108152016002325

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Company Name	GLOBAL FERRONICKEL HOLDINGS, INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

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COVER SHEET

AS094-003992

SEC Registration Number

GLOBAL FERRONICKEL HOLDINGS INC

(Company's Full Name)

7th Floor Corporate Business Center 151 Paseo de Roxas corner Arnaiz St. Makati City

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

Atty. Noel B. Lazaro

(Contact Person)

(632) 519-7888

(Company Telephone Number)

12 31

Month *Day*

(Calendar Year)

17-Q

(Form Type)

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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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 - **JUNE 30, 2016**

2. Commission Identification Number - ASO**94-003992**

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. 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
   Not applicable

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Common Shares	7,003,920,939
Amount of Debt Outstanding	Not applicable

11. Are any or all of the securities listed on a Philippine Stock Exchange?

    Yes [X] 7,003,920,939 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 [X] No [ ]

13. Has been subject to such filing requirements for the past ninety (90) days.

    Yes [X] No [ ]

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

August 11, 2016

Mr. Jose Valeriano Zuño
Disclosure Department
The Philippine Stock Exchange Inc.
Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Mr. Vicente Graciano Felizmenio Jr.
Markets and Securities Regulation Department
Securities and Exchange Commission
SEC Bldg. EDSA, Greenhills
Mandaluyong City

Re: SEC Form 17-Q 2016 2nd Quarter Report

Dear Gentlemen:

We submit to you herewith a copy of our Company's SEC Form 17-Q Quarterly Report for the period ended June 30, 2016.

We trust everything is in order.

Very truly yours,

MARY BELLE D. BITUIN
SVP - Chief Finance Officer

Global Ferronickel Holdings,Inc.

17-Q QUARTERLY REPORT
JUNE 30, 2016

Table of Contents **Page Number**

PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

The Unaudited Interim Consolidated Financial Statements as at June 30, 2016 and for the six-month period ended June 30, 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 six-month period ended June 30, 2016 and 2015 and as at June 30, 2016 and December 31, 2015:

1.a. Summary Consolidated Statements of Financial Position

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)	Increase/ (Decrease)	Percent Inc. (Dec.)
	(In Thousand Pesos)			
ASSETS				
Current Assets	3,347,922	3,670,086	(322,164)	-8.8%
Noncurrent Assets	5,672,955	5,414,927	258,028	4.8%
TOTAL ASSETS	9,020,877	9,085,013	(64,136)	-0.7%
LIABILITIES AND EQUITY				
Current Liabilities	2,647,781	2,440,566	207,215	8.5%
Noncurrent Liabilities	112,232	106,573	5,659	5.3%
Total Liabilities	2,760,013	2,547,139	212,874	8.4%
Equity				
Attributable to equity holders of the Parent Company	6,260,864	6,537,874	(277,010)	-4.2%
Total Equity	6,260,864	6,537,874	(277,010)	-4.2%
TOTAL LIABILITIES AND EQUITY	9,020,877	9,085,013	(64,136)	-0.7%

1.b. Summary Consolidated Statements of Comprehensive Income

	For the Three Months Ended June 30		For the Six Months Ended June 30		Increase (Decrease)	
	2016	2015	2016	2015	3 Months	6 Months
	(In Thousand Pesos)					
Revenues	663,193	1,793,100	701,221	1,793,100	(1,129,907)	(1,091,879)
Cost and Expenses	(839,524)	(1,295,868)	(1,049,214)	(1,500,899)	(456,344)	(451,685)
Finance Cost and Other Charges - net	(15,449)	(66,393)	(27,233)	(125,415)	(50,944)	(98,182)
Income (Loss) Before Income Tax	(191,780)	430,839	(375,226)	166,786	(622,619)	(542,012)
Provision for (Benefit from) Income Tax	(93,919)	13,817	(93,348)	13,817	(107,736)	(107,165)
Net Income (Loss)	(97,861)	417,022	(281,878)	152,969	(514,883)	(434,847)
Other Comprehensive Income (Loss)	5,991	-	4,868	(295)	5,991	5,163
Total Comprehensive Income (Loss)	(91,870)	417,022	(277,010)	152,674	(508,892)	(429,684)
Basic and Diluted Income (Loss) per Share	(0.01)	0.02	(0.02)	0.01		

1.c. Summary Consolidated Statements of Changes in Equity

	For the Quarter Ended June 30		For the Year Ended December 31
	2016	2015	2015
	(In Thousand Pesos)		
Capital Stock			
Common Stock	6,113,455	6,113,455	6,113,455
Gain on Remeasurement of Retirement Obligation	2,277	211	2,277
Valuation Gain (Loss) on Available-for-sale Financial Assets	(843)	1,675	-
Cumulative Translation Adjustment	5,711	-	-
Retained Earnings:			
Balance, Beginning	422,160	(696,966)	(696,966)
Income (Loss) for the Period	(281,878)	152,735	1,119,126
Balance, End	140,282	(544,231)	422,160
Treasury Stock - at cost	(18)	(18)	(18)
Non-controlling interest (NCI)	-	7,612	-
Total Equity	6,260,864	5,578,704	6,537,874

1.d. Summary Consolidated Statements of Cash Flows

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
	(In Thousand Pesos)			
NET CASH FLOWS FROM (USED IN):				
Operating activities	(234,035)	155,666	(61,395)	(610,230)
Investing activities	(39,879)	(426,924)	(534,632)	(510,722)
Financing activities	351,165	714,329	340,484	1,039,162
NET INCREASE (DECREASE) IN CASH	77,251	443,071	(255,543)	(81,790)
Effect of exchange rate changes on cash	2,025	8,078	2,025	8,078
CASH AT BEGINNING OF PERIOD	170,082	167,008	502,876	691,869
CASH AT END OF PERIOD	249,358	618,157	249,358	618,157

Basis of Preparation of Interim Consolidated Financial Statements

The interim consolidated statements of financial position of Global Ferronickel Holdings, Inc. and Subsidiaries (the Group) as at June 30, 2016 and December 31, 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the periods ended June 30, 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 June 30, 2016, total assets of the Group stood at ₱9,020.9 million, a decline of ₱64.1 million or 0.7%, from ₱9,085.0 million as at December 31, 2015. The decline was due to the net effect of the decrease in current assets by ₱322.2 million and increase in noncurrent assets by ₱258.0 million because of the decrease in trade, finance lease and other receivables by ₱340.2 million, from ₱868.7 million to ₱528.5 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 ₱210.2 million from ₱1,639.2 million to ₱1,849.4 million.

Total liabilities of the Group stood at ₱2,760.0 million as at June 30, 2016, an increase of ₱212.9 million or 8.4%, from ₱2,547.1 million as at December 31, 2015. The increase was due to the increase in current liabilities to ₱2,647.8 million from ₱2,440.6 million as a result of net availment of working capital loan from creditor bank.

Results of Operations

Export Revenues

The Group's second quarter 2016 mining operations generated total export revenues of ₱663.2 million, bringing to date revenues to ₱701.2 million compared to ₱1,793.1 million in the six months ended June 30, 2015, a decrease of ₱1,091.9 million or 60.9% due to the decrease in the volume shipped, change in product mix and decline in the selling price of nickel ore.

The sale of nickel ore for the six months ended June 30, 2016 was 1.090 million wet metric tons (WMT) of nickel ore, shrinked by 0.471 million WMT or 30.1%, compared to 1.561 million WMT of nickel ore in the six months ended June 30, 2015. We were able to ship only 20 vessels of nickel ore during the six months period ended June 30, 2016 as against 29 vessels of nickel ore during the same period last year. These shipments sold solely to Chinese customers consisted of 0.880 million WMT low-grade nickel ore and 0.210 WMT medium-grade nickel ore compared to 0.222 million WMT low-grade nickel ore, 1.284 million WMT medium-grade nickel ore and 0.055 million WMT high-grade nickel ore of the same period in 2015. The reduction in shipments was brought about by intermittent rainfall which was three times higher than the same period in 2015.

The decrease in the export revenues was aggravated by the decline of nickel ore price from last year's average of United States dollar (US$)26.15/WMT to only US$13.48/WMT average for the period January to June of 2016 lower by US$12.67/WMT or 48.4%.

Service Revenues

The service income realized for the landing craft tanks (LCT) chartered by Platinum Group Metals Corporation (PGMC) from its subsidiary, PGMC-CNEP Shipping Services Corp., amounted to ₱38.5 million for the six months period ended June 30, 2016 as compared to ₱37.2 million for the same period last year.

Cost of Sales

The cost of sales went down from ₱929.7 million for the six months ended June 30, 2015 to ₱682.2 million for the same period this year, a decrease by ₱247.5 million, or 26.6%. The decrease in cost of sales was due to decline in the volume shipped, change in product mix (as more low grade ores were shipped in the first half of 2016 as compared to the same period in 2015) and the result of cost rationalizations and greater operational efficiencies.

Contract hire decreased by ₱244.9 million (from ₱632.5 million in 2015 to ₱387.6 million in 2016), or 38.7%. Moreover, there was a significant decrease in equipment rentals by ₱23.1 million or 81.1% (from ₱28.5 million to ₱5.4 million) due to non-renewal of equipment lease (as all heavy equipment are now provided in full by the Contractors). The decrease was partially offset by the increase in personnel costs by ₱13.0 million or 31.1% as the Group re-embarked its in-house operations on the control and monitoring of contracted activities to ensure quality of work, which translated to hiring of additional local manpower in 2016. On the other hand, depreciation and depletion expense increased by ₱11.2 million or 7.9% due to the increase in depletion rate. In 2015, the depletion rate was ₱15.57 per WMT, computed based on 55.9 million dry metric tons (DMT) mineral resources; while in 2016 the depletion rate was ₱60.48 per WMT, computed based on

13.2 million DMT mineral reserves per the latest Joint Ore Reserves Committee (JORC) report of the Surigao Mine Cagdianao Area (CAGA).

Operating Expenses

Excise Taxes and Royalties
Excise taxes and royalties were ₱85.6 million and ₱258.4 million during the first half of 2016 and 2015, respectively. Since these expenses were computed and paid based on the percentage of the revenues, the decline in nickel ore price and volume shipped consequently lowered the excise taxes and royalties taken up.

General and Administrative
General and administrative expenses were ₱212.0 million in the first six months of 2016 compared to ₱244.3 million in the first half of 2015, a decrease of ₱32.3 million, or 13.2%. The decline was mainly due to the decrease in consultancy fees and outside services which pertained to the cost incurred in 2015 related to the Group's planned follow-on offering. The decrease was partially offset by the increase in rent expense related to office rentals of PGMC International Limited (PIL), new subsidiary in 2016 and increase in personnel costs as the Group hired additional manpower to complement the management team of the Group and employees of PIL.

Shipping and Distribution
Shipping and loading costs were ₱69.5 million for the six months ended June 30, 2016 compared to ₱68.5 million in the same period last year, a very slight increase of ₱1.0 million, or 1.5%. Although the actual volume of nickel ore shipped for the first half of 2016 was lower compared to the same period last year, the shipping and distribution costs incurred this year were almost the same as similar number of LCTs were chartered not expecting prolonged adverse weather conditions would persist in this period of this year. In addition, the shipping and distribution costs is expected to increase as the Group embarked in conducting full port operations in 2016 compared to 2015 where the Group only operated one of the two causeways.

Finance Costs and Other Charges - net
Finance costs and other charges amounted to ₱27.8 million in the first six months of 2016 compared to ₱130.2 million in the first six months of 2015, a substantial decrease of ₱102.4 million, or 78.7%. This was brought about by the retirement of long-term loans with Amsterdam Trade Bank (ATB), Trade and Investment Development Corporation of the Philippines (PhilEXIM) and Banco de Oro, and recognition of loss of modification of finance lease amounting to ₱41.4 million in the prior period.

Net Income

As a result of the foregoing, the Group's consolidated net income decreased by ₱434.8 million, from ₱153.0 million for the first half of 2015 to (₱281.9) million for the same period of 2016.

Statement of Cash Flows

The net cash flows from operating activities resulted to minus ₱61.4 million for the six months ended June 30, 2016compared to negative ₱610.2 million during the six months ended June 30, 2015. Basically, the significant trade receivables as at June 30, 2015 were the result of last year's change of mode of payment from cash basis to LC and the decrease in trade receivables in the current period was brought about by the lower sales resulted from the softening of nickel ore prices in the world market. Net cash flows used in investing activities for the six months ended June 30, 2016 and 2015 amounted to ₱534.6 million and ₱510.7 million, respectively. For the six months ended June 30, 2016 and 2015, the net cash flows derived from financing activities amounted to ₱340.5 million and ₱1,039.2 million, respectively. The downward movement of financing activities was the result of lower availment of bank loans in the first half of 2016 compared to the same period of last year.

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 June 30, 2016.

Known Trends, Events and Uncertainties

There are no known significant trends, demands, commitments, or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in a material way. There were no other significant elements of income or loss that did not arise from the Group's continuing operations.

PART II - FINANCIAL SOUNDNESS INDICATORS

The Group considers the following as the significant Key Performance Indicators as at June 30, 2016 and 2015:

Indicators	Formula	2016	2015
Earnings Per Share	Profit for the Period/Weighted Average Number of Shares Outstanding	(0.02)	0.01
Debt-to-Equity Ratio	Total Liabilities/Total Equity	0.44:1	0.54:1
Asset-to-Equity Ratio	Total Assets/Total Equity	1.44:1	1.54:1
Current Ratio	Current Assets/Current Liabilities	1.26:1	1.50:1

PART III - OTHER INFORMATION

No disclosures were made other than the following made under Form 17-C:

1. Approval by the Board of Directors of the employee stock option plan and buyback program;

2. Approval by Mines and Geosciences Bureau of the renewal for another 25-year term of Mineral Production Sharing Agreement (MPSA) No. 007-92-X granted to the Parent Company's subsidiary, Surigao Integrated Resources Corporation, to develop and operate the 4,376 hectares of the Cagdianao Mining Tenement in Surigao del Norte; and

3. Issuance to the Parent Company's subsidiary, PGMC, of the International Organization for Standardization (ISO) 14001:2015 Certification for Environmental Management System related to Management of Mining Operation of Nickeliferous Laterite Ore and Other Associated Minerals by INTERTEK-PHILLIPPINES (Intertek).

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: 8/11/2016

Signature and Title: **MARY BELLE D. BITUIN**
SVP - Chief Finance Officer

Date: 11 AUG 2016

Annex A

Aging of Trade and Other Receivables*
As at June 30, 2016
(In Thousand Pesos)

	Days Outstanding					
	1-90	91-180	181-270	271-360	Over 360	Total
Trade	196,705	-	38,658	-	187,939	423,302
Advances to Contractors	61,720	-	-	-	-	61,720
Advances to Officers, Employees and Others	14,326	-	-	-	-	14,326
Total	272,751	-	38,658	-	187,939	499,348
Less: Allowance for Doubtful Accounts						(17,359)
NET RECEIVABLES						481,989

**PGMC and PIL Related Transactions*

GLOBAL FERRONICKEL HOLDINGS, INC.
SEC FORM 17-Q
INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Current Assets		
Cash (Note 4)	**₱249,358**	₱502,876
Trade and other receivables (Note 5)	**481,989**	700,770
Current portion of finance lease receivable (Note 18)	**46,549**	167,949
Advances to related parties (Note 29)	**1,849,431**	1,639,231
Inventories - at cost (Note 6)	**655,928**	643,783
Prepayments and other current assets (Note 7)	**64,667**	15,477
Total Current Assets	**3,347,922**	3,670,086
Noncurrent Assets		
Property and equipment (Note 8)	**2,075,751**	2,048,979
Deposits for future acquisition (Note 29)	**1,628,192**	1,651,247
Mining rights (Note 9)	**290,618**	301,605
Finance lease receivable - net of current portion (Note 18)	**319,593**	319,593
Investment property (Note 10)	**319,865**	319,865
Mine exploration costs (Note 11)	**169,691**	140,790
Deferred income tax assets - net (Note 30)	**191,718**	97,785
Available-for-sale (AFS) financial assets (Note 12)	**5,060**	5,903
Other non-current assets (Note 13)	**672,467**	529,160
Total Non-current Assets	**5,672,955**	5,414,927
TOTAL ASSETS	**₱9,020,877**	₱9,085,013
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	**₱766,743**	₱792,661
Current portion of bank loans (Note 15)	**1,179,174**	987,350
Amounts owed to related parties (Note 29)	**671,480**	624,211
Dividends payable (Note 19)	**20,287**	20,287
Current portion of finance lease liabilities (Note 18)	**10,083**	14,994
Income tax payable	**14**	1,063
Total Current Liabilities	**2,647,781**	2,440,566
Non-current Liabilities		
Bank loans - net of current portion (Note 15)	**7,234**	7,234
Provision for mine rehabilitation and decommissioning (Note 16)	**58,960**	58,259
Retirement obligation (Note 17)	**44,669**	39,985
Finance lease liabilities - net of current portion (Note 18)	**–**	–
Other non-current liabilities	**1,369**	1,095
Total Non-current Liabilities	**112,232**	106,573
Total Liabilities	**2,760,013**	2,547,139
Equity		
Capital stock (Note 19)	**6,113,455**	6,113,455
Valuation loss on AFS financial assets (Note 12)	**(843)**	–
Cumulative translation adjustment	**5,711**	–
Gain on remeasurement of retirement obligation	**2,277**	2,277
Retained earnings (Note 19)	**140,282**	422,160
Treasury stock (Note 19)	**(18)**	(18)
Equity attributable to the Equity holders of Global Ferronickel Holdings, Inc. (GFHI; the Parent Company)	**6,260,864**	6,537,874
Total Equity	**6,260,864**	6,537,874
TOTAL LIABILITIES AND EQUITY	**₱9,020,877**	₱9,085,013

See accompanying Notes to Unaudited Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Southeast Asia Cement Holdings, Inc. and Subsidiaries)
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED JUNE 30, 2016 AND 2015
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2016 AND 2015
(Amounts in Thousands, Except Earnings per Share)

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
	(Unaudited)			
SALE OF ORE	₱663,193	₱1,793,100	₱701,221	₱1,793,100
COST OF SALES (Note 21)	646,225	929,702	682,161	929,702
GROSS PROFIT	16,968	863,398	19,060	863,398
OPERATING EXPENSES				
Excise taxes and royalties (Note 22)	80,705	258,428	85,615	258,428
General and administrative (Note 23)	43,439	39,274	211,953	244,305
Shipping and distribution (Note 24)	69,155	68,464	69,485	68,464
TOTAL OPERATING EXPENSES	193,299	366,166	367,053	571,197
FINANCE INCOME	295	276	548	4,780
FINANCE COSTS (Note 27)	(9,789)	(29,624)	(22,294)	(53,452)
OTHER CHARGES - net (Note 28)	(5,955)	(37,045)	(5,487)	(76,743)
INCOME (LOSS) BEFORE INCOME TAX	(191,780)	430,839	(375,226)	166,786
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)				
Current	14	232	585	232
Deferred	(93,933)	13,585	(93,933)	13,585
	(93,919)	13,817	(93,348)	13,817
NET INCOME (LOSS)	(97,861)	417,022	(281,878)	152,969
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified to profit or loss in subsequent periods:				
Valuation loss on AFS financial assets	(421)	–	(843)	(295)
Cumulative translation adjustment	6,412	–	5,711	–
Item that will not be reclassified to profit or loss in subsequent periods:				
Remeasurement gain on retirement obligation	–	–	–	–
	5,991	–	4,868	(295)
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱91,870)	₱417,022	(₱277,010)	₱152,674
Net Income (Loss) Attributable To:				
Equity holders of the Parent Company	(₱97,861)	₱416,528	(₱281,878)	₱152,735
NCI	–	494	–	234
	(₱97,861)	₱417,022	(₱281,878)	₱152,969
Total Comprehensive Income (Loss) Attributable To:				
Equity holders of the Parent Company	(₱91,870)	₱416,528	(₱277,010)	₱152,440
NCI	–	494	–	234
	(₱91,870)	₱417,022	(₱277,010)	₱152,674
Basic/Diluted Earnings (Loss) per Share (Note 20) **Attributable to Equity Holders of the Parent Company**	(₱0.01)	₱0.02	(₱0.02)	₱0.01

See accompanying Notes to Unaudited Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Southeast Asia Cement Holdings, Inc. and Subsidiaries)
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2016 AND 2015
(Amounts in Thousands)

	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
Balances at December 31, 2015	₱6,113,455	(₱18)	₱–	₱2,277	₱–	₱422,160	₱6,537,874
Net loss for the period	–	–	–	–		(281,878)	(281,878)
Other comprehensive income - net of tax	–	–	(843)	–	5,711	–	4,868
Total comprehensive income (loss)	–	–	(843)	–	5,711	(281,878)	(277,010)
Balances at June 30, 2016	₱6,113,455	(₱18)	(₱843)	₱2,277	₱5,711	₱140,282	₱6,260,864

	Equity Attributable to Equity Holders of the Parent Company						NCI				
	Capital Stock (Note 19)	Treasury Stock (Note 19)	Valuation Gain (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 income for the period	–	–	–	–	152,735	152,735	–	234	–	234	152,969
Other comprehensive loss - net of tax	–	–	(295)	–	–	(295)	–	–	–	–	(295)
Total comprehensive income	–	–	–	–	152,735	152,440	–	234	–	234	152,674
Balances at June 30, 2015	₱6,113,455	(₱18)	₱211	₱1,675	(₱544,231)	₱5,571,092	₱191	₱7,419	₱2	₱7,612	₱5,578,704

See accompanying Notes to Unaudited Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Southeast Asia Cement Holdings, Inc. and Subsidiaries)
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2016 AND 2015
(Amounts in Thousands)

	2016	2015
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱375,226)**	₱166,786
Adjustments for:		
Depreciation and depletion (Note 26)	**161,839**	149,678
Interest expense (Note 27)	**20,184**	46,321
Unrealized foreign exchange losses (gains) - net	**(8,125)**	(8,504)
Amortization of discount on bank loans	**–**	1,980
Loss on modification of finance lease	**–**	41,394
Interest income	**(548)**	(8,361)
Retirement benefits costs (Note 17)	**4,684**	3,151
Accretion interest on provision for mine rehabilitation and decommissioning (Note 27)	**701**	558
Levelization of rental expense	**274**	246
Others	**7,356**	–
Operating income (loss) before changes in working capital	**(188,861)**	393,249
Decrease (increase) in:		
Trade and other receivables	**223,188**	(528,023)
Inventories - at cost	**(12,145)**	(179,511)
Prepayments and other current assets	**(36,389)**	(95,017)
Increase (decrease) in:		
Trade and other payables	**(24,879)**	(159,008)
Net cash generated from (used in) operations	**(39,086)**	(568,310)
Interest paid	**(21,223)**	(41,638)
Retirement benefits paid	**–**	(270)
Income taxes paid	**(1,634)**	(4,075)
Interest received	**548**	4,063
Net cash flows used in operating activities	**(61,395)**	(610,230)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment	**(158,074)**	(30,092)
Mine exploration costs	**(28,901)**	(1,316)
Proceeds from insurance of assets	**–**	937
Decrease (increase) in:		
Advances to related parties	**(209,406)**	(402,732)
Other noncurrent assets	**(143,307)**	(55,019)
Investment in subsidiaries	**–**	(22,500)
Cash acquired - acquisition of a subsidiary	**5,056**	–
Net cash flows used in investing activities	**(534,632)**	(510,722)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of bank loans	**(503,960)**	(1,162,712)
Proceeds from:		
Availment of bank loans	**701,884**	2,121,631
Issuance of capital stock	**–**	–
Increase (decrease) in:		
Finance lease receivable	**121,400**	26,518
Subscribed capital stock, net of subscription receivable	**–**	9,500
Finance lease liabilities	**(4,911)**	(15,801)
Amounts owed to related parties	**26,071**	60,026
Net cash flows from financing activities	**340,484**	1,039,162
NET DECREASE IN CASH	**(255,543)**	(81,790)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**2,025**	8,078
CASH AT BEGINNING OF PERIOD	**502,876**	691,869
CASH AT END OF PERIOD	**₱249,358**	₱618,157

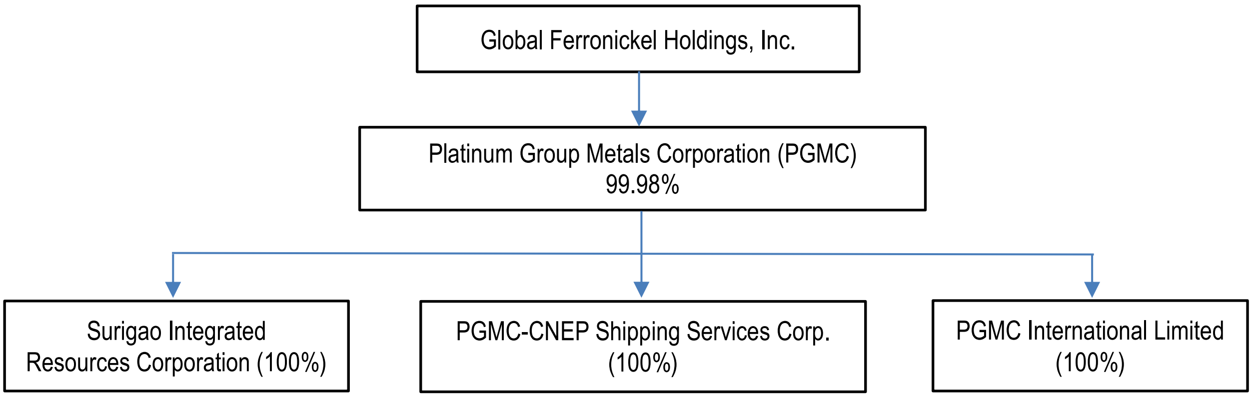
See accompanying Notes to Unaudited Consolidated Financial Statements.

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, 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 June 30, 2016 are as follows:

List of Top 20 Stockholders

Name	Citizenship	Holdings	Percentage
PCD NOMINEE CORP. - FILIPINO	Filipino	4,584,206,562	26.24%
HUATAI INVESTMENT PTY. LTD	Australian	2,923,430,140	16.74%
SOHOTON SYNERGY, INC.	Filipino	2,683,111,939	15.36%
PCD NOMINEE CORP. - NON-FILIPINO	Foreign	1,678,573,489	09.61%
REGULUS BEST NICKEL HOLDINGS INC.	Filipino	1,569,464,006	08.99%
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: 17,438,826,647 99.85%
Total Issued Shares 17,467,014,310

The SUBSIDIARIES

PLATINUM GROUP METALS CORPORATION (PGMC)

PGMC was registered with the Philippine 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 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 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. 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.

SURIGAO INTEGRATED RESOURCES CORPORATION (SIRC)

SIRC is a 100% owned subsidiary of PGMC and was organized in July 1999 and duly registered with the Philippine 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 Philippine 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 tanks (LCT) 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 Hong Kong, and 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 (BOD) of the Parent Company approved the following:

1. Pursuant to the Memorandum of Agreement dated November 27, 2014 executed between the Parent Company and the selling stockholders of SPNVI namely: Giantlead Prestige Inc., Alpha Centauri Fortune Group Inc., Antares Nickel Capital Inc., Huatai Investment Holding Pty. Ltd. and an individual, for the sale of 500,000 common shares and 6,250,000 preferred shares of SPNVI, representing one hundred percent (100%) of the outstanding capital of SPNVI, for the purchase price of fifty million United States Dollars (US$50,000,000) or its Philippine Peso equivalent, the Parent Company 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 Parent Company either after the conduct of the follow-on offering to the general public and for which a permit to sell has been secured from the SEC or whenever the Parent Company has generated sufficient funds to pay the purchase price from its operations or the conduct of other fund raising activities.

   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 Nickel Mining Exploration Corporation on September 19, 1993, as amended on April 10, 2000 (the “Mineral Property”), the Parent Company 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 ₱1.00 per share, and three billion seven hundred fifty million (3,750,000,000) preferred shares with a par value of ₱0.01 per share, for a total subscription price of thirty seven million eight hundred thousand pesos (₱37,800,000).

   The approval of the stockholders, representing at least 2/3 of the outstanding capital stock of the Parent Company, to authorize this transaction has been secured during the Parent Company’s Special Stockholders’ Meeting held last February 26, 2015.

   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 June 30, 2016, SPNVI directly owns ninety-four percent (94%) of Ipilan Nickel Corporation, a company registered with the Philippine 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 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 (DENR).

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. The consolidated financial statements are 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 (₱000), except number of shares, per share data and as indicated. Further, the unaudited interim 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, 2015.

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, except PIL are all based in the Philippines and are duly registered with the Philippine 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 significant 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 currencies of the Parent Company and subsidiaries have been determined to be Philippine peso, except for PIL whose functional currency is HKD. The Philippine peso and the HKD are the currencies of the primary economic environments in which the Parent Company, subsidiaries and PIL, respectively, operate. They are the currencies that mainly influence labor, material and other costs of providing goods of the Group.

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 instrument 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 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 net realizable value (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 June 30, 2016.

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 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

Amount in thousands	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Cash on hand	₱710	₱614
Cash with banks	248,648	502,262
	₱249,358	₱502,876

Cash with banks earn interest at the respective bank deposit rates.

5. Trade and Other Receivables

Amount in thousands	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Trade	₱423,302	₱704,056
Advances to:		
Contractors	61,720	2,203
Officers, employees and others	14,326	11,870
	499,348	718,129
Less allowance for impairment losses	17,359	17,359
	₱481,989	₱700,770

Trade receivables arising from shipment of nickel ore are non-interest-bearing and are generally collectible within thirty (30) to ninety (90) days.

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 June 30, 2016 and December 31, 2015. There was no provision for the periods ended June 30, 2016 and December 31, 2015.

6. Inventories - at cost

Amount in thousands	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Beneficiated nickel ore	₱583,969	₱574,726
Materials and supplies	71,959	69,057
	₱655,928	₱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**

Amount in thousands	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Prepaid insurance and others	₱19,614	₱5,115
Prepaid taxes and licenses	40,464	9,899
Prepaid rent	4,589	463
	₱64,667	₱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**

Amount in thousands	June 30, 2016 (Unaudited)								
	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:									
Beginning balances	₱10,435	₱53,992	₱758,319	₱7,468	₱4,855	₱1,393,187	₱595,612	₱18,247	₱2,842,115
Additions	–	–	147,170	553	9,045	–	–	1,306	158,074
Effect of acquisition of a subsidiary	–	–	17,346	3,233	–	–	–	–	20,579
Disposals	–	–	(3,241)	–	–	–	–	–	(3,241)
Reclassification	–	–	–	–	–	–	–	–	–
Ending balances	10,435	53,992	919,594	11,254	13,900	1,393,187	595,612	19,553	3,017,527
Accumulated depreciation and depletion:									
Beginning balances	–	19,011	185,015	5,456	2,525	480,454	100,675	–	793,136
Depreciation and depletion	–	3,076	51,618	814	7,953	71,847	15,544	–	150,852
Effect of acquisition of a subsidiary	–	–	867	162	–	–	–	–	1,029
Disposals	–	–	(3,241)	–	–	–	–	–	(3,241)
Ending balances	–	22,087	234,259	6,432	10,478	552,301	116,219	–	941,776
Net book values	₱10,435	₱31,905	₱685,335	₱4,822	₱3,422	₱840,886	₱479,393	₱19,553	₱2,075,751

	December 31, 2015 (Audited)								
	Land	Building and Land Improvements	Machineries and Other Equipment	Furniture and Fixtures	Equipment and Supplies	Mining Properties	Roads and Bridges	CIP	Total
Cost:									
Beginning balances	₱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	–	–	–	–
Ending balances	10,435	53,992	758,319	7,468	4,855	1,393,187	595,612	18,247	2,842,115
Accumulated depreciation and depletion:									
Beginning balances	–	13,400	102,081	4,532	1,742	119,893	68,274	–	309,922
Depreciation and depletion	–	5,611	99,309	924	783	360,561	32,401		499,589
Disposals	–	–	(16,375)	–	–	–	–	–	(16,375)
Ending balances	–	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

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 Case Mining Development Corporation (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 ₱290.6 million and ₱301.6 million as at June 30, 2016 and December 31, 2015, respectively. There were no provisions for impairment loss on mining rights recognized for the six months period ended June 30, 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 property amounted to ₱319.9 million as at June 30, 2016 and December 31, 2015. The fair value of investment property 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 property for the six months period ended June 30, 2016 and 2015.

11. Mine Exploration Costs

Amount in thousands	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
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 for the Surigao Mine Cagdianao Area (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 an 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.

12. AFS Financial Assets

As at June 30, 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 June 30, 2016 and December 31, 2015.

Movements in fair value of quoted equity instrument follow:

Amount in thousands	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
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	(843)	–
Ending balance	₱5,060	₱5,903

13. **Other Non-current Assets**

Amount in thousands	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Restricted cash	₱235,514	₱114,583
Input VAT	162,591	153,407
Advances to suppliers	190,453	174,572
Mine rehabilitation fund (MRF)	62,340	62,117
Others	21,569	24,481
	₱672,467	₱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:

Amount in thousands	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Taiwan Cooperative Bank (TCB)	₱234,749	₱95,161
Bank of China (BOC)	765	19,422
	₱235,514	₱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 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**

Amount in thousands	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Trade	₱384,338	₱383,033
Accrued expenses and taxes	86,454	141,683
Advances from customers	249,304	223,779
Nontrade	46,629	43,109
Interest payables	18	1,057
	₱766,743	₱792,661

Trade payables are non-interest-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:

Amount in thousands	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Business and other taxes	₱28,758	₱32,976
Excise taxes and royalties payable	46,860	96,808
Government dues	1,505	1,511
Provision for Social Development and Management Program (SDMP) and Indigenous Cultural Communities (ICC)	2,773	3,604
Accrued payroll	803	295
Others	5,755	6,489
	₱86,454	₱141,683

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 SDMP to promote the general welfare of inhabitants living therein;
2. Development of a program for the advancement of mining technology 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 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/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 non-interest-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 non-interest-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.

Non-trade 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 liabilities of the Group.

15. Bank Loans

Amount in thousands	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
TCB	₱935,100	₱941,200
Banco de Oro (BDO)	251,308	53,001
Unionbank of the Philippines (UnionBank)	–	215
EastWest Bank (EastWest)	–	168
	1,186,408	994,584
Less current portion		
TCB	935,100	941,200
BDO	244,074	45,767
UnionBank	–	215
EastWest	–	168
Total current portion	1,179,174	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 London Interbank Offered Rate (LIBOR) displayed on the Bloomberg and Reuters' page for the three (3)-month yield as of approximately 11:15 am on the interest rate setting date. In the event that the LIBOR will be replaced by a new benchmark as determined by the Banker's Association of the Philippines or the 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 LC opened by the buyers of the nickel ore of the Group. The amount collected shall be deposited in the waterfall account of the Group.
d. If the Group fails to make payment when due of any sum (whether at the stated maturity, by acceleration or otherwise), the Group shall pay penalty on such past due and unpaid amount/s at the rate of eighteen percent (18%) per annum, in addition to the interest rate from due date until the date of payment in full. The penalty shall be payable from time to time and upon demand by the bank.
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 June 30, 2016 and December 31, 2015, the remaining balance amounted to US$5.1 million and nil, respectively.

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 LC. All availed loans in 2015 were fully paid and no availments were made during the first half of 2016, hence the facility has no outstanding balance as at June 30, 2016 and December 31, 2015.

16. **Provision for Mine Rehabilitation and Decommissioning**

Amount in thousands	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Beginning balance	₱58,259	₱60,212
Accretion interest	701	1,117
Effect of change in estimate	–	(3,070)
Ending balance	₱58,960	₱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 June 30, 2016 and December 31, 2015.

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

The retirement benefits costs amounted to ₱4,684 and ₱3,151 for the six months period ended June 30, 2016 and 2015, respectively.

The Group does not have any plan assets as at June 30, 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 (GFHI, PGMC and PSSC) has one hundred seventy-three (173) regular employees, eight (8) employees under probationary period, and one thousand seven hundred fifty-seven (1,757) on a fixed term as at June 30, 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 receivables as at June 30, 2016 and December 31, 2015 consist of:

Amount in thousands	June 30, 2016 (Unaudited) Minimum lease payments	June 30, 2016 (Unaudited) Present value of minimum lease payments	December 31, 2015 (Audited) Minimum lease payments	December 31, 2015 (Audited) Present value of minimum lease payments
Within one (1) year	₱51,814	₱46,549	₱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	378,569	366,142	499,969	487,542
Less amount representing finance charge	12,427	–	12,427	–
Present value of minimum lease payments	₱366,142	₱366,142	₱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 June 30, 2016 and December31, 2015.

Future annual minimum lease payments under the lease agreements, together with the present value of the minimum lease payments as at June 30, 2016 and December 31, 2015 are as follows:

Amount in thousands	June 30, 2016 (Unaudited) Minimum lease payments	June 30, 2016 (Unaudited) Present value of minimum lease payments	December 31, 2015 (Audited) Minimum lease payments	December 31, 2015 (Audited) Present value of minimum lease payments
Within one (1) year	₱10,083	₱10,083	₱15,850	₱14,994
After one (1) year but not more than five (5) years	–	–	–	–
Total minimum lease payments	10,083	10,083	15,850	14.994
Less amount representing finance charge	–	–	856	–
Present value of minimum lease payments	₱10,083	₱10,083	₱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 June 30, 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 June 30, 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 10,463,093,371 common shares issued in accordance with the Share Swap transaction approved by the SEC on December 22, 2014, are listed in the PSE. The following table summarizes the track record of registrations of securities under the Securities Regulation Code.

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 Parent Company has 7,258 shares in treasury stock amounting to ₱18.4 thousand as at June 30, 2016 and December 31, 2015.

Retained Earnings
The Group has unrestricted retained earnings amounting to ₱140.3 million and ₱422.2 million as at June 30, 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 June 30, 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 June 30, 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 for the six months period ended June 30:

	2016	2015
	(Unaudited)	
Net income (loss) (in thousand)	(₱281,878)	₱152,735
Weighted average number of shares for basic earnings per share	17,467,007,052	17,467,007,052
Basic/Diluted Earnings (Loss) per Share	(₱0.02)	₱0.01

As at June 30, 2016 and 2015, there are no potentially dilutive common shares.

21. **Cost of Sales**

Amount in thousands	For the six months period ended June 30 2016	2015
	(Unaudited)	
Contract hire	₱387,613	₱632,502
Fuel and oil	3,745	2,020
Depreciation and depletion	153,191	142,003
Environmental protection costs	11,867	25,851
Personnel costs	54,983	41,935
Operation overhead	12,479	4,021
Rentals	5,387	28,536
Assaying and laboratory	6,841	10,974
Community relations	19,509	26,706
Repairs and maintenance	4,106	7,181
Other charges	22,440	7,973
	₱682,161	₱929,702

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 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.

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 and dry docking.

22. **Excise Taxes and Royalties**

Amount in thousands	For the six months period ended June 30 2016	2015
	(Unaudited)	
Royalties to claim - owners	₱28,914	₱122,364
Royalties to government	32,813	90,241
Royalties to indigenous people (IP)	10,743	9,727
Excise taxes	13,145	36,096
	₱85,615	₱258,428

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. The Group is also paying to IP royalty fees of minimum of one percent (1%) of the gross output from the mining operations.

Excise taxes and royalties payable amounted to ₱46.9 million and ₱96.8 million as at June 30, 2016 and December 31, 2015, respectively.

23. General and Administrative

Amount in thousands	For the six months period ended June 30 2016	2015
	(Unaudited)	
Personnel costs	₱88,340	₱74,498
Taxes and licenses	27,565	20,135
Marketing and entertainment	10,095	22,098
Consultancy fees	14,519	54,246
Outside services	15,842	22,457
Travel and transportation	14,052	17,385
Power and utilities	728	641
Depreciation	8,648	7,675
Repairs and maintenance	4,968	4,529
Office supplies	2,402	1,523
Rentals	12,243	3,779
Communication	2,581	3,367
Insurance	965	783
Other charges	9,005	11,189
	₱211,953	₱244,305

Other charges pertain to various expenses such as mailing and postage charges, and membership and subscription dues.

24. Shipping and Distribution

Amount in thousands	For the six months period ended June 30 2016	2015
	(Unaudited)	
Barging charges	₱55,063	₱51,626
Fuel, oil and lubricants	5,801	6,573
Stevedoring charges and shipping expenses	8,587	10,178
Government fees	34	87
	₱69,485	₱68,464

25. Personnel Costs

Amount in thousands	For the six months period ended June 30 2016	2015
	(Unaudited)	
Salaries and wages	₱124,299	₱97,458
Retirement benefits costs	4,684	3,151
Other employee benefits	14,340	15,824
	₱143,323	₱116,433

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

The above amounts were distributed as follows:

Amount in thousands	For the six months period ended June 30 2016	2015
	(Unaudited)	
Cost of sales	₱54,983	₱41,935
General and administrative	88,340	74,498
	₱143,323	₱116,433

26. **Depreciation and Depletion**

Amount in thousands	For the six months period ended June 30 2016	2015
	(Unaudited)	
Cost of sales	₱153,191	₱142,003
General and administrative	8,648	7,675
	₱161,839	₱149,678

27. **Finance Costs**

Amount in thousands	For the six months period ended June 30 2016	2015
	(Unaudited)	
Interest expense	₱20,184	₱46,321
Bank charges	1,409	4,593
Amortization of discount on bank loans	–	1,980
Accretion interest on provision for mine rehabilitation and decommissioning	701	558
	₱22,294	₱53,452

28. **Other Charges - net**

Amount in thousands	For the six months period ended June 30 2016	2015
	(Unaudited)	
Foreign exchange gains (losses) - net	₱5,977	(₱35,277)
Loss on modification of finance lease	–	(41,394)
Others	(11,464)	(72)
	(₱5,487)	(₱76,743)

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.

Amount in thousands

Category	Amount/Volume	Advances to related parties	Amounts owed to related parties	Terms	Conditions
Stockholders					
June 30, 2016	₱189,295	₱1,727,972	₱50,000	Non-interest-bearing; collectible or payable on demand	Unsecured; no guarantee
December 31, 2015	₱715,806	₱1,538,677	₱50,000		
Affiliates with common officers, directors and stockholders					
June 30, 2016	68,174	121,459	621,480	Interest-bearing; payable in 8 installments	Unsecured; no guarantee
December 31, 2015	(564,515)	100,554	574,211		
Total		₱1,849,431	₱671,480		
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 January 21, 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 2016, PGMC entered into a Time Charter Agreement with PSSC for the use of five (5) LCTs at ₱2.6 million each per month. This Agreement covers a period of seven (7) months on/about April 1, 2016 to October 31, 2016, subject to renewal upon mutual agreement of the parties.

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 six months period ended June 30, 2016 and 2015 amounted to about ₱27.7 million.

30. **Income Taxes**

The current provision for income tax represents minimum corporate income tax (MCIT) for the six months period ended June 30, 2016 and 2015. The Group is in net taxable loss position in 2016 and MCIT for 2015 is for taxable income not covered under ITH.

The components of the Group's net deferred income tax assets as at June 30, 2016 and December 31, 2015 follow:

Amount in thousands	2016	2015
	(Unaudited)	Audited
Deferred income tax assets:		
NOLCO	₱128,374	₱43,491
Provision for mine rehabilitation and decommissioning	17,688	17,478
Unrealized foreign exchange losses - net	20,907	14,891
Retirement obligation	13,401	11,996
Accrued taxes	11,969	11,969
Allowance for impairment losses on trade and other receivables	5,208	5,208
Excess MCIT	2,551	1,966
Rent payable	411	329
	200,509	107,328
Deferred income tax liability:		
Undepleted asset retirement obligation	8,791	9,543
	8,791	9,543
	₱191,718	₱97,785

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.

The services segment is engaged in the chartering out of LCTs to PGMC.

Financial information on the operation of the various business segments are as follows:

	June 30, 2016 (Unaudited)				
Amount in thousands	Mining	Service	Others	Elimination	Total
External customers	₱701,221	₱–	₱–	₱–	₱701,221
Intersegment revenues	30,261	38,461	–	(68,722)	–
Total revenues	731,482	38,461	–	(68,722)	701,221
Cost of sales	680,327	36,520	–	(34,686)	682,161
Excise taxes and royalties	85,615	–	–	–	85,615
Shipping and distribution	107,946	–	–	(38,461)	69,485
Segment operating earnings (loss)	(142,406)	1,941	–	4,425	(136,040)
General and administrative	179,327	5,413	27,213	–	211,953
Finance income	542	3	3	–	548
Finance costs	(22,274)	(3)	(17)	–	(22,294)
Other charges - net	6,294	–	–	(11,781)	(5,487)
Provision for (benefit from) income tax	(93,348)	–	–	–	(93,348)
Net income (loss) attributable to equity holders of GFHI	(₱243,823)	(₱3,472)	(₱27,227)	(₱7,356)	(₱281,878)
Segment assets	₱9,437,822	₱338,716	₱11,465,778	(₱12,421,948)	₱8,820,368
Deferred income tax assets	200,509	–	–	–	200,509
Total assets	₱9,638,331	₱338,716	₱11,465,778	(₱12,421,948)	₱9,020,877
Segment liabilities	₱3,213,534	₱263	₱3,689,278	(₱4,151,853)	₱2,751,222
Deferred income tax liabilities	8,791	–	–	–	8,791
Total liabilities	₱3,222,325	₱263	₱3,689,278	(₱4,151,853)	₱2,760,013
Capital expenditures	₱155,936	₱125	₱2,013	₱–	₱158,074
Depreciation and depletion	₱145,313	₱16,425	₱101	₱–	₱161,839

	December 31, 2015 (Audited)				
Amount in thousands	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 distribution	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	₱252,072	₱–	₱–	₱–	₱252,072
Depreciation and depletion	₱548,631	₱45,852	₱–	₱–	₱594,483

	June 30, 2015 (Unaudited)				
Amount in thousands	Mining	Service	Others	Elimination	Total
External customers	₱1,793,100	₱–	₱–	₱–	₱1,793,100
Intersegment revenues	–	37,161	–	(37,161)	–
Total revenues	1,793,100	37,161	–	(37,161)	1,793,100
Cost of sales	899,386	30,316	–	–	929,702
Excise taxes and royalties	258,428	–	–	–	258,428
Shipping and distribution	105,625	–	–	(31,161)	68,464
Segment operating earnings	529,661	6,845	–	–	536,506
General and administrative	192,524	9,894	41,887	–	244,305
Finance income	4,776	4	–	–	4,780
Finance costs	(53,452)	–	–	–	(53,452)
Other charges - net	(76,743)	–	–	–	(76,743)
Provision for (benefit from) income tax	14,657	(840)	–	–	13,817
Net income attributable to equity holders of GFHI	₱196,760	(₱2,202)	(₱41,823)	₱–	₱152,735
Segment assets	₱8,948,715	₱342,915	₱7,020,565	(₱7,746,597)	₱8,565,598
Deferred income tax assets	43,026	840	–	–	43,866
Total assets	₱8,991,741	₱343,755	₱7,020,565	(₱7,746,597)	₱8,609,464
Segment liabilities	₱3,469,021	₱136	₱482,893	(₱935,479)	₱3,016,571
Deferred income tax liabilities	14,188	–	–	–	14,188
Total liabilities	₱3,483,209	₱136	₱482,893	(₱935,479)	₱3,030,759
Capital expenditures	₱17,188	₱–	₱–	₱–	₱17,188
Depreciation and depletion	₱135,086	₱16,572	₱–	₱–	₱151,658

Total revenues from external customers amounting to ₱701,221 and ₱1,793,100 for the six months period ended June 30, 2016 and 2015, respectively, where shipped to China.