

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended - **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  
7<sup>th</sup> Floor Corporate Business Center, 151 Paseo de Roxas cor. Arnaiz 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)
<b>ASSETS</b>			
Current Assets	3,358,614	3,670,086	(311,472)
Noncurrent Assets	5,394,184	5,414,927	(20,743)
<b>TOTAL ASSETS</b>	<b>8,752,798</b>	<b>9,085,013</b>	<b>(332,215)</b>
<b>LIABILITIES AND EQUITY</b>			
Current Liabilities	2,293,491	2,440,566	(147,075)
Noncurrent Liabilities	106,573	106,573	-
<b>Total Liabilities</b>	<b>2,400,064</b>	<b>2,547,139</b>	<b>(147,075)</b>
Equity			
Attributable to the equity holders of the Parent Company	6,352,734	6,537,874	(185,140)
Non-controlling interest (NCI)	-	-	-
<b>Total Equity</b>	<b>6,352,734</b>	<b>6,537,874</b>	<b>(185,140)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,752,798</b>	<b>9,085,013</b>	<b>(332,215)</b>

#### 1.b. Summary Consolidated Statements of Comprehensive Income

	For the Three-Month Ended March 31 (Unaudited)	
	2016	2015
	(In Thousand Pesos)	
<b>REVENUES</b>	<b>38,028</b>	<b>-</b>
<b>COST AND EXPENSES</b>	<b>(209,690)</b>	<b>(204,833)</b>
<b>OTHER CHARGES - net</b>	<b>(11,784)</b>	<b>(24,957)</b>
<b>LOSS BEFORE INCOME TAX</b>	<b>(183,446)</b>	<b>(229,790)</b>
<b>PROVISION FOR INCOME TAX</b>	<b>571</b>	<b>(14,433)</b>
<b>NET INCOME</b>	<b>(184,017)</b>	<b>(215,357)</b>
<b>OTHER COMPREHENSIVE LOSS</b>	<b>(1,123)</b>	<b>(920)</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(185,140)</b>	<b>(216,277)</b>
<b>Basic and Diluted Loss Per Share</b>	<b>(0.010535)</b>	<b>(0.030879)</b>

**1.c. Summary Consolidated Statements of Changes in Equity**

	For the Period Ended	
	March 31	March 31
	2016	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
<b>Total</b>	<b>6,352,734</b>	<b>5,209,753</b>

**1.d. Summary Consolidated Statements of Cash Flows**

	For the Three-Month Ended March 31	
	2016	2015
	<i>(In Thousand Pesos)</i>	
<b>NET CASH FLOWS FROM (USED IN):</b>		
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)
<b>CASH AT BEGINNING OF PERIOD</b>	<b>502,876</b>	<b>691,869</b>
<b>CASH AT END OF PERIOD</b>	<b>170,082</b>	<b>167,008</b>

**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: 5-16-2016

Signature and Title:  **MARY BELLED. BITUIN**  
Chief Finance Officer

Date: 5-16-2016

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)
<b>ASSETS</b>			
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
<b>Total Current Assets</b>	<b>3,358,614</b>	<b>3,670,086</b>	<b>(311,472)</b>
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
<b>Total Noncurrent Assets</b>	<b>5,394,184</b>	<b>5,414,927</b>	<b>(20,743)</b>
<b>TOTAL ASSETS</b>	<b>₱ 8,752,798</b>	<b>₱ 9,085,013</b>	<b>(332,215)</b>
<b>LIABILITIES AND EQUITY</b>			
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
<b>Total Current Liabilities</b>	<b>2,293,491</b>	<b>2,440,566</b>	<b>(147,075)</b>
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	-
<b>Total Noncurrent Liabilities</b>	<b>106,573</b>	<b>106,573</b>	<b>-</b>
<b>Total Liabilities</b>	<b>2,400,064</b>	<b>2,547,139</b>	<b>(147,075)</b>
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)	-
<b>Equity attributable to the equity holders of the Parent Co.</b>	<b>6,352,734</b>	<b>6,537,874</b>	<b>(185,140)</b>
Non-controlling interest (NCI)	-	-	-
<b>Total Equity</b>	<b>6,352,734</b>	<b>6,537,874</b>	<b>(185,140)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱ 8,752,798</b>	<b>₱ 9,085,013</b>	<b>(332,215)</b>

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)	—	—
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<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)	—	—
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(₱185,140)</b>	<b>(₱216,277)</b>	<b>₱—</b>	<b>₱—</b>
<b>Basic/Diluted Loss Per Share (Note 20)</b>				
<b>Attributable to Equity Holders of the Parent Company</b>	<b>(₱0.010535)</b>	<b>(₱0.030879)</b>	<b>₱—</b>	<b>₱—</b>

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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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)
<b>CASH AT BEGINNING OF PERIOD</b>	502,876	691,869
<b>CASH AT END OF PERIOD</b>	<b>P170,082</b>	<b>P167,008</b>

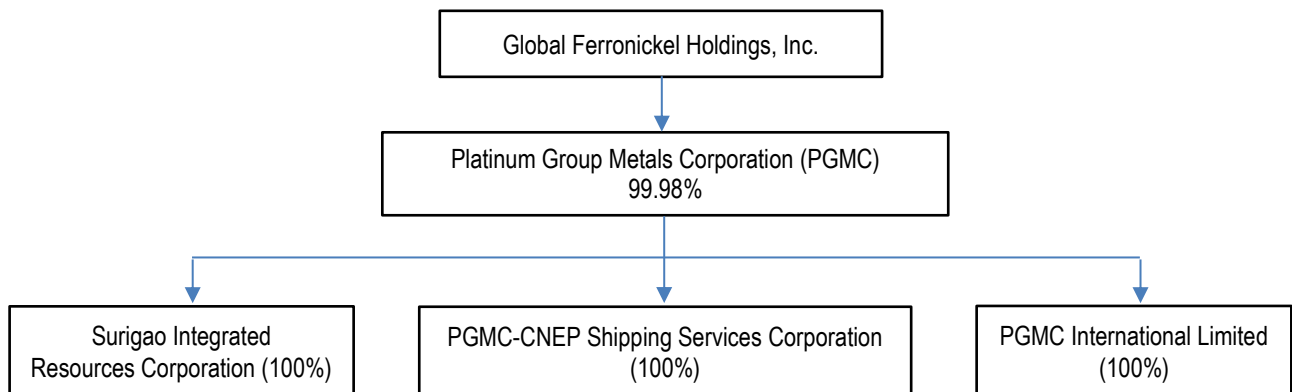
See accompanying Notes to Unaudited Consolidated Financial Statements.

**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.

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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.

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### 16. Provision for Mine Rehabilitation and Decommissioning

	March 31, 2016	December 31, 2015
Beginning balance	P58,259	P60,212
Accretion interest	–	1,117
Effect of change in estimate	–	(3,070)
Ending balance	P58,259	P58,259

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.

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### 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.

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### 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.

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## 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.

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## 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.

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## 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
	<b>₱168,514</b>	<b>₱204,286</b>

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
	<b>₱330</b>	<b>₱197</b>

## 25. Personnel Costs

	Three months ended March 31	
	2016	2015
Salaries and wages	₱25,876	₱22,306
Other employee benefits	15,611	12,033
	<b>₱41,487</b>	<b>₱34,339</b>

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>

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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>

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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>

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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)

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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.