773,414



SCHEDULE IV
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES
WITHIN THE GROUP
PURSUANT TO SRC RULE 68, AS AMENDED
AS AT DECEMBER 31, 2015



SCHEDULE V
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS
PURSUANT TO SRC RULE 68, AS AMENDED
FOR THE YEAR ENDED DECEMBER 31, 2015

	Twelve Months Ended December 31, 2015	Six Months Ended December 31, 2014	Twelve Months Ended June 30, 2014
Profitability ratios:			
Return on assets	12%	63%	15%
Return on equity	17%	89%	25%
Net profit margin	17%	53%	29%
Solvency and liquidity ratios:			
Current ratio	151.1:1	153.2:1	0.7:1
Debt to equity ratio	0.4:1	0.4:1	5.7:1
Quick ratio	1.2:1	1.3:1	0.7:1
Asset to equity ratio	1.4:1	1.4:1	6.7:1

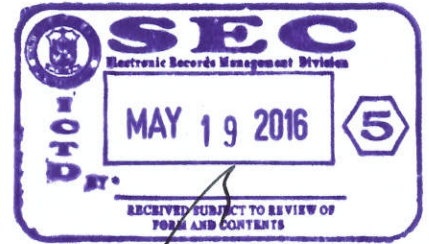


SECURITIES AND EXCHANGE COMMISSION

AMENDED SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended - **MARCH 31, 2016**
2. Commission Identification Number - **ASO94-003992**
3. BIR Tax Identification Number - **003-871-592**



4. Exact name of issuer as specified in its charter
GLOBAL FERRONICKEL HOLDINGS, INC.
5. Province, country or other jurisdiction of incorporation or organization
Metro Manila, Philippines

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code
7th Floor Corporate Business Center, 151 Paseo de Roxas cor. Amaiz St., Makati City 1228

8. Issuer's telephone number, including area code
(632)-519 7888

9. Former name, former address and former fiscal year, if changed since last report
N/A

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Common Shares	17,467,014,310
Amount of Debt Outstanding	N/A

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

Yes ☒ 7,003,913,681 Common Shares No ☐

12. Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ☒ No ☐

13. Has been subject to such filing requirements for the past ninety (90) days.

Yes ☒ No ☐

<u>Table of Contents</u>	<u>Page Number</u>
PART I – FINANCIAL INFORMATION	
Item 1. Consolidated Financial Statements	1 – 2
1.a. Summary Consolidated Statements of Financial Position as at March 31, 2016 and December 31, 2015	
1.b. Summary Consolidated Statements of Comprehensive Income for the Quarter Ended March 31, 2016 and 2015	
1.c. Summary Consolidated Statements of Changes in Equity for the Period Ended March 31, 2016 and December 31, 2015	
1.d. Summary Consolidated Statements of Cash Flows for the Quarter Ended March 31, 2016 and 2015	
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	2 – 10
PART II – FINANCIAL SOUNDNESS INDICATORS	11
SIGNATURES	
INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS	

PART I--FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

The Unaudited Interim Consolidated Financial Statements as at March 31, 2016 and for the three-month period ended March 31, 2016 and 2015 (with Comparative Audited Consolidated Statement of Financial Position as at December 31, 2015) are hereto attached.

The following tables set forth the summary financial information for the three-month period ended March 31, 2016 and 2015 and as at March 31, 2016 and December 31, 2015:

1.a. Summary Consolidated Statements of Financial Position

	March 31, 2016 (In Thousand Pesos)	December 31, 2015	Increase/ (Decrease)
ASSETS			
Current Assets	3,358,614	3,670,086	(311,472)
Noncurrent Assets	5,394,184	5,414,927	(20,743)
TOTAL ASSETS	8,752,798	9,085,013	(332,215)
LIABILITIES AND EQUITY			
Current Liabilities	2,293,491	2,440,566	(147,075)
Noncurrent Liabilities	106,573	106,573	-
Total Liabilities	2,400,064	2,547,139	(147,075)
Equity			
Attributable to the equity holders of the Parent Company	6,352,734	6,537,874	(185,140)
Non-controlling interest (NCI)	-	-	-
Total Equity	6,352,734	6,537,874	(185,140)
TOTAL LIABILITIES AND EQUITY	8,752,798	9,085,013	(332,215)

1.b. Summary Consolidated Statements of Comprehensive Income

	For the Three-Month Ended March 31 (Unaudited)	
	2016	2015
	(In Thousand Pesos)	
REVENUES	38,028	-
COST AND EXPENSES	(209,690)	(204,833)
OTHER CHARGES - net	(11,784)	(24,957)
LOSS BEFORE INCOME TAX	(183,446)	(229,790)
PROVISION FOR INCOME TAX	571	(14,433)
NET INCOME	(184,017)	(215,357)
OTHER COMPREHENSIVE LOSS	(1,123)	(920)
TOTAL COMPREHENSIVE LOSS	(185,140)	(216,277)
Basic and Diluted Loss Per Share	(0.010535)	(0.030879)

1.c. Summary Consolidated Statements of Changes in Equity

	For the Period Ended	
	March 31 2016	March 31 2015
	<i>(In Thousand Pesos)</i>	
Capital Stock		
Common Stock	6,113,455	6,113,455
Gain on Remeasurement of Retirement Obligation	2,277	1,675
Valuation Loss on Available-for-sale Financial Assets	(422)	506
Cumulative Translation Adjustment	(701)	-
Retained Earnings:		
Balance, Beginning	422,160	(696,966)
Loss for the Period	(184,017)	(216,277)
Balance, End	238,143	(913,243)
Treasury Stock - at cost	(18)	(18)
Non-controlling interest (NCI)	-	7,378
Total	6,352,734	5,209,753

1.d. Summary Consolidated Statements of Cash Flows

	For the Three-Month Ended March 31	
	2016	2015
	<i>(In Thousand Pesos)</i>	
NET CASH FLOWS FROM (USED IN):		
Operating activities	172,640	(765,896)
Investing activities	(494,753)	(83,798)
Financing activities	(10,681)	324,833
NET DECREASE IN CASH	(332,794)	(524,861)
CASH AT BEGINNING OF PERIOD	502,876	691,869
CASH AT END OF PERIOD	170,082	167,008

Basis of Preparation of Interim Consolidated Financial Statements

The consolidated statements of financial position of Global Ferronickel Holdings, Inc. and Subsidiaries (the Group) as at March 31, 2016 and December 31, 2015, and the related consolidated statements of comprehensive income, cash flows and changes in equity for the periods ended March 31, 2016 and 2015 were prepared in accordance with generally accepted accounting principles in the Philippines. All significant inter-company balances and transactions have been eliminated in the consolidated financial statements.

The accounting principles followed in the preparation of the Group's most recent annual consolidated financial statements were similarly applied in the preparation of the interim consolidated financial statements. There were no significant changes in the Group's accounting policies, practices and methods of estimates from the Group's last annual consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Statement of Financial Condition

As at March 31, 2016, total assets of the Group stood at ₱8,752.8 million, a decline of ₱332.2 million or 4%, from ₱9,085.0 million as at December 31, 2015. The decline was due primarily to the decrease in current assets by ₱311.5 million from ₱3,670.1 million to ₱3,358.6 million, because of the decrease in trade and other receivables by ₱444.3 million, from ₱700.8 million to ₱256.5 million as a result of payment proceeds from letters of credit (LC) by nickel ore buyers' LC issuing banks. However, advances to related parties increased by ₱477.6 million from ₱1,639.2 million to ₱2,116.8 million.

Total liabilities of the Group stood at ₱2,400.1 million as at March 31, 2016, a drop of ₱147.1 million or 6%, from ₱2,547.1 million as at December 31, 2015. The decrease was due to the decrease in current liabilities to ₱2,293.5 million from ₱2,440.6 million as result of net payment of the maturing loan and settlement of obligations with the suppliers/contractors.

Results of Operations

The Group's Platinum Group Metals Corporation (PGMC) Surigao mine is only in production/shipment during the drier months of the year between April to October of each year, and hence the net loss of ₱184.0 million for the three months period ending March 31, 2016 represents the cost of the one shipment in January and the recurring general and administrative expenses of the Group.

The Group's first quarter 2016 revenues came from one nickel ore shipment over spilled from last year's shipments due to bad weather condition consequently slowing down the loading of nickel ore.

During the first quarter of 2016, PGMC has secured commitments from various customers for the delivery of a total of 4.5 million wet metric ton (WMT) of nickel ore for a period of one (1) year at spot prices. The orders represent almost ninety percent (90%) of the Group's target production for 2016.

Material Off-balance Sheet Transactions

The Group is not aware of any material off-balance sheet transaction, arrangement, obligation (including contingent obligation), and other relationship of the Group with unconsolidated entities or other persons created during the reported period other than those discussed in this report and in disclosures under Form 17-C.

Material Commitments for Capital Expenditures

The Group does not have any outstanding commitment for capital expenditures as at March 31, 2016.

Key Performance Indicators

The Group considers the following as the significant Key Performance Indicators as at March 31 and December 31:

<u>Indicators</u>	<u>Formula</u>	<u>2016</u>	<u>2015</u>
Earnings Per Share	Profit for the Period/Weighted Average Number of Shares Outstanding	(0.01)	0.06
Debt-to-Equity Ratio	Total Liabilities/Total Equity	0.38:1	0.39:1
Asset-to-Equity Ratio	Total Assets/Total Equity	1.38:1	1.39:1
Current Ratio	Current Assets/Current Liabilities	1.46:1	1.50:1

PART II--OTHER INFORMATION

No disclosures were made other than those under Form 17-C.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **GLOBAL FERRONICKEL HOLDINGS, INC.**

Signature and Title: 
ATTY. DANTE R. BRAVO
President

Date: 5-17-2016

Signature and Title: 
MARY BELLE D. BITUIN
Chief Finance Officer

Date: 5-17-2016

Annex A

Aging of Receivables*

As of March 31, 2016
(In Thousand Pesos)

	Days Outstanding						Remarks
	1-90	91-180	181-270	271-360	Over 360	Total	
Trade:							
MINECORE RESOURCES INC.				114,049		114,049	
QUEENSLAND NICKEL PTY LTD.				37,566		37,566	
SECO (Hongkong) Co., Ltd					26,919	26,919	On dispute due to ore assay discrepancy, 2012 shipments
EVERLITE INTERNATIONAL					2,028	2,028	Due to related transaction on smelter works in 2010
Current Buyers	44,587					44,587	
Advances to Contractor:							
JL Earthmoving	44,140					44,140	
Advances to Officers and Employees	4,538					4,538	
Total	93,265	-	-	151,615	28,947	273,827	
Less: Allowance for Doubtful Accounts						(17,359)	
NET RECEIVABLES						256,468	

*PGMC Related Transactions



Global Ferronickel Holdings, Inc.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Southeast Asia Cement Holdings, Inc.)
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	March 31, 2016	December 31, 2015	Increase/ (Decrease)
ASSETS			
Current Assets			
Cash (Note 4)	₱170,082	₱502,876	(332,794)
Trade and other receivables (Note 5)	256,468	700,770	(444,302)
Current portion of finance lease receivable (Note 18)	178,575	167,949	10,626
Advances to related parties (Note 29)	2,116,802	1,639,231	477,571
Inventories - at cost (Note 6)	616,399	643,783	(27,384)
Prepayments and other current assets (Note 7)	20,288	15,477	4,811
Total Current Assets	3,358,614	3,670,086	(311,472)
Noncurrent Assets			
Property and equipment (Note 8)	2,013,743	2,048,979	(35,236)
Deposits for future acquisition (Note 29)	1,628,192	1,651,247	(23,055)
Finance lease receivable - net of current portion (Note 18)	319,593	319,593	-
Mining rights (Note 9)	301,605	301,605	-
Investment property (Note 10)	319,865	319,865	-
Mine exploration costs (Note 11)	169,691	140,790	28,901
Deferred income tax assets - net	97,785	97,785	-
Available-for-sale (AFS) finance assets (Note 12)	5,481	5,903	(422)
Other Noncurrent Assets (Note 13)	538,229	529,160	9,069
Total Noncurrent Assets	5,394,184	5,414,927	(20,743)
TOTAL ASSETS	₱8,752,798	₱9,085,013	(332,215)
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables (Note 14)	₱645,070	₱792,661	(147,591)
Current portion of bank loans (Note 15)	945,734	987,350	(41,616)
Amounts owed to related parties (Note 29)	665,772	624,211	41,561
Current portion of finance lease liabilities (Note 18)	14,994	14,994	-
Dividends payable	20,287	20,287	-
Income tax payable	1,634	1,063	571
Total Current Liabilities	2,293,491	2,440,566	(147,075)
Noncurrent Liabilities			
Bank loans - net of current portion (Note 15)	7,234	7,234	-
Provision for mine rehab. & decommissioning (Note 16)	58,259	58,259	-
Retirement obligation (Note 17)	39,985	39,985	-
Other noncurrent liabilities	1,095	1,095	-
Total Noncurrent Liabilities	106,573	106,573	-
Total Liabilities	2,400,064	2,547,139	(147,075)
Equity			
Capital stock (Note 19)	6,113,455	6,113,455	-
Valuation loss on AFS financial assets (Note 12)	(422)	-	(422)
Gain on remeasurement of retirement obligation	2,277	2,277	-
Cumulative translation adjustment	(701)	-	(701)
Retained earnings (Note 19)	238,143	422,160	(184,017)
Treasury stock (Note 19)	(18)	(18)	-
Equity attributable to the equity holders of the Parent Co.	6,352,734	6,537,874	(185,140)
Non-controlling interest (NCI)	-	-	-
Total Equity	6,352,734	6,537,874	(185,140)
TOTAL LIABILITIES AND EQUITY	₱8,752,798	₱9,085,013	(332,215)

See accompanying Notes to Unaudited Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Southeast Asia Cement Holdings, Inc.)
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Three Months Ended March 31		To Date	
	2016	2015	2016	2015
SALE OF ORE	₱38,028	₱—	₱—	₱—
COST OF SALES (Note 21)	35,936	—	—	—
GROSS PROFIT	2,092	—	—	—
OPERATING EXPENSES				
Excise taxes and royalties (Note 22)	4,910	350	—	—
General and administrative (Note 23)	168,514	204,286	—	—
Shipping and distribution (Note 24)	330	197	—	—
TOTAL OPERATING EXPENSES	173,754	204,833	—	—
FINANCE INCOME	253	245	—	—
FINANCE COSTS (Note 27)	(12,505)	(25,635)	—	—
OTHER INCOME - net (Note 28)	468	433	—	—
INCOME BEFORE INCOME TAX	(183,446)	(229,790)	—	—
PROVISION FOR (BENEFIT FROM)				
INCOME TAX (Note 30)				
Current	571	—	—	—
Deferred	—	(14,433)	—	—
	571	(14,433)	—	—
NET LOSS	(184,017)	(215,357)	—	—
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>				
Valuation loss on AFS financial assets (Note 12)	(422)	(920)	—	—
Cumulative translation adjustment	(701)	—	—	—
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement gain on retirement obligation	—	—	—	—
	(1,123)	(920)	—	—
TOTAL COMPREHENSIVE INCOME	(₱185,140)	(₱216,277)	₱—	₱—
Basic/Diluted Loss Per Share (Note 20)				
Attributable to Equity Holders of the Parent Company	(₱0.010535)	(₱0.030879)	₱—	₱—

See accompanying Notes to Unaudited Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Southeast Asia Cement Holdings, Inc.)
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2016
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company						NCI				
	Capital Stock (Note 19)	Treasury Stock (Note 19)	Valuation Loss on AFS Financial Assets (Note 12)	Gain on Remeasure- ment of Retirement Obligation	Retained Earnings (Note 19)	Total	Capital Stock (Note 19)	Retained Earnings (Note 19)	Gain on Remeasure- ment of Retirement Obligation	Total	Total Equity
Balances at December 31, 2014	₱6,113,455	(₱18)	₱506	₱1,675	(₱696,966)	₱5,418,652	₱191	₱7,185	₱2	₱7,378	₱5,426,030
Net loss for the period	-	-	-	-	(216,277)	(216,277)	-	-	-	-	(216,277)
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(216,277)	(216,277)	-	-	-	-	(216,277)
Balances at March 31, 2015	₱6,113,455	(₱18)	₱506	₱1,675	(₱913,243)	₱5,202,375	₱191	₱7,185	₱2	₱7,378	₱5,209,753

	Equity Attributable to Equity Holders of the Parent Company								
	Capital Stock (Note 19)	Treasury Stock (Note 19)	Valuation Loss on AFS Financial Assets (Note 12)	Gain on Remeasurement of Retirement Obligation	Cumulative Translation Adjustment	Retained Earnings (Note 19)	Total	NCI	Total Equity
Balances at December 31, 2015	₱6,113,455	(₱18)	₱-	₱2,277	₱-	₱422,160	₱6,537,874	₱-	₱6,537,874
Net loss for the period	-	-	-	-	-	(184,017)	(184,017)	-	(184,017)
Other comprehensive loss									
- net of tax	-	-	(422)	-	(701)	-	(1,123)	-	(1,123)
Total comprehensive income (loss)	-	-	(422)	-	(701)	(184,017)	(185,140)	-	(185,140)
Balances at March 31, 2016	₱6,113,455	(₱18)	(₱422)	₱2,277	(₱701)	₱238,143	₱6,352,734	₱-	₱6,352,734

See accompanying Notes to Unaudited Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Southeast Asia Cement Holdings, Inc.)
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED MARCH 31, 2016 AND 2015
(Amounts in Thousands)

	March 31 2016	March 31 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(P184,017)	(P215,357)
Adjustments for:		
Depreciation and depletion	36,802	39,643
Interest expense and other charges	12,505	22,162
Amortization of discount on bank loans	—	870
Loss on modification of finance lease	—	—
Interest income	(253)	(245)
Retirement benefits costs	—	1,576
Accretion interest on provision for mine rehabilitation & decommissioning	—	274
Levelization of rental expense	—	199
Operating income before changes in working capital	(134,963)	(150,878)
Decrease (increase) in:		
Trade and other receivables	444,302	84,234
Inventories - at cost	27,384	(4,275)
Prepayments and other current assets	(4,811)	(75,455)
Increase (decrease) in:		
Trade and other payables	(147,591)	(596,258)
Income tax payable	571	—
Net cash generated from operations	184,892	(742,632)
Interest and other charges paid	(12,505)	(19,761)
Income taxes paid	—	(3,748)
Interest received	253	245
Net cash flows from operating activities	172,640	(765,896)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment, net of disposals	(1,566)	(39,881)
Mine exploration costs	(28,901)	—
Decrease (increase) in:		
Advances to related parties	(477,571)	(57,366)
Other noncurrent assets	(9,069)	24,602
Deferred income tax assets - net	—	(11,153)
Deposits for future acquisition	22,354	—
Net cash flows used in investing activities	(494,753)	(83,798)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of bank loans	(41,616)	—
Proceeds from:		
Availment of bank loans	—	261,520
Increase (decrease) in:		
Finance lease receivable	(10,626)	—
Finance lease liabilities	—	(2,168)
Advances from customers	—	25
Amounts owed to related parties	41,561	65,456
Net cash flows from (used in) financing activities	(10,681)	324,833
NET INCREASE (DECREASE) IN CASH	(332,794)	(524,861)
CASH AT BEGINNING OF PERIOD	502,876	691,869
CASH AT END OF PERIOD	P170,082	P167,008

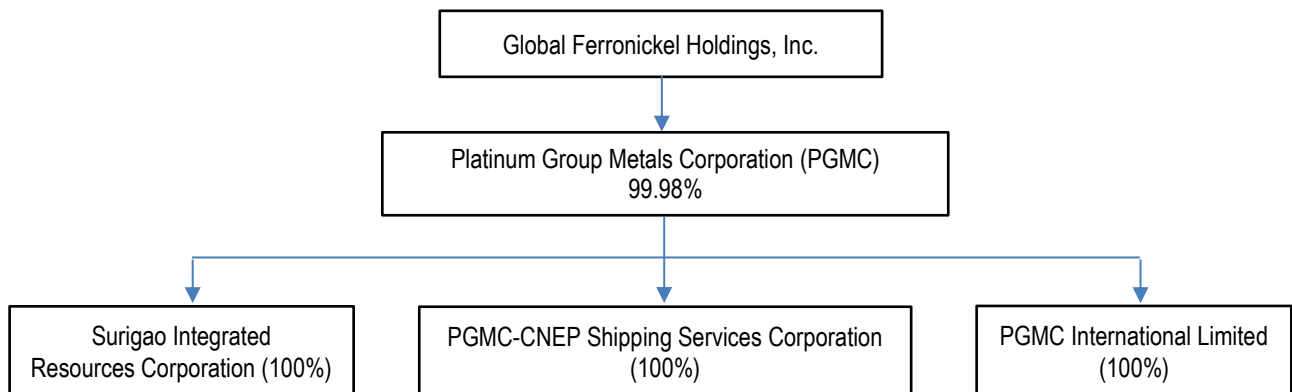
See accompanying Notes to Unaudited Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Southeast Asia Cement Holdings, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

The Parent Company, Global Ferronickel Holdings, Inc. (formerly Southeast Asia Cement Holdings, Inc) is a corporation listed in the Philippine Stock Exchange (PSE). It was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 3, 1994. The principal activities of the Parent Company 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, and other securities or obligations of any corporation.

The following is the map of relationships of the Companies within the Group:



The Parent Company's principal stockholders as at March 31, 2016 are as follows:

List of Top 20 Stockholders

Name	Citizenship	Holdings	Percentage
PCD NOMINEE CORP. – FILIPINO	Filipino	5,023,808,480	28.76%
HUATAI INVESTMENT PTY. LTD	Australian	2,923,430,140	16.74%
SOHOTON SYNERGY, INC.	Filipino	1,983,111,939	11.35%
REGULUS BEST NICKEL HOLDINGS INC.	Filipino	1,569,464,006	8.99%
PCD NOMINEE CORP.- NON-FILIPINO	Foreign	1,939,087,662	11.10%
BLUE EAGLE ELITE VENTURE INC.	Filipino	1,046,309,337	05.99%
ULTIMATE HORIZON CAPITAL, INC.	Filipino	1,046,309,337	05.99%
BELLATRIX STAR, INC.	Filipino	563,856,102	03.23%
ALPHA CENTAURI FORTUNE GROUP INC.	Filipino	563,856,102	03.23%
ANTARES NICKEL CAPITAL, INC.	Filipino	274,028,415	01.57%
RED LION FORTUNE GROUP INC.	Filipino	172,766,598	00.99%
WEI TING	Chinese	148,785,188	00.85%
GREAT SOUTH GROUP VENTURES INC.	Filipino	97,934,554	00.56%
DANTE R. BRAVO	Filipino	41,852,374	00.24%
SENG GAY CHAN	Singaporean	31,389,280	00.18%
ORION-SQUIRE CAPITAL, INC. A/C-0459	Filipino	6,461,622	00.04%
SQUIRE SECURITIES, INC	Filipino	2,454,733	00.01%
GEORGE L. GO	Filipino	1,534,593	00.01%
KUOK PHILIPPINES PROPERTIES INC.	Filipino	1,313,076	00.01%
GABRIEL TONG	Filipino	1,189,200	00.01%

Total Top 20 Shareholders: 17,438,942,738 99.84%
Total Outstanding Shares 17,467,014,310

The SUBSIDIARIES

PLATINUM GROUP METALS CORPORATION (PGMC)

PGMC was registered with the SEC on February 10, 1983. PGMC's primary purpose is "to prospect, explore, locate, acquire, hold, work, develop, lease, operate and exploit mineral lands for chromite, copper, manganese, magnesite, silver, gold, and other precious and non-precious minerals; to acquire and dispose of mining claims and rights, and to conduct and carry on the business of preparing, milling, concentrating, smelting, treating or preparing for market; and to market, sell, exchange or otherwise deal in chromite, copper, manganese, magnesite, silver, gold and other mineral products". Pursuant to this purpose, PGMC acquired control and currently operates the mining tenement containing nickel ore located in Surigao del Norte. The registered office address of PGMC is 7th Floor Corporate Business Center, 151 Paseo de Roxas, cor. Arnaiz St., Makati City.

Registration with the Board of Investments (BOI)

On November 16, 2007, PGMC was registered with the BOI as a new producer of beneficiated nickel ore on a non-pioneer status on its Surigao registered nickel project.

PGMC has been certified by BOI as a qualified enterprise for the purpose of value-added tax (VAT) zero-rating of its transactions pursuant to the terms and conditions set forth by the BOI. On February 17, 2015, PGMC received the renewed certification of BOI for the VAT zero-rated status.

On July 23, 2014, PGMC received the approval for the extension of its one (1) year income tax holiday (ITH) starting November 16, 2014 to November 15, 2015.

SURIGAO INTEGRATED RESOURCES CORPORATION (SIRC)

SIRC is a 100% owned subsidiary of PGMC and was organized in July 1999 and duly registered with the SEC on July 16, 1999. Its primary purposes are to engage in the exploration and processing of minerals, petroleum and other mineral oils, to enter into financial and technical assistance agreements for the large scale exploration, development and utilization of mineral resources or otherwise engage in mining activities or enter into agreements as may be allowed by law. The registered address of the SIRC is 7th Floor Corporate Business Center, 151 Paseo de Roxas, cor. Arnaiz St., Makati City.

PGMC-CNEP Shipping Services Corp. (PSSC)

On June 4, 2013, PGMC incorporated PSSC, its wholly owned subsidiary. It was registered with the SEC, primarily to conduct and carry on the business of inter-island shipping, including chartering, hiring, leasing, or otherwise acquiring tug and barge, self-propelled barges or landing craft transport or other ships or vessels, together with equipment, appurtenances and furniture therefor; and to employ the same in the conveyance and carriage of ores, minerals, goods, wares and merchandise of every kind and description. The registered address of PSSC is 7th Floor Corporate Business Center, 151 Paseo de Roxas, cor. Arnaiz St., Makati City.

PGMC International Limited (PIL)

On July 22, 2015, PIL was incorporated under the Companies Ordinance of Hongkong, and the company is a limited company. It was established to facilitate relations with Chinese customers, to promote marketing, to collect accounts, to avail of offshore banking services such as loans, credit/discounting lines and other financing arrangements, and to do other services for PGMC.

PGMC, SIRC PSSC and PIL are hereinafter collectively referred to as PGMC Group.

Southeast Palawan Nickel Ventures, Inc. ("SPNVI")

On August 6, 2015, the members of the Board of Directors of the Corporation approved the following transactions:

1. Pursuant to the Memorandum of Agreement date November 27, 2014 executed between the Corporation and the selling stockholders of SPNVI namely: Giantlead Prestige Inc, Alpha Centauri Fortune Group Inc., Antares Nickel Capital Inc., and Huatai Investment Holding Pty., Ltd., for the sale of 500,000 common shares and 6,250,000 preferred shares of SPNVI, representing 100% of the outstanding capital of SPNVI, for the purchase price of Fifty Million US Dollars (US\$50,000,000) or its Philippine Peso equivalent, the Corporation shall execute a Contract to Sell to acquire the aforementioned shares with the understanding that the payment of the purchase price shall be made by the Corporation either after the conduct of the follow-on offering to the general public and for

which the a permit to sell has been secured from the SEC or whenever the Corporation has generated sufficient funds to pay the purchase price from its operations or the conduct of other fund raising activities.

The approval of the stockholders, representing at least 2/3 of the outstanding capital stock of the Corporation, to authorize this transaction has already been secured during the Corporation's Special Stockholders' Meeting held last February 26, 2015.

2. To allow SPNVI to complete the permitting processes of its mineral property covered by the Mineral Production Sharing Agreement ("MPSA") No. 017-93-IV granted by the Philippine Government to Celestial Mining Exploration Corporation on September 19, 1993, as amended on April 10, 2000 (the "Mineral Property"), the Corporation shall subscribe to the remaining unissued and unsubscribed shares of SPNVI consisting of Three Hundred Thousand (300,000) common shares with a par value of One Pesos (Php1.00) per share, and Three Billion Seven Hundred Fifty Million (3,750,000) preferred shares with a par value of One Centavo (Php0.01) per share, for a total subscription price of Thirty Seven Million Eight Hundred Thousand Pesos (Php37,800,000).

On the same date after the meeting, the parties through their authorized representatives signed the Contract to Sell and the Subscription Agreement concerning the purchase of shares and investment in SPNVI.

As at September 30, 2015, SPNVI owns ninety-four percent (94%) of Ipilan Nickel Corporation (INC), a company registered with the Philippine Securities and Exchange Commission (SEC) on July 22, 2005, for the primary purpose to explore, develop, mine, operate, produce, utilize, process and dispose of all the minerals and the products or by-products that may be produced, extracted, gathered, recovered, unearthed or found within the area of Sitio Ipilan, Mambalot, Municipality of Brooke's Point, Province of Palawan, consisting of 2,835 hectares and covered by Mineral Production Sharing Agreement (MPSA) No. 017-93-IV granted on August 5, 1993 by the Government of the Republic of the Philippines through the Secretary of the Department of Environment and Natural Resources.

2. Basis of Preparation, Statement of Compliance and Basis of Consolidation

Basis of Preparation

The accompanying interim consolidated financial statements have been prepared on a historical cost basis, except for quoted AFS financial assets, which are carried at fair value, presented in Philippine peso, which is the Group's presentation currency under the Philippine Financial Reporting Standards (PFRS). Based on the economic substance of the underlying circumstances relevant to the Group, the functional currencies of the Parent Company and subsidiaries is Philippine peso, except for PIL whose functional currency is Hong Kong Dollar (HKD). All values are rounded to the nearest thousand (P000), except number of shares, per share data and as indicated. Further, the unaudited consolidated financial statements do not include all the information and disclosure required in the annual consolidated financial statements, and should be read in conjunction with the audited Group's annual consolidated financial statements as at December 31, 2014.

Statement of Compliance

The accompanying consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries after eliminating significant intercompany balances and transactions. These subsidiaries, except PIL are all based in the Philippines and are duly registered with the SEC. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using uniform and consistent accounting policies.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2015, except for the following amendments and improvements to existing standards and interpretations which were effective beginning January 1, 2016. These amendments and improvements have no impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* (Amendments)

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity associate or joint venture), when applying the equity method, to retain fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

- Philippine Accounting Standards (PAS) 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)

These amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

These amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendments)

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions;
- That specific line items in the statement of profit or loss and other comprehensive income (OCI) and the statement of financial position may be disaggregated; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Annual Improvements to PFRSs (2012-2014 cycle)

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 34, *Interim Financial Reporting - Disclosure of Information "Elsewhere in the Interim Financial Report"*

This amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Standards and Interpretations Issued but not yet Effective

The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on its consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

Effective January 1, 2018

- PFRS 9, *Financial Instruments* (2014 or final version)

In July 2014, the International Accounting Standards Board (IASB) issued a final version of International Financial Reporting Standards (IFRS) 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of all financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all of previous PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classifications and measurements of the Group's financial liabilities. The Group will assess the impact of adopting this standard.

The following new standards issued by IASB has not yet been adopted by the Financial Reporting Standards Council (FRSC).

- IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019

- IFRS 16, *Leases*

On January 13, 2016, the IASB issued its new standard, IFRS 16 which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of twelve (12) months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure into residual value.

Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group will assess the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

Effective Date to be Determined

- *Philippine Interpretation IFRIC 15, Agreement for Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and FRSC have deferred the effectivity of this interpretation until the final revenue standard is issued by the IASB and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

The revised, amended and additional disclosures or accounting changes provided by the standards and interpretations will be included in the consolidated financial statements in the year of adoption, if applicable.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgment, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine peso. The Philippine peso is the currency that most faithfully represents the economic substance of the Group's underlying transactions, events and conditions. It is the currency that mainly influences labor, material and other costs of providing goods.

Classifying Financial Instruments

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

The Group classified its equity instruments as AFS financial assets and classified under noncurrent assets since management does not intend to dispose the investments within twelve (12) months from the end of the reporting period.

Distinction Between Investment Property and Owner-occupied Property

The Group determines whether a property is classified as investment property or owner-occupied property:

- Investment property comprises land which is not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Owner-occupied property is property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes.

Operating Lease Commitments - Group as Lessee

The Group has entered into leases on its mine site and facility, and administrative office locations. The Group has determined that it does not retain all the significant risks and rewards of ownership of these properties which are leased on operating leases.

Finance Lease Commitments - Group as Lessor

The Group has entered into a mining contract with its one of its contractors to undertake mining operations within the mining property of the Group, wherein the latter shall be allowed to the use of all the Group's transportation and handling equipment subject to reimbursement based on the book value and estimated useful life. In the contract, the Group will transfer all the risk and rewards incidental to the ownership of the equipment at the end of the lease term. At the inception of the lease, the present value of the minimum lease payment that the Group will receive amounts to at least substantially the fair value of the leased asset.

Finance Lease Commitments - Group as Lessee

The Group has entered into Master Finance Lease Agreement with the Caterpillar Financial Services Philippines, Inc. (CFSPI) and SBM Leasing Inc. (SBML) on its equipment. In the lease contract with CFSPI, the Group has determined that the lease transfers substantially all the risks and rewards incidental to the ownership of the contractor's equipment at the end of the lease term. At the inception of the lease, the Group has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the period the option becomes exercisable. In the lease contract with SBML, the present value of all minimum lease payment amounts to at least substantially the fair value of the leased asset at the inception of the lease.

Assessing Production Start Date

The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase.

Some of the criteria include, but are not limited to the following:

- The level of capital expenditure compared to construction or development cost estimates;
- Completion of a reasonable period of testing of the property and equipment;
- Ability to produce ore in saleable form; and
- Ability to sustain ongoing production of ore.

When a mine development project moves into the production stage, the capitalization of certain mine construction or development costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements or mineable reserve development. It is also at this point that depreciation or depletion commences.

Assessing Units-of-Production Depletion

Estimated recoverable reserves are used in determining the depletion of mine assets. This results in a depletion charge proportional to the depletion of the anticipated remaining mine life. Each item's life, which is assessed annually, has regard to both physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates of future capital expenditure. The Group uses the tons of ore produced as the basis for depletion. Any change in estimates is accounted for prospectively.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

Estimating Allowance for Impairment Losses on Trade and Other Receivables and Advances to Related Parties

The provision for impairment losses on trade and other receivables and advances to related parties is based on the Group's assessment of the collectability of payments from customers, contractors, related parties and others. This assessment requires judgment regarding the outcome of disputes and the ability of each of the debtors to pay the amounts owed to the Group. The Group assesses individually the receivable based on factors that affect the collectability of the receivables, such as the length of the relationship of the Group with the debtor, the historical payment behavior, a review of the age and status of its receivable, the probability of insolvency of the counterparty, as well as its significant financial difficulties.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Group's assessment of the accounts since their inception. The Group's assessments take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows. The Group used specific impairment on its loans and receivables. The Group did not assess its loans and receivables for collective impairment due to the few counterparties which can be specifically identified.

Estimating Allowance for Inventory Losses

The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of their original acquisition costs.

Estimating Mineral Reserves and Resources

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may affect the carrying value of mine exploration costs, property and equipment, provision for mine rehabilitation and decommissioning, recognition of deferred income tax assets, and depreciation and depletion charges.

Estimating Useful Lives of Property and Equipment

The Group estimates the useful lives of property and equipment, except land, based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the noncurrent assets. There is no change in the estimated useful lives of property and equipment as at March 31, 2016.

Estimating Impairment of Property and Equipment and Investment Properties

The Group assesses impairment of property and equipment and investment properties whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use and ultimate disposition of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. There was no impairment losses recognized during the period.

Assessing Recoverability of Mining Rights and Mine Exploration Costs

The application of the Group's accounting policy for mining rights and mine exploration costs requires judgment in determining whether it is likely that future economic benefits are certain, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after mining rights and mine exploration costs are capitalized, information becomes available

suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-off in the consolidated statement of comprehensive income in the period when the new information becomes available. An impairment loss is recognized when the carrying value of these assets do not exceed their fair value.

Assessing Recoverability of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is probable that taxable income will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

Estimating Impairment Losses on AFS Financial Assets

The Group follows the guidance of PAS 39 in determining when an AFS financial asset is other-than-temporarily impaired. The determination of what is significant or prolonged requires judgment. The Group treats "Significant" generally as twenty percent (20%) or more and "Prolonged" as greater than six (6) months. Also, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flow.

Estimating Allowance for Impairment Losses on Other Noncurrent Assets

The Group provides allowance for impairment losses on other noncurrent assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease other noncurrent assets.

Estimating Provision for Mine Rehabilitation and Decommissioning

The Group assesses its provision for mine rehabilitation and decommissioning annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation and decommissioning as there are numerous factors that will affect the provision. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statement of financial position by adjusting the rehabilitation asset and liability.

Estimating Retirement Benefits Costs

The cost of defined benefit retirement and the present value of the retirement obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates, and future retirement expenses. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit retirement obligation are highly sensitive to changes in these assumptions. All assumptions are reviewed at each end of the annual reporting period.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit retirement obligation.

Determining Fair Values of Financial Instruments

Where the fair values of financial assets and liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation.

4. Cash

	March 31, 2016	December 31, 2015
Cash on hand	₱ 650	₱ 614
Cash with banks	169,432	502,262
	<u>₱170,082</u>	<u>₱502,876</u>

Cash with banks earn interest at the respective bank deposit rates.

5. Trade and Other Receivables

	March 31, 2016	December 31, 2015
Trade	₱259,243	₱704,056
Advances to:		
Contractors	6,968	2,203
Officers, employees and others	7,616	11,870
	273,827	718,129
Less allowance for impairment losses	17,359	17,359
	₱256,468	₱700,770

Trade receivables arising from shipment of nickel ore are noninterest-bearing and are generally collectible within thirty (30) to ninety (90) days. The Group has US\$-denominated trade receivables amounting to US\$5.6 million and US\$15.3 million as at March 31, 2016 and December 31, 2015, respectively.

Advances to contractors are advanced payment for contract hire fee. These advances will be offset against the contract hire billings upon completion of future ore loading to vessel shipments by the contractors.

The Group provides cash advances to its officers and employees for various business related expenses incurred which are subject for liquidation. Other advances include advances to third party companies which are collectible upon demand and advances to claim-owners which are deductible from the royalty payments from shipments.

Allowance for impairment losses amounted to ₱17,359 as at March 31, 2016 and December 31, 2015. There was no provision for the period ended March 31, 2016.

6. Inventories - at cost

	March 31, 2016	December 31, 2015
Beneficiated nickel ore	₱543,214	₱574,726
Materials and supplies	73,185	69,057
	₱616,399	₱643,783

Materials and supplies consist of tires, spare parts, and fuel and lubricants which were valued at cost.

7. Prepayments and Other Current Assets

	March 31, 2016	December 31, 2015
Prepaid insurance and others	₱15,800	₱5,115
Prepaid taxes and licenses	3,694	9,899
Prepaid rent	794	463
	₱20,288	₱15,477

Prepaid taxes and licenses represent advance payments made to Mines and Geosciences Bureau (MGB) and Bureau of Internal Revenue (BIR) necessary for the processing of shipments. These are expected to be realized within twelve (12) months after the end of reporting period.

Prepaid insurance, rent and others represent advance payments made for the insurance of the Group's property and equipment and for the rent of the Group's registered office address.

8. Property and Equipment

	Land	Building and Land Improvements	Machineries and Other Equipment	Furniture and Fixtures	Equipment and Supplies	Mining Properties	Roads and Bridges	Construction In-progress (CIP)	Total
Cost:									
Balances at January 1, 2016	₱10,435	₱53,992	₱758,319	₱7,468	₱4,855	₱1,393,187	₱595,612	₱18,247	₱2,842,115
Additions	—	—	—	191	—	—	—	556	747
Disposals	—	—	(2,245)	—	—	—	—	—	(2,245)
Reclassification	—	—	28,071	—	(8)	(18,114)	—	(7,520)	2,429
Balances at March 31, 2016	10,435	53,992	784,145	7,659	4,847	1,375,073	595,612	11,283	2,843,046
Accumulated depreciation and depletion:									
Balances at January 1, 2016	—	19,011	185,015	5,456	2,525	480,454	100,675	—	793,136
Depreciation and depletion	—	1,903	13,754	196	164	13,013	7,772	—	36,802
Disposals	—	—	(635)	—	—	—	—	—	(635)
Balances at March 31, 2016	—	20,914	198,134	5,652	2,689	493,467	108,447	—	829,303
Net book values	₱10,435	₱33,078	₱586,011	₱2,007	₱2,158	₱881,606	₱487,165	₱11,283	₱2,013,743

The CIP balance in the books of the Group pertains to the construction of roads, fences and improvements in the mine site. The estimated completion of the CIP for the mine site improvements is ninety-seven percent (97%) and ninety percent (95%) as at March 31, 2016 and December 31, 2015, respectively.

9. Mining Rights

Mining rights refer to the right of the Group as the holder of MPSA No. 007-92-X located in Cagdianao, Claver, Surigao del Norte acquired through the assignment of MPSA from CMDC to SIRC, a wholly owned subsidiary, under the Deed of Assignment executed on March 3, 2004. Pursuant to the Deed of Assignment, CMDC transferred to SIRC all its rights, interest and obligations relating to the MPSA.

The carrying value of mining rights amounted to ₱301.6 million as at March 31, 2016 and as at December 31, 2015. There were no provisions for impairment loss on mining rights recognized for the three months ended March 31, 2016 and 2015.

10. Investment Property

Portal Holdings, Inc. (PHI)

In June 2012, the Group acquired a parcel of land (Aseana Property) from PHI amounting to ₱319.9 million located in Paranaque. The land was held for capital appreciation. The balance of the related borrowing amounting to ₱40.0 million was fully paid in January 2016.

Total investment properties amounted to ₱319.9 million as at March 31, 2016 and December 31, 2015. The fair value of investment properties based on latest appraisal report dated June 19, 2014 is ₱367.0 million.

No income earned and direct operating expenses incurred related to the investment properties for the three months ended March 30, 2016 and 2015.

11. Mine Exploration Costs

	March 31, 2016	December 31, 2015
Beginning balance	₱140,790	₱140,659
Exploration expenditures incurred	28,901	131
Ending balance	₱169,691	₱140,790

The Group operates the Cagdianao mineral tenements by virtue of the twenty-five (25)-year Operating Agreement executed by and between the PGMC and SIRC.

In February 2015, the Group received an updated Joint Ore Reserves Committee (JORC) Mineral Resource Estimate Competent Person's Report (JORC report) by Runge Pincock Minarco (RPM) for the CAGA 1, 2, 3, 4 and 5 of the Cagdianao mining property which indicated a mineral resource estimate of 72.7 million dry metric tons (DMT). Also, the report showed indicated mineral reserve estimate of 13.2 million DMT for CAGA 2 and 4. CAGA 2 and 4 are operating areas while CAGA 1, 3 and 5 are under exploration activities. The Group is yet to conduct its exploration activities for CAGA 6 and 7.

The Group incurred costs for the deferred exploration activities and feasibility study of the Cagdianao nickel expansion project in CAGA 1, 3 and 5.

12. AFS Financial Assets

As at March 31, 2016 and December 31, 2015, the Group holds 4,216,100 shares of stock of Oriental Peninsula Resources Group, Inc. (OPRGI), a publicly listed company in the Philippines. The fair value of quoted equity instrument is based on the exit market price as at March 31, 2016 and December 31, 2015.

Movements in fair value of quoted equity instrument follow:

	March 31, 2016	December 31, 2015
Beginning balance	₱5,903	₱8,854
Impairment loss on AFS financial assets	–	(2,445)
Unrealized gain from equity to Consolidated statements of comprehensive income	–	(506)
Valuation loss	(422)	–
Ending balance	₱5,481	₱5,903

13. Other Noncurrent Assets

	March 31, 2016	December 31, 2015
Restricted cash	₱115,777	₱114,583
Input VAT and others	182,175	177,888
Advances to suppliers	178,052	174,572
MRF	62,225	62,117
	₱538,229	₱529,160

Restricted cash includes Debt Service Reserve Account (DSRA) with the following banks which will be utilized for application against the Group's outstanding loans for principal, interest and fees with the these banks:

	March 31, 2016	December 31, 2015
Bank of China (BOC)	₱ 19,422	₱ 19,422
Taiwan Cooperative Bank (TCB)	96,355	95,161
	₱115,777	₱114,583

Input VAT represents the VAT paid on purchases of applicable goods and services, net of output tax liabilities, if any, which may be recovered as tax credit against future tax liability of the Group upon approval by the Philippine BIR and/or the Philippine Bureau of Customs.

Advances to suppliers pertain to miscellaneous deposits on Group's purchase of property and equipment from various suppliers.

Pursuant to Section 181 of the Implementing Rules and Regulations of the Republic Act (RA) No. 7492, better known as the Philippine Mining Act of 1995, mining companies have to maintain Mine Rehabilitation Fund (MRF) deposit with any government bank. The Group has a deposit for the MRF at the Development Bank of the Philippines- Surigao City Branch. The funds are to be used for physical and social rehabilitation, reforestation and restoration of areas and communities affected by mining activities, for pollution control and integrated community development. The funds earned interest based on the prevailing market rate.

14. Trade and Other Payables

	March 31, 2016	December 31, 2015
Trade	₱232,277	₱383,368
Accrued expenses and taxes	88,080	141,349
Advances from customers	320,054	223,779
Nontrade	4,641	43,108
Interest payables	18	1,057
	₱645,070	₱792,661

Trade payables are noninterest-bearing and generally settled within thirty (30) days. Trade payables relate to payables to suppliers and relate to transactions in the ordinary course of business.

Details of the accrued expenses and taxes are summarized below:

	March 31, 2016	December 31, 2015
Business and other taxes	₱20,749	₱32,929
Excise taxes and royalties payable	61,195	96,808
Government dues	36	1,473
Provision for SDMP and ICC	1,480	3,604
Accrued payroll	1,165	296
Others	3,455	6,239
	<u>₱88,080</u>	<u>₱141,349</u>

Under Administrative Order No. 2010-13 issued by the DENR on May 5, 2010, mining companies are mandated to allot annually a minimum of 1.5% of their operating costs for the following:

1. Development of the host and neighboring communities in accordance with Social Development and Management Program (SDMP) to promote the general welfare of inhabitants living therein;
2. Development of a program for the advancement of mining technology and , and geosciences to build up resources and mineral discoveries, improve operational efficiency and resource recovery, and enhance environmental protection and mine safety; and
3. Development and institutionalization of an Information, Education and Communication (IEC) Program for greater public awareness and understanding of responsible mining and geosciences. ;

That the expenditures for the implementation of the above-mentioned Administrative Order shall not be credited to the royalty payment for the concerned Indigenous Peoples/Indigenous Cultural Communities (ICC) per Section 16 of DENR Administrative Order No. 96-40 dated December 19, 1996 which may not be less than one percent (1%) of the gross output.

Accrued payroll and royalty fees to claim owners are noninterest-bearing and are payable on demand and/or generally settled within thirty (30) days' term. Royalty and excise taxes are payable immediately upon receipt from DENR-MGB of the Order of Payment and before every shipment of beneficiated nickel ores. Government dues consist of employer contributions normally payable fifteen (15) to thirty (30) days after the end of each month.

Other payables substantially consist of outside services and purchases of supplies which are usual in the business operations of the Group. Other payables are noninterest-bearing and are payable on demand and/or normally settled within thirty (30) days' term.

Advances from customers refer to amount received from customers before a service has been provided or before goods have been shipped. Advances from customers are settled by deducting the payments from collections based on the schedule of shipments.

Nontrade payables are normally settled within thirty (30) to ninety (90)-day term. This account includes purchases of machineries and equipment and land held for capital appreciation

Interest payables arise from bank loans and finance lease obligations of the Group.

15. Bank Loans

	March 31, 2016	December 31, 2015
TCB	941,200	941,200
Banco de Oro (BDO)	11,634	53,001
Unionbank of the Philippines (UnionBank)	134	215
EastWest Bank (EastWest)	–	168
	952,968	994,584
Less current portion		
TCB	941,200	941,200
BDO	4,400	45,767
UnionBank	134	215
EastWest	–	168
Total current portion	945,734	987,350
Bank loan - noncurrent portion	₱7,234	₱7,234

TCB

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 year from the date of initial borrowing or date of borrowing, in case of there is more than one borrowing.

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 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 Banko Sentral ng Pilipinas, 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 kinds and shall amount to an aggregate value, in any combination, at least equal or twice (2x) the amount or equivalent to US\$40.0 million as follows:
 1. Accounts receivables from the PGMC's customers
 2. Import letters of credit (LC) issued in favor of PGMC by its customers and clients.
- 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 letters of credit 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.
- e. A DSRA shall be opened by the Group which shall have in deposit an amount equal 10% of the facility amount before the first drawdown date and the deposit to be maintained as long as any amount under the Agreement is outstanding.

BDO

In May 2015, the Group was granted an additional US\$10 million on top of its existing US\$10 million export packing line for working capital purposes. As at March 31, 2016 and December 31, 2015, the remaining balance is nil.

The Group also entered into several car loans with BDO with a 3-year term at an interest rate ranging from seven percent to nine percent per annum.

BOC

The Group's US\$6.0 million short-term credit facility to finance its working capital requirements, composed of US\$2.0 million export bills purchase and US\$4.0 million export packing credit line, was renewed by BOC with no sub-limit effective May 21, 2015 renewable yearly and payable from the collection proceeds on the assigned sales contract and covering letter of credit. The facility has no outstanding balance as at March 31, 2016 and December 31, 2015.

16. Provision for Mine Rehabilitation and Decommissioning

	March 31, 2016	December 31, 2015
Beginning balance	₱58,259	₱60,212
Accretion interest	–	1,117
Effect of change in estimate	–	(3,070)
Ending balance	₱58,259	₱58,259

Provision for mine rehabilitation and decommissioning pertains to the estimated decommissioning costs to be incurred in the future on the mined-out areas of the Group. The Group makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis on the development of mines or installation of those facilities. The rehabilitation provision represents the present value of rehabilitation costs. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment, have been made which management believes are reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future ore prices, which are inherently uncertain.

17. Retirement Obligation

The Group has an unfunded, non-contributory defined benefit retirement plan covering substantially all of its regular employees. The Group does not have an established retirement plan and only conforms to the minimum regulatory benefit under the RA 7641, *Retirement Pay Law* which is of the defined benefit type and provides a retirement benefit equal to twenty-two and a half (22.5) days' pay for every year of credit service. The regulatory benefit is paid in lump sum upon retirement. There was no plan termination, curtailment or settlement as at March 31, 2016 and December 31, 2015.

The latest actuarial valuation report of the retirement plan is as at December 31, 2015.

The Group does not have any plan assets as at March 31, 2016 and December 31, 2015.

The Group is contemplating to put up a defined benefit pension plan in 2016 and to contribute to it. The Group does not have a Trustee Bank, and does not currently employ any asset-liability matching.

The Group has ninety-seven (97) regular employees, seven (7) employees under probationary period, and one hundred fifty (150) on a fixed term as of March 31, 2016.

18. Finance Lease

Finance Lease Receivable

The Group entered into an agreement with its contractors that resulted into a finance lease of the Group's transportation and handling equipment

Finance lease receivable as at March 31, 2016 and December 31, 2015 consists of:

	March 31, 2016		December 31, 2015	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one (1) year	₱184,173	₱178,575	₱173,214	₱167,949
After one (1) year but not more than five (5) years	326,755	319,593	326,755	319,593
Total minimum lease payments	510,928	498,168	499,969	487,542
Less amount representing finance charge	12,760	—	12,427	—
Present value of minimum lease payments	₱498,168	₱498,168	₱487,542	₱487,542

Finance Lease Liabilities

In 2013, the Group entered into finance lease agreements with its suppliers of heavy equipment. These are included as part of "Machineries and other equipment" category under "Property and equipment" as at March 31, 2016 and December 31, 2015.

Future annual minimum lease payments under the lease agreements, together with the present value of the minimum lease payments as at December 31, 2015 and March 31, 2016 are as follows:

	March 31, 2016		December 31, 2015	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one (1) year	₱14,994	₱14,994	₱15,850	₱14,994
After one (1) year but not more than five (5) years	—	—	—	—
Total minimum lease payments	14,994	14,994	15,850	14,994
Less amount representing finance charge	—	—	856	—
Present value of minimum lease payments	₱14,994	₱14,994	₱14,994	₱14,994

Interest expense related to finance lease is reported under "Finance costs".

19. Equity

Capital Stock

The Parent Company has 35,871,428,572 authorized shares at ₱0.35 par value as at March 31, 2016 and December 31, 2015. Out of the total authorized shares of the Parent Company, 17,467,014,310 shares are issued amounting to ₱6,113,455 as at March 31, 2016 and December 31, 2015.

The Parent Company has only one class of common shares which do not carry any right to fixed income.

All issued shares of GFHI, except for the newly issued 10,463,093,371 common shares to the Thirteen Stockholders, are listed in the PSE. The following table summarizes the track record of registrations of securities under the SRC.

Transaction	Subscribers	Registration Date	Issue/Offer Price	Number of Shares
Initial registration	Various	October 1994	₱1.50	5,000,000,000
Additional registration	Various	September 1996	—	1,150,000,000
Exempt from registration	Various	December 1998	—	305,810,000
Exempt from registration	Two individuals	June 2013	0.35	554,000,000
				7,009,810,000

Treasury Stock

The Company has 7,258 shares in treasury stock amounting to ₱18.4 thousand as at March 31, 2016 and December 31, 2015.

Retained Earnings

The Group has unrestricted retained earnings amounting to ₱238.1 million and ₱422.2 million as at March 31, 2016 and December 31, 2015, respectively.

Dividends Payable

On May 22, 2013, the BOD of the Parent Company approved the declaration of cash dividends in the amount of ₱1.656 per outstanding common share or ₱10,500 million to stockholders of record as at June 5, 2013, payable on June 12, 2013. As at March 31, 2016 and December 31, 2015, an amount of ₱20.3 million remained outstanding and dividend checks previously issued were considered stale checks. This is still presented as cash dividends payable as at March 31, 2016 and December 31, 2015 and for re-issuance to investor claimants subsequently.

On December 1, 2014, the BOD approved the adoption of a dividend policy of declaring dividends equivalent to at least twenty percent (20%) of the unrestricted retained earnings of GFHI for the preceding year as indicated in its audited financial statements.

20. Earnings (Loss) Per Share

The following reflects the income and share data used in the Earnings (Loss) Per Share computation:

	Three Months Ended March 31 2016	Year Ended December 31 2015
Net income (In million)	(₱184,017)	₱1,111,750
Weighted average number of shares for basic earnings per share Effect of change in estimate	17,467,014,310	17,467,014,310
Basic/Diluted Earnings (Loss) Per Share	(₱0.0105)	₱0.06

As at March 31, 2016 and December 31, 2015, there are no potentially dilutive common shares.

21. Cost of Sales

	Three months ended March 31 2016	2015
Contract hire	₱33,876	₱—
Fuel and oil	923	—
Assaying and laboratory	1,137	—
	₱35,936	₱—

Contract hire pertains to services offered by the contractors related to the mining operating activities of the Group that include, but not limited to, ore extraction and beneficiation, hauling, barging or stevedoring and equipment rental.

Operation overhead relates to the necessary expenses incurred in the Surigao minesite operations. These expenses include, but not limited to, communication, consultancy and service fee, supplies and travel and transportation expense.

22. Excise Taxes and Royalties

	Three Months Ended March 31 2016	2015
Royalties to claim - owners	₱2,242	₱ 350
Royalties to government	1,906	—
Excise taxes	762	—
	₱4,910	₱ 350

The Group, in accordance with DENR Administrative Order No. 96-40, Series 1996, on the Revised Implementing Rules and Regulations of RA No. 7942 is required to pay to the Philippine Government the following:

- A royalty tax of five percent (5%) of the market value of the gross output of the minerals/mineral products extracted or produced from its Surigao mines to DENR-MGB; and
- An excise tax of two percent (2%) of the market value of the gross output of the minerals/mineral products extracted or produced from its Surigao mines to the BIR.

The Group is paying to CMDC royalty fees of three percent (3%) to seven percent (7%) of gross receipts.

Excise taxes and royalties payable amounted to ₱61.2 million and ₱96.8 million as at March 31, 2016 and December 31, 2015, respectively.

23. General and Administrative

	Three Months Ended March 31	
	2016	2015
Personnel costs	₱41,487	₱34,339
Taxes and licenses	4,244	3,397
Marketing and entertainment	20,547	11,916
Consultancy fees	18,170	32,285
Outside services	12,490	14,374
Travel and transportation	5,470	10,590
Environmental protection costs	2,747	13,217
Community relations/SDMP	5,962	5,809
Power and utilities	110	277
Depreciation	36,802	39,643
Repairs and maintenance	2,707	4,437
Office supplies	660	761
Rentals	1,354	23,508
Communication	1,301	2,271
Insurance	1,043	—
Other charges	13,420	7,462
	<u>₱168,514</u>	<u>₱204,286</u>

Other charges pertain to various expenses such as mailing and postage charges, and membership and subscription dues.

24. Shipping and Distribution

	Three months ended March 31	
	2016	2015
Fuel, oil and lubricants	₱296	₱110
Government fees	34	87
	<u>₱330</u>	<u>₱197</u>

25. Personnel Costs

	Three months ended March 31	
	2016	2015
Salaries and wages	₱25,876	₱22,306
Other employee benefits	15,611	12,033
	<u>₱41,487</u>	<u>₱34,339</u>

Other employee benefits are composed of various benefits given to employees that are individually immaterial.

The above amounts were distributed as follows:

	Three months ended March 31	
	2016	2015
Cost of sales	P-	P-
General and administrative	41,487	34,339
	<u>P41,487</u>	<u>P34,339</u>

26. Depreciation and Depletion

	Three months ended March 31	
	2016	2015
Cost of sales	P-	P-
General and administrative	36,802	39,643
	<u>P36,802</u>	<u>P39,643</u>

27. Finance Costs

	Three months ended March 31	
	2016	2015
Interest expense	P11,894	P22,162
Bank charges	611	2,329
Amortization of discount on bank loans	-	870
Accretion interest on provision for mine rehabilitation and decommissioning	-	274
	<u>P12,505</u>	<u>P25,635</u>

28. Other Income (Charges) - net

	Three months ended March 31	
	2016	2015
Foreign exchange gains - net	P465	P430
Others	3	3
	<u>P468</u>	<u>P433</u>

29. Related Party Disclosures

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors or its stockholders.

Category	Amount/Volume	Advances to related parties	Amounts owed to related parties	Terms	Conditions
<i>Stockholders</i>					
March 31, 2016	₱467,484	₱2,006,161	₱50,000	Noninterest-bearing; collectible or payable on demand	Unsecured; no guarantee
December 31, 2015	₱715,806	₱1,538,677	₱50,000		
<i>Affiliates with common officers, directors and stockholders</i>					
March 31, 2016	51,648	110,641	615,772	Interest-bearing; payable in 8 installments	Unsecured; no guarantee
December 31, 2015	(564,515)	100,554	574,211		
Total		₱2,116,802	₱665,772		
Total		₱1,639,231	₱624,211		

The summary of significant transactions and account balances with related parties are as follows:

- a. In 2015, the Group entered into the following transactions which were recorded under "Deposits for future acquisition":
 - The Group made cash deposit amounting to US\$0.5 million or ₱23.1 million for the purchase of 10,000 shares or one hundred percent (100%) interest of PIL, an entity incorporated in Hong Kong, China as part of the Group's expansion plans. As at March 31, 2016, PIL became a subsidiary of PGMC.
 - GFHI, PGMC and the stockholders of SPNVI executed various Deed of Assignments wherein PGMC assigned all the rights, title, and interest for the cash advances made by PGMC to SPNVI, amounting to ₱1,628.2 million, to GFHI. These advances will form part of the purchase price of the acquisition of SPNVI pursuant to the Contract to Sell executed on August 6, 2015 (see Note 1).
- b. In the first quarter of 2014, PGMC entered into a charter agreement with PSSC for the use of five (5) land tank crafts at ₱2.6 million each per month.
- c. 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 for the three months period ended March 31, 2016 and 2015 amounted to about ₱8.9 million and ₱8.6 million, respectively.

30. Income Taxes

The provision for (benefit from) income tax shown in the interim consolidated statements of income includes:

	Three Months Ended March 31	
	2016	2015
Current	₱571	₱—
Deferred	—	(14,433)
	₱571	(₱14,433)

31. Operating Segment Information

The Group's operating business are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The mining segment is engaged in the mining and exploration of nickel saprolite and limonite ore and limestone.

The services segment is engaged in the chartering out of land craft tanks to PGMCo.