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SEC Registration Number

GLOBAL FERRONICKEL HOLDINGS INC

formerly:

SOUTHEAST ASIA CEMENT HOLDINGS INC

(Company's Full Name)

7F CORPORATE BUSINESS CENTER 151

PASEO DE ROXAS COR ARNAIZ ST

MAKATI

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

Atty. Noel Lazaro

(Contact Person)

(632) 5118229

(Company Telephone Number)

Month *Day*

(Fiscal Year)

17-Q

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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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 - **SEPTEMBER 30, 2017**
2. Commission Identification Number - **ASO94-003992**
3. BIR Tax Identification Number - **003-871-592**
4. Exact name of issuer as specified in its charter
   GLOBAL FERRONICKEL HOLDINGS, INC.
5. Province, country or other jurisdiction of incorporation or organization
   Metro Manila, Philippines
6. Industry Classification Code: ☐ (SEC Use Only)
7. Address of issuer's principal office — Postal Code
   7th Floor Corporate Business Center, 151 Paseo de Roxas cor. 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	2,334,640,312
Amount of Debt Outstanding	Not applicable

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

    Yes [X] 2,334,640,312 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 [ ]

October 25, 2017

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
The Philippine International Convention Center
Pasay City, Metro Manila

Re: SEC Form 17-Q 2017 3rd 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 September 30, 2017.

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
SEPTEMBER 30, 2017

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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

The Unaudited Interim Consolidated Financial Statements as at September 30, 2017 and for the nine-month period ended September 30, 2017 and 2016 (with Comparative Audited Consolidated Statement of Financial Position as at December 31, 2016) are hereto attached.

The following tables set forth the summary financial information for the nine-month period ended September 30, 2017 and 2016 and as at September 30, 2017 and December 31, 2016:

1.a. Summary Consolidated Statements of Financial Position

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)	Increase/ (Decrease)	Percent Inc. (Dec.)
	(In Thousand Pesos)			
ASSETS				
Current Assets	4,507,300	3,632,772	874,528	24.1%
Noncurrent Assets	5,202,795	5,793,922	(591,127)	-10.2%
TOTAL ASSETS	9,710,095	9,426,694	283,401	3.0%
LIABILITIES AND EQUITY				
Current Liabilities	2,339,782	2,227,747	112,035	5.0%
Noncurrent Liabilities	662,866	652,388	10,478	1.6%
Total Liabilities	3,002,648	2,880,135	122,513	4.3%
Equity				
Attributable to equity holders				
of the Parent Company	6,707,447	6,546,559	160,888	2.5%
TOTAL LIABILITIES AND EQUITY	9,710,095	9,426,694	283,401	3.0%

1.b. Summary Consolidated Statements of Comprehensive Income

	For the Three Months Ended September 30		For the Nine Months Ended September 30		Increase (Decrease)	
	2017	2016	2017	2016	3 Months	9 Months
			(In Thousand Pesos)			
Revenues	2,784,627	1,996,083	4,646,263	2,700,703	788,544	1,945,560
Cost and Expenses	(1,990,560)	(1,550,313)	(3,646,955)	(2,628,589)	(440,247)	(1,018,366)
Finance Costs	(19,899)	(19,432)	(52,076)	(51,508)	(467)	(568)
Other Income (Charges) - net	34,119	45,583	56,035	21,500	(11,464)	34,535
Income Before Income Tax	808,287	471,921	1,003,267	42,106	336,366	961,161
Provision for Income Tax	180,144	147,357	223,362	35,080	32,787	188,282
Net Income	**628,143**	**324,564**	**779,905**	**7,026**	303,579	772,879
Other Comprehensive Income	4,455	3,946	17,953	4,060	509	13,893
Total Comprehensive Income	**632,598**	**328,510**	**797,858**	**11,086**	304,088	786,772
Basic and Diluted Income Per Share	0.1091	0.0557	0.1352	0.0012	0.0534	0.1340

1.c. Summary Consolidated Statements of Changes in Equity

	For the Period Ended September 30 2017	For the Period Ended September 30 2016	For the Year Ended December 31 2016
	(In Thousand Pesos)		
Capital Stock			
Common Stock	6,113,475	6,113,455	6,113,475
Remeasurement Gain on Retirement Obligation	5,342	2,277	5,342
Valuation Loss on Available-for-sale Financial Assets	(42)	(2,108)	-
Cumulative Translation Adjustment	3,889	6,168	(14,106)
Retained Earnings			
Balance, Beginning	459,654	422,160	422,160
Income for the Period	779,905	7,026	37,494
Balance, Ending	1,239,559	429,186	459,654
Treasury Stock - at cost	(654,776)	(9,487)	(17,806)
Non-controlling Interest	-	-	-
Total Equity	**6,707,447**	**6,539,491**	**6,546,559**

1.d. Summary Consolidated Statements of Cash Flows

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
	(In Thousand Pesos)			
NET CASH FLOWS FROM (USED IN):				
Operating activities	1,106,423	296,034	1,445,403	474,612
Investing activities	(96,875)	58,293	(414,225)	(580,799)
Financing activities	(527,759)	(262,891)	(784,754)	(46,283)
NET INCREASE (DECREASE) IN CASH	481,789	91,436	246,424	(152,470)
Effect of exchange rate changes on cash	(144,669)	5,494	(187,663)	7,782
CASH AT BEGINNING OF PERIOD	273,583	261,258	**551,942**	**502,876**
CASH AT END OF PERIOD	**610,703**	**358,188**	**610,703**	**358,188**

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 September 30, 2017 and December 31, 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the periods ended September 30, 2017 and 2016 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 September 30, 2017, total assets of the Group stood at ₱9,710.1 million, an increase of ₱283.4 million or 3.0%, from ₱9,426.7 million as at December 31, 2016. The increase was due to the net effect of the increase in current assets by ₱874.5 million or 24.1% and decrease in noncurrent assets by ₱591.1 million or 10.2%. The increase in current assets was mainly attributable to the increase in trade and other receivables by ₱559.1 million as some nickel ore buyers opted to pay through a 90-day letters of credit (LC) this year instead of the LC after sight credit in the prior year and increase in advances to related parties by ₱275.3 million. In addition, restricted cash under prepayments and other current assets decreased by ₱57.4 million due to the reduction in the debt service reserve account required on the Taiwan Cooperative Bank loan in May 2017.

The decrease in noncurrent assets from ₱5,794.0 million to ₱5,202.8 million was mainly due to the sale of the Group's investment property amounting to ₱319.9 million to JSY6677 Landholdings, Inc. in March 2017. The sale of investment property was offset against the outstanding amounts owed to a related party. In addition, property and equipment decreased by ₱226.1 million as a result of the additional depreciation and depletion during the period amounting to ₱312.3 million, net of ₱92.3 million acquisitions of machineries and other equipment, and others. Moreover, mining rights decreased by ₱39.3 million due to the amortization during the period.

Total liabilities of the Group stood at ₱3,002.6 million as at September 30, 2017, an increase of ₱122.5 million or 4.3%, from ₱2,880.1 million as at December 31, 2016. The net increase was due to the increase in trade and other payables by ₱538.1 million, repayment of bank loans amounting to ₱644.7 million, net of ₱388.0 million availments during the period, and decrease in amounts owed to related parties amounting to ₱348.6 million. Furthermore, income tax payable increased by ₱157.6 million due to higher taxable income during the period compared to the prior period.

Results of Operations

Export Revenues

The Group's third quarter 2017 mining operations generated total export revenues of ₱2,784.6 million, bringing to date revenues to ₱4,646.3 million compared to ₱2,700.7 million in the nine months ended September 30, 2016, an increase of ₱1,945.6 million or 72.0% due to the increase in the volume shipped, higher prices of nickel ore, better product mix and favorable exchange rate compared to the same period in 2016.

The sale of nickel ore for the nine months ended September 30, 2017 was 4.929 million wet metric tons (WMT), up by 1.480 million WMT or 42.9%, compared to 3.449 million WMT of nickel ore in the nine months ended September 30, 2016. The Group were able to ship 90 vessels of nickel ore during the nine months period ended September 30, 2017 as against 63 vessels of nickel ore during the same period last year. The increase in the number of vessels loaded and consequently in the volume of nickel ore shipped was mainly due to equipment productivity and improved business management during the period compared to the same period last year. These shipments sold solely to Chinese customers consisted of 2.870 million WMT low-grade nickel ore and 2.059 million WMT medium-grade nickel ore compared to 2.231 million WMT low-grade nickel ore, 1.162 WMT medium-grade nickel ore and 0.056 million WMT high-grade nickel ore of the same period in 2016.

The average realized nickel ore price for the nine months ended September 30, 2017 was United States dollar (US$)18.77/WMT compared to US$16.70/WMT of the same period last year, higher by US$2.07/WMT or 12.4%.

The average realized Peso over US$ exchange rate for the Group's export revenues was ₱50.23 compared to ₱46.88 of the same period last year, higher by ₱3.35 or 7.1%.

Service Revenues

The service income earned for the landing craft tanks (LCT) chartered by Platinum Group Metals Corporation (PGMC) from its subsidiary, PGMC-CNEP Shipping Services Corp., amounted to ₱77.2 million for the nine months period ended September 30, 2017 as compared to ₱78.1 million for the same period last year.

Cost and Expenses

The cost and expenses includes cost of sales, excise taxes and royalties, general and administrative expenses and shipping and distribution. The cost and expenses amounted to ₱3,647.0 million for the nine months ended September 30, 2017 compared to ₱2,628.6 million for the nine months ended September 30, 2016, an increase of ₱1,018.4 million or 38.7%. The increase was primarily due to higher tonnage produced and volume shipped compared to the same period of last year. However, the average cash operating cost (which includes cost of sales, general and administrative expenses, and shipping and distribution) per volume sold decreased to ₱547.80 per WMT for the nine months of 2017 from ₱574.05 per WMT, lower by ₱26.25 per WMT or 4.6%. For the nine months period ended September 30, 2017, the total aggregate cash costs and total sales volume were ₱2,700.1 million and 4.929 million WMT, respectively. For the nine months period ended September 30, 2016, the total aggregate cash costs and total sales volume were ₱1,979.9 million and 3.449 WMT, respectively.

Cost of Sales

The cost of sales went up from ₱1,781.7 million for the nine months ended September 30, 2016 to ₱2,323.1 million for the same period this year, an increase by ₱541.4 million, or 30.4%. Contract hire increased by ₱468.1 million (from ₱1,201.3 million in 2016 to ₱1,669.4 million in 2017), or 39.0%. Depreciation and depletion increased by ₱46.5 million (from ₱292.0 million in 2016 to ₱338.5 million in 2017), or 15.9%. The increase in contract hire and depreciation and depletion was mainly due to increase in production volume in relation to the increase in volume shipped compared to prior period. Moreover, operation overhead increased by ₱21.6 million (from ₱15.0 million in 2016 to ₱36.6 million in 2017), or 144.0% due mainly to the drilling services cost in relation to the confirmatory drilling incurred for Cagdianao Areas (CAGA) 2 and 4 operating mines.

Excise Taxes and Royalties

The excise taxes and royalties were ₱595.2 million and ₱343.7 million during the nine months period ended September 30, 2017 and 2016, respectively. Since these expenses were computed and paid based on the percentage of the revenues, the increase in nickel ore price and volume shipped consequently increased the excise taxes and royalties taken up.

General and Administrative

The general and administrative expenses were ₱401.8 million in the nine months ended September 30, 2017 compared to ₱295.4 million in the nine months ended September 30, 2016, an increase of ₱106.4 million, or 36%. The consultancy fees and marketing and entertainment increased by ₱9.7 million and ₱18.5 million, respectively, due to the additional costs incurred during the period in relation to the Group's planned follow-on offering. In addition, taxes and licenses increased by ₱45.1 million mainly due to the payment of additional tax assessment for the calendar year 2012, and local business tax which was minimal in 2016 compared to 2017 as the Board of Investments (BOI) Income Tax Holiday of its subsidiary, PGMC, already expired. Moreover, the Group's personnel costs increased during the period as the Group hired additional manpower to complement the growing business requirements of the Group.

Shipping and Distribution

The shipping and loading costs were ₱326.8 million for the nine months ended September 30, 2017 compared to ₱207.8 million in the same period last year, up by ₱119.0 million, or 57.3%. The increase was mainly due to the increase in production volume during the period.

Finance Costs

Finance costs amounted to ₱52.1 million in the nine months ended September 30, 2017 compared to ₱51.5 million in the nine months ended September 30, 2016, a minimal increase of ₱0.6 million, or 1.1%.

Other Income - net

The net other income amounted to ₱52.5 million in the nine months ended September 30, 2017 compared to ₱17.7 million in the nine months ended September 30, 2016. The change in the account pertains mainly to the movement in the foreign exchange related transactions resulting to higher net foreign exchange gains during the period compared to the prior period.

Provision for Income Tax

The net provision for income tax was ₱223.4 million for the nine months ended September 30, 2017 compared to ₱35.1 million in the same period last year, an increase of ₱188.3 million or 536.7%.

The current provision for income tax for the nine months ended September 30, 2017 was ₱224.8 million compared to ₱25.1 million in the same period last year, an increase of ₱199.7 million due to the higher taxable income earned during the period compared to the same period in 2016.

Net Income (Loss)

As a result of the foregoing, the Group's consolidated net income amounted to ₱779.9 million from January to September 2017, an increase by ₱772.9.0 million, from ₱7.0 consolidated net income for the same period of 2016.

Total Comprehensive Income – net of tax

Cumulative Translation Adjustment
The Group had recognized cumulative translation adjustment amounting to ₱3.9 million and (₱14.1 million) as of September 30, 2017 and December 31, 2016, respectively, which pertained to the exchange differences arising on the translation of a subsidiary's functional currency to the presentation currency of the Parent Company.

Valuation Loss on AFS Financial Assets
The Group recognized valuation loss on AFS financial assets amounting to ₱0.04 million and ₱2.1 million for the nine months period ended September 30, 2017 and 2016, respectively.

Statement of Cash Flows

Cash Flows from Operating Activities
The net cash flows from operating activities resulted to ₱1,445.4 million for the nine months ended September 30, 2017 compared to ₱474.6 million of the same period last year. The increase in the cash generated from operations was due to higher sale of ore during the period compared to the prior period as a result of the increase in volume shipped and realized nickel price.

Cash Flows from Investing Activities
The net cash flows used in investing activities for the nine months ended September 30, 2017 and 2016 amounted to ₱414.2 million and ₱580.8 million, respectively. The net cash outflows in 2017 arise mainly to the net acquisitions of property and equipment amounted to ₱95.1 million, additional mine exploration costs incurred amounted to ₱16.4 million, additional advances to related parties amounted to ₱244.4 million and increase in other noncurrent assets by ₱78.5 million. The net cash outflows in 2016 arise mainly to the net acquisitions of property and equipment amounted to ₱264.0 million, additional mine exploration costs incurred amounted to ₱68.9 million, additional advances to related parties amounted to ₱141.7 million and increase in other noncurrent assets amounted to ₱121.2 million.

Cash Flows from Financing Activities
For the nine months ended September 30, 2017 and 2016, the net cash flows used in financing activities amounted to ₱784.8 million and ₱46.3 million, respectively. The net cash outflows in 2017 arise mainly from the proceeds from availment of bank loans amounted to ₱388.0 million, net of payments of bank loans amounted to ₱644.7 million and repurchase of treasury shares amounted to ₱637.0 million. The net cash outflows in 2016 arise mainly from the proceeds from availment of bank loans amounted to ₱837.2 million, net of payments of bank loans amounted to ₱880.4 million.

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 September 30, 2017.

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 September 30, 2017 and 2016:

Indicators	Formula	2017	2016
Earnings Per Share	Profit for the Period/Weighted Average Number of Shares Outstanding	0.1352	0.0012
Debt-to-Equity Ratio	Total Liabilities/Total Equity	0.45:1	0.40:1
Asset-to-Equity Ratio	Total Assets/Total Equity	1.45:1	1.40:1
Current Ratio	Current Assets/Current Liabilities	1.93:1	1.47:1

PART III - OTHER INFORMATION

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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **GLOBAL FERRONICKEL HOLDINGS, INC.**

Signature and Title: **ATTY. DANTE R. BRAVO**
President

Date: October 25, 2017

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

Date: October 25, 2017

Annex A

Aging of Trade and Other Receivables
As at September 30, 2017
(In Thousand Pesos)

	Neither Past Due Nor Impaired	Past Due But Not Impaired			Impaired	Total
		90 Days or Less	91-120 Days	More than 120 days		
Trade	1,074,158	-	-	226,574	17,359	1,300,732
Advances to Contractors	84,789	-	-	-	-	84,789
Advances to Officers, Employees and Others	38,070	-	-	-	-	38,070
Total		**-**	**-**	**226,574**		**1,423,591**
Less: Allowance for Doubtful Accounts						17,359
NET RECEIVABES						**1,406,232**

GLOBAL FERRONICKEL HOLDINGS, INC.
SEC FORM 17-Q
INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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)

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Current Assets		
Cash (Note 4)	**₱610,703**	₱551,942
Trade and other receivables (Note 5)	**1,406,232**	847,175
Current portion of finance lease receivable (Note 18)	**94,929**	72,282
Advances to related parties (Note 29)	**1,889,422**	1,614,084
Inventories - at cost (Note 6)	**235,665**	275,983
Prepayments and other current assets (Note 7)	**270,349**	271,306
Total Current Assets	**4,507,300**	3,632,772
Noncurrent Assets		
Property and equipment (Note 8)	**1,885,857**	2,111,973
Deposits for future acquisition (Note 29)	**2,217,354**	2,217,354
Mining rights (Note 9)	**225,584**	264,888
Finance lease receivable - net of current portion (Note 18)	**123,764**	160,670
Investment property (Note 10)	**–**	319,865
Mine exploration costs (Note 11)	**240,229**	223,807
Deferred tax assets - net (Note 30)	**52,038**	58,310
Investment in an associate	**–**	116
Other noncurrent assets (Note 12)	**457,969**	436,939
Total Noncurrent Assets	**5,202,795**	5,793,922
TOTAL ASSETS	**₱9,710,095**	₱9,426,694
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	**₱1,086,325**	₱548,229
Current portion of bank loans (Note 14)	**763,485**	998,695
Amounts owed to related parties (Note 29)	**317,912**	666,481
Current portion of finance lease liabilities (Note 18)	**2,527**	2,416
Income tax payable	**169,533**	11,926
Total Current Liabilities	**2,339,782**	2,227,747
Noncurrent Liabilities		
Bank loans - net of current portion (Note 14)	**33**	713
Provision for mine rehabilitation and decommissioning (Note 15)	**70,180**	67,123
Retirement obligation (Note 16)	**57,774**	47,882
Finance lease liabilities - net of current portion (Note 18)	**1,228**	3,137
Other noncurrent liabilities (Note 17)	**533,651**	533,533
Total Noncurrent Liabilities	**662,866**	652,388
Total Liabilities	**3,002,648**	2,880,135
Equity		
Capital stock (Note 19)	**6,113,475**	6,113,475
Valuation loss on AFS financial assets (Note 12)	**(42)**	–
Cumulative translation adjustment	**3,889**	(14,106)
Gain on remeasurement of retirement obligation	**5,342**	5,342
Retained earnings	**1,239,559**	459,654
Treasury stock (Note 19)	**(654,776)**	(17,806)
Equity attributable to the Equity holders of Global Ferronickel Holdings, Inc. (GFHI; the Parent Company)	**6,707,447**	6,546,559
Total Equity	**6,707,447**	6,546,559
TOTAL LIABILITIES AND EQUITY	**₱9,710,095**	₱9,426,694

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 SEPTEMBER 30, 2017 AND 2016
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017 AND 2016
(Amounts in Thousands, Except Earnings per Share)

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
	(Unaudited)			
SALE OF ORE	₱2,784,627	₱1,996,083	₱4,646,263	₱2,700,703
COST OF SALES (Note 21)	1,298,759	1,065,793	2,323,111	1,781,703
GROSS PROFIT	1,485,868	930,290	2,323,152	919,000
OPERATING EXPENSES				
Excise taxes and royalties (Note 22)	347,321	258,035	595,247	343,650
General and administrative (Note 23)	128,698	88,187	401,853	295,453
Shipping and distribution (Note 24)	215,782	138,298	326,744	207,783
TOTAL OPERATING EXPENSES	691,801	484,520	1,323,844	846,886
FINANCE COSTS (Note 27)	(19,899)	(19,432)	(52,076)	(51,508)
FINANCE INCOME	434	1,082	3,694	3,822
SHARE IN NET LOSS OF AN ASSOCIATE	–	–	(116)	–
OTHER INCOME - net (Note 28)	33,685	44,501	52,457	17,678
INCOME BEFORE INCOME TAX	808,287	471,921	1,003,267	42,106
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)				
Current	179,615	23,230	224,802	25,070
Deferred	529	124,127	(1,440)	10,010
	180,144	147,357	223,362	35,080
NET INCOME	628,143	324,564	779,905	7,026
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified to profit or loss in subsequent periods:				
Valuation income (loss) on AFS financial assets (Note 12)	422	(1,265)	(42)	(2,108)
Currency translation adjustment - net of tax	4,033	5,211	17,995	6,168
Item that will not be reclassified to profit or loss in subsequent periods:				
Remeasurement gain on retirement obligation	–	–	–	–
	4,455	3,926	17,953	4,060
TOTAL COMPREHENSIVE INCOME	₱632,598	₱328,510	₱797,858	₱11,086
Net Income Attributable To:				
Equity holders of the Parent Company	₱628,143	₱324,564	₱779,905	₱7,026
Non-controlling Interest (NCI)	–	–	–	–
	₱628,143	₱324,564	₱779,905	₱7,026
Total Comprehensive Income Attributable To:				
Equity holders of the Parent Company	₱632,598	₱328,510	₱797,858	₱11,086
NCI	–	–	–	–
	₱632,598	₱328,510	₱797,858	₱11,086
Basic/Diluted Earnings per Share (Note 20) **Attributable to Equity Holders of the Parent Company**	₱0.1091	₱0.0557	₱0.1352	₱0.0012

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017 AND 2016
(Amounts in Thousands)

	Capital Stock (Note 19)	Treasury Stock (Note 19)	Valuation Loss on AFS Financial Assets (Note 12)	Remeasurement Gain on Retirement Obligation	Cumulative Translation Adjustment	Retained Earnings	Total Equity
Balances at December 31, 2016 (Audited)	₱ 6,113,475	₱ (17,806)	₱ -	₱ 5,342	₱ (14,106)	₱ 459,654	₱ 6,546,559
Net income for the period	-	-	-	-	-	779,905	779,905
Other comprehensive income (loss) - net of tax	-	-	(42)	-	17,995	-	17,953
Total comprehensive income (loss) - net of tax	-	-	(42)	-	17,995	779,905	797,858
Purchase of treasury shares	-	(636,970)	-	-	-	-	(636,970)
Balances at September 30, 2017 (Unaudited)	₱ 6,113,475	₱ (654,776)	₱ (42)	₱ 5,342	₱ 3,889	₱ 1,239,559	₱ 6,707,447
Balances at December 31, 2015 (Audited)	₱ 6,113,455	₱ (18)	₱ -	₱ 2,277	₱ -	₱ 422,160	₱ 6,537,874
Net loss for the period	-	-	-	-	-	7,026	7,026
Other comprehensive income (loss) - net of tax	-	-	(2,108)	-	6,168		4,060
Total comprehensive income (loss) - net of tax	-	-	(2,108)	-	6,168	7,026	11,086
Purchase of treasury shares	-	(9,469)	-	-	-	-	(9,469)
Balances at September 30, 2016 (Unaudited)	₱ 6,113,455	₱ (9,487)	₱ (2,108)	₱ 2,277	₱ 6,168	₱ 429,186	₱ 6,539,491

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017 AND 2016
(Amounts in Thousands)

	2017	2016
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,003,267**	₱42,106
Adjustments for:		
Depreciation, depletion and amortization (Note 26)	**351,596**	305,043
Interest expense (Note 27)	**43,767**	45,903
Unrealized foreign exchange losses (gains) - net	**(11,461)**	21,209
Interest income	**(3,694)**	(3,822)
Retirement benefits costs (Note 16)	**7,788**	7,026
Accretion interest on provision for mine rehabilitation and decommissioning (Note 27)	**3,057**	1,052
Share in net loss of an associate	**116**	–
Levelization of rental expense	**118**	387
Loss on modification of finance lease	**–**	1,037
Loss on disposal of property and equipment	**8**	–
Loss on acquisition of a subsidiary	**–**	7,356
Operating income before changes in working capital	**1,394,562**	427,297
Decrease (increase) in:		
Trade and other receivables	**(119,102)**	(191,455)
Inventories - at cost	**40,318**	326,216
Prepayments and other current assets	**(11,903)**	(57,488)
Increase in:		
Trade and other payables	**250,741**	8,510
Net cash generated from operations	**1,554,616**	513,080
Interest paid	**(45,712)**	(36,100)
Income taxes paid	**(67,195)**	(3,195)
Interest received	**3,694**	827
Net cash flows from operating activities	**1,445,403**	474,612
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment	**(95,140)**	(263,980)
Mine exploration costs	**(16,422)**	(68,862)
Proceeds from disposal of property and equipment	**5,976**	–
Decrease (increase) in:		
Advances to related parties	**(244,434)**	(141,715)
Other noncurrent assets	**(78,464)**	(121,222)
Finance lease receivables	**14,259**	9,924
Cash inflow from acquisition of net assets of a subsidiary	**–**	5,056
Net cash flows used in investing activities	**(414,225)**	(580,799)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of bank loans	**(644,712)**	(880,418)
Proceeds from availment of bank loans	**388,042**	837,158
Increase (decrease) in:		
Finance lease liabilities	**(1,798)**	(14,994)
Amounts owed to related parties	**110,684**	21,440
Repurchase of shares	**(636,970)**	(9,469)
Net cash flows used in financing activities	**(784,754)**	(46,283)
NET INCREASE (DECREASE) IN CASH	**246,424**	(152,470)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(187,663)**	7,782
CASH AT BEGINNING OF PERIOD	**551,942**	502,876
CASH AT END OF PERIOD	**₱610,703**	₱358,188

See accompanying Notes to Unaudited Consolidated Financial Statements.

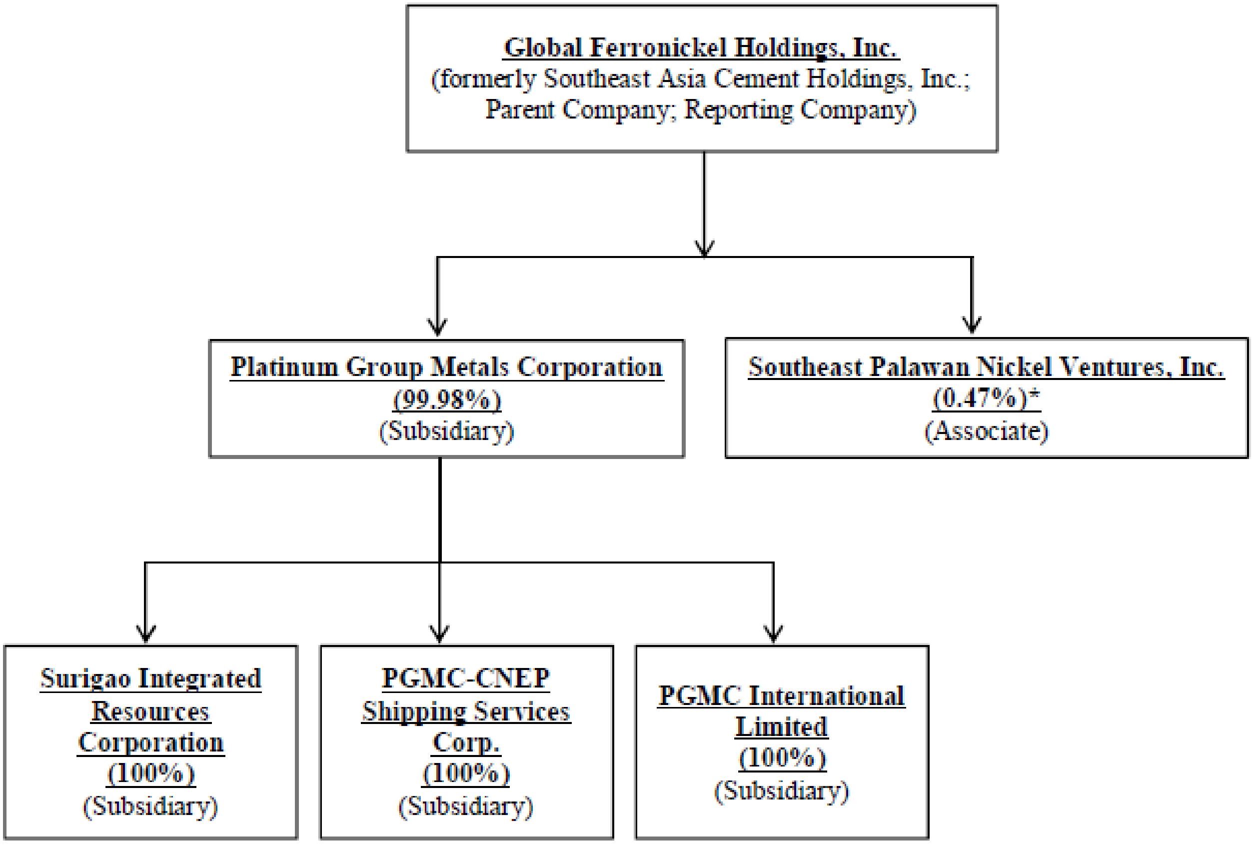
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Southeast Asia Cement Holdings, Inc. and Subsidiaries)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 registered office address of the Parent Company is 7th Floor Corporate Business Center, 151 Paseo de Roxas, cor. Arnaiz St., Makati City.

The following is the map of relationships of the Companies within the Group:



*0.47% represents the ownership of GFHI on SPNVI's all classes of outstanding shares, preferred and common. GFHI owns 37.5% of the outstanding common shares of SPNVI with voting power.

The Parent Company's principal stockholders as at September 30, 2017 are as follows:

List of Top 20 Stockholders

Name	Citizenship	Holdings	Percentage
PCD NOMINEE CORP. - FILIPINO	Filipino	1,596,911,728	27.43%
HUATAI INVESTMENT PTY. LTD	Australian	974,476,713	16.74%
SOHOTON SYNERGY, INC.	Filipino	761,037,313	13.07%
PCD NOMINEE CORP. - NON-FILIPINO	Foreign	605,853,648	10.41%
REGULUS BEST NICKEL HOLDINGS INC.	Filipino	523,154,668	08.99%
BLUE EAGLE ELITE VENTURE INC.	Filipino	348,769,779	05.99%
ULTIMATE HORIZON CAPITAL, INC.	Filipino	348,769,779	05.99%
BELLATRIX STAR, INC.	Filipino	187,952,034	03.23%
ALPHA CENTAURI FORTUNE GROUP INC.	Filipino	187,952,034	03.23%
ANTARES NICKEL CAPITAL, INC.	Filipino	91,342,805	01.57%
RED LION FORTUNE GROUP INC.	Filipino	57,588,866	00.99%
WEI TING	Chinese	49,595,062	00.85%
GREAT SOUTH GROUP VENTURES INC.	Filipino	32,644,851	00.56%
GLOBAL FERRONICKEL HOLDINGS, INC.*	Filipino	18,333,333	00.31%
DANTE R. BRAVO	Filipino	13,950,791	00.24%
SENG GAY CHAN	Singaporean	10,463,093	00.18%
ORION-SQUIRE CAPITAL, INC. A/C-0459	Filipino	2,153,874	00.04%
SQUIRE SECURITIES, INC	Filipino	818,244	00.01%
GEORGE L. GO	Filipino	511,531	00.01%
KUOK PHILIPPINES PROPERTIES INC.	Filipino	437,692	00.01%
GABRIEL TONG	Filipino	396,400	00.01%

Total Top 20 Shareholders: 5,812,717,838 99.83%
Total Issued Shares 5,822,357,151
**These are treasury shares acquired pursuant to the Company's buyback program.*

The Subsidiaries

PGMC

PGMC was registered with the Philippine SEC on February 10, 1983. PGMC is a 99.98%-owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting nickel ore located in the municipality of Claver, Surigao del Norte.

Seasonality

During the rainy season, mining operations at PGMC are suspended and there are no loading of ore onto ships. The Cagdianao Mine operates in certain months of the year, typically from April to October of each year, due to the weather conditions at the mine site. This seasonality results in quarter-to-quarter volatility in the operating results with more revenue being earned and more expenses being incurred in the second and third quarters compared to the first and fourth quarters.

Certification for Value-added tax (VAT) Zero-Rated Status

PGMC has been certified by BOI as a qualified enterprise for the purpose of VAT zero-rating of its transactions pursuant to the terms and conditions set forth by the BOI. On January 19, 2017, the BOI issued to PGMC the certification granting the renewal of PGMC's VAT zero-rated status. The certification is valid from January 1 up to December 31, 2017 unless sooner revoked by the BOI Governing Board.

During the first quarter of 2017, the Group has signed supply contracts with Baosteel Resources International Co. Ltd., Golden Harbour International Pte., Ltd. and Guangdong Century Tsinghan Nickel Industry Company Ltd. for the delivery of 4.0 million wet metric ton (WMT) of its mining production which is equivalent to about seventy percent (70%) of its target of 6.0 million WMT mining production for 2017.

SURIGAO INTEGRATED RESOURCES CORPORATION (SIRC)

SIRC is a 99.98%-owned subsidiary of the Parent Company through 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.

SIRC is the holder of Mineral Production Sharing Agreement (MPSA) No. 007-92-X located in Cagdianao, Claver, Surigao del Norte. On November 16, 2015, SIRC applied for the renewal of its MPSA and was approved for another twenty-five (25) year term on June 21, 2016. The renewed MPSA is valid until June 20, 2041.

On June 15, 2016, SIRC and Cagdianao Lateritic Nickel Mining, Inc. (CLNMI) executed a Deed of Assignment wherein CLNMI has agreed to assign all of its rights, titles and interests on its Exploration Permit (EP) and mineral property. CLNMI has a pending application for EP with Application No. EPA-000101-XIII filed with the Mines and Geosciences Bureau (MGB) covering an area of about 927.9 hectares located at Cagdianao, Claver, Surigao del Norte. The Deed of Assignment was approved by the MGB on June 27, 2016.

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.

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 conduct marketing, trading, sales and to facilitate relations with Chinese customers, 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. PGMC Group's registered address is the same as that of the Parent Company except for PIL which is registered at Unit 4101-02, 41/F, Office Tower, Convention Plaza, 1 Harbour Road Wanchai, Hongkong.

The Associate
Southeast Palawan Nickel Ventures, Inc. (SPNVI) is an associate of the Parent Company and was registered with SEC on July 11, 2014 primarily to engage to prospect, explore, locate, acquire, hold, work, develop, lease, operate and exploit mineral lands for nickel, chromite, copper, manganese, magnesite, silver, gold, and other precious and non-precious metals; 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 at wholesale, exchange or otherwise deal in nickel, chromite, copper, manganese, magnesite, silver, gold and other mineral products. The registered office address of SPNVI is at 7th Floor, Corporate Business Center, 151 Paseo de Roxas cor. Arnaiz St., Makati City, Philippines.

On September 1, 2016, SPNVI and the the Parent Company entered into a Deed of Assignment, wherein the Parent Company assigned, transferred and conveyed in favor of SPNVI ₱0.3 million of its advances as payment for the subscription to the 300,000 unissued common shares out of 800,000 common shares of SPNVI with a par value of ₱1.00 per share.

As a result of the above Deed of Assignment, the Parent Company acquired 37.5% of the common shares with voting rights. The Group assessed that it has a significant influence over SPNVI since it directly holds more than twenty percent (20%) of the voting power of SPNVI.

As at September 30, 2017, SPNVI directly owns ninety-four percent (94%) of Ipilan Nickel Corporation (INC), 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, Amended 2000 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, 2016.

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 are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2017. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- *Amendment to PFRS 12, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- *Amendments to Philippine Accounting Standards (PAS) 7, Statement of Cash Flows, Disclosure Initiative*
- *Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2018

- *Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- *Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in OCI, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- *PFRS 15, Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized 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 PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of adopting this standard.

- *PFRS 9, Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of 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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  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 classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- *Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss (FVPL). They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- *Amendments to PAS 40, Investment Property, Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- *IFRIC 22, Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- *PFRS 16, Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. 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 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 PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 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 is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- *Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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.

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.

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currencies of the Group, except PIL, has been determined to be the Philippine peso. The functional currency of PIL has been determined to be the HK$. The Philippine peso and the HK$ are the currencies that most faithfully represents the economic substance of the Group's underlying transactions, events and conditions.

Assessing Existence of Significant Influence
In assessing whether significant influence still exists, the Parent Company considered not only its percentage ownership but other factors such as the board seat representations it has in the associate's governing body and its interchange of managerial personnel with the associate, among others. As at September 30, 2017, the Parent Company assessed that it has significant influence over SPNVI and has accounted for the investment as an associate (see Note 1).

<u>Estimates and Assumptions</u>
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 Ore Reserves
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 tax assets, and depreciation and depletion charges. Any change in the reserve estimates as a result of latest available information is accounted for prospectively.

The Group received the latest Philippine Mining Reporting Code Competent Person's (PMRC-CP) Technical Report for CAGAs 1 to 5 of the Cagdianao mining property which reported a measured and indicated ore resources of 50.3 million dry metric ton (DMT) and an additional inferred ore resources of 18.1 million DMT as at June 30, 2016. The Group's proven and probable ore reserves are at 35.5 million WMT as at June 30, 2016, as estimated in accordance with the PMRC-CP Technical Report dated September 15, 2016.

Effective July 1, 2016, there was a change in the ore reserves estimates used in calculating the depletion rate used for the depletion of mining properties and mining rights. The change was based on the latest PMRC-CP Technical Report dated September 15, 2016 with an indicated ore reserves estimate of 25.6 million WMT for operating CAGAs 2 and 4 out of the total indicated ore reserve of 35.5 million WMT for CAGAs 1 to 5 as at June 30, 2016. For the period January 1 to June 30, 2016, the rates used was based on the latest JORC Report received from Runge Pincock Minarco in February 2015 with an indicated ore reserves estimate of 20.3 million WMT for CAGAs 2 and 4 out of the total indicated ore reserve of 37.3 million WMT for CAGAs 1 to 5.

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

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. his 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.

There were no impairment losses recognized for the periods ended September 30, 2017 and 2016 on the trade and other receivables and advances to related parties.

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

Allowance for impairment losses on input VAT classified under "Other noncurrent assets" amounted to ₱19.5 million as at September 30, 2017 and December 31, 2016 (see Note 12). There were no impairment losses recognized for the periods ended September 30, 2017 and 2016.

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. The Group has no provision for impairment loss on mining rights and mine exploration costs for the periods ended September 30, 2017 and 2016.

Assessing Recoverability of Deferred Tax Assets
The Group reviews the carrying amounts of deferred tax assets at each end of the reporting period and reduces deferred tax assets to the extent that it is probable that sufficient future taxable income will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of sufficient future taxable income together with future tax planning strategies. The Group has net deferred tax assets amounting to ₱52.0 million and ₱58.3 million as at September 30, 2017 and December 31, 2016, respectively (see Note 30).

Estimating Provision for Mine Rehabilitation and Decommissioning
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. These estimates are reviewed regularly to take into account any material changes to the assumptions. 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. In addition, the expected timing of expenditure can also change, for example in response to changes in mineral reserves or production 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.

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

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

4. Cash

Amount in thousands	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash on hand	₱977	₱897
Cash with banks	609,726	551,045
	₱610,703	₱551,942

Cash with banks earn interest at the respective bank deposit rates. Interest income earned on cash with banks amounted to ₱1.0 million and ₱0.8 million for the nine months ended September 30, 2017 and 2016, respectively.

5. Trade and Other Receivables

Amount in thousands	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade	₱1,300,732	₱725,912
Advances to:		
Contractors	84,789	117,078
Officers, employees and others	38,070	21,544
	1,423,591	864,534
Less allowance for impairment losses	17,359	17,359
	₱1,406,232	₱847,175

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.

There was no provision for impairment losses for the periods ended September 30, 2017 and December 31, 2016.

6. Inventories - at cost

Amount in thousands	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Beneficiated nickel ore	₱138,226	₱196,092
Materials and supplies	97,439	79,891
	₱235,665	₱275,983

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	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Restricted cash	₱191,668	₱249,059
Prepaid insurance and others	11,003	3,396
Prepaid taxes and licenses	66,114	4,708
Prepaid rent	1,564	14,143
	₱270,349	₱271,306

Restricted cash pertains to the Debt Service Reserve Account (DSRA) with Taiwan Cooperative Bank (TCB) which will be utilized for application against the Group's outstanding loans for principal, interest and fees with the bank.

Prepaid taxes and licenses represent advance payments made to 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

As at September 30, 2017 and December 31, 2016, property and equipment amounted to ₱1,885.9 million and ₱2,112.0 million, respectively. During the nine-month period ended September 30, 2017 and 2016, the Group acquired assets with a cost of ₱92.3 million and ₱188.4 million, respectively, including construction in-progress. As of September 30, 2017 and 2016, the Group disposed its machineries and other equipment with an aggregate cost of ₱6.9 million and ₱4.1 million, respectively.

Depreciation and depletion expense for the nine-month period September 30, 2017 and 2016 amounted to ₱312.3 million and ₱274.5 million, respectively. As of September 30, 2017 and December 31, 2016, total accumulated depreciation and depletion amounted to ₱1,447.3 million and ₱1,135.9 million, respectively.

The rates used by the Group in computing depletion were ₱31.71 per WMT for the nine months ended September 30, 2017 and for the period July 1 to September 30, 2016 and ₱60.48 per WMT for the period January 1 to June 30, 2016. Starting July 1, 2016, the rate used was based on the latest PMRC-CP Technical Report dated September 15, 2016 with an indicated mineral reserve estimate of 25.6 million WMT for CAGAs 2 and 4.

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 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.

As at September 30, 2017 and December 31, 2016, the carrying value of mining rights amounted to ₱225.6 million and ₱264.9 million, respectively. Accumulated amortization of mining rights amounted to ₱170.9 million and ₱131.6 million as at September 30, 2017 and December 31, 2016, respectively. Amortization expense pertaining to the mining rights amounted to ₱39.3 million and ₱30.6 million for the nine months ended September 30, 2017 and 2016, respectively.

The rates used by the Group in computing amortization were ₱8.19 per WMT for the nine months ended September 30, 2017 and for the period July 1 to September 30, 2016 and ₱9.59 per WMT for the period January 1 to June 30, 2016. Starting July 1, 2016, the rate used was based on the latest PMRC-CP Technical Report dated September 15, 2016.

There was no provision for impairment loss on mining rights recognized for the nine months period ended September 30, 2017 and 2016.

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.

On March 1, 2017, the Group entered into a Deed of Absolute Sale agreement with JSY6677 Landholdings, Inc. for the sale of the Aseana property amounting to ₱319.9 million. Total investment property amounted to nil and ₱319.9 million as at September 30, 2017 and December 31, 2016.

There was no income earned from the investment property for the periods ended September 30, 2017 and 2016. Interest expense related to bank loan and real property tax incurred related to the investment property for the periods ended September 30, 2017 and 2016 amounted to ₱0.5 million and ₱0.7 million, respectively.

11. Mine Exploration Costs

Amount in thousands	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Beginning balance	₱223,807	₱140,790
Exploration expenditures incurred	16,422	83,017
Ending balance	₱240,229	₱223,807

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.

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. Other Noncurrent Assets

Amount in thousands	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Input VAT	₱171,086	₱165,499
Advances to suppliers	179,354	171,873
Mine rehabilitation fund (MRF)	82,303	74,299
AFS financial assets	4,428	4,470
Others	20,798	20,798
	₱457,969	₱436,939

Input VAT
Input VAT represents the VAT paid on purchases of applicable goods and services, net of output tax liabilities, if any, which may be recovered as tax credit against future tax liability of the Group upon approval by the Philippine BIR and/or the Philippine Bureau of Customs. Allowance for impairment losses on input VAT amounted to ₱19.5 million as at September 30, 2017 and December 31, 2016.

Advances to Suppliers
Advances to suppliers pertain to deposits on Group's purchase of goods and services from various suppliers.

MRF
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.

AFS Financial Assets
As at September 30, 2017 and December 31, 2016, the Group holds 4,216,100 shares of stock of Oriental Peninsula Resources Group, Inc. (OPRGI), a publicly listed company in the Philippines. There was no disposal of shares for the periods ended September 30, 2017 and December 31, 2016. The fair value of quoted equity instrument is based on the exit market price as at September 30, 2017 and December 31, 2016.

Movements in fair value of quoted equity instrument follow:

Amount in thousands	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Beginning balance	₱4,470	₱5,903
Impairment loss on AFS financial assets	–	(1,433)
Valuation loss	(42)	–
Ending balance	₱4,428	₱4,470

There was no dividend income earned from the quoted equity instrument for the periods ended September 30, 2017 and 2016. Impairment loss recognized amounted to nil and ₱1.4 million for the periods September 30, 2017 and December 31, 2016, respectively, as a result of a significant and prolonged decline in the fair value of the shares held by the Group.

Others
Others represent claim for business tax refund related to the Parent Company.

13. Trade and Other Payables

Amount in thousands	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade	₱634,937	₱262,040
Accrued expenses and taxes	196,114	115,071
Advances from customers	183,744	92,682
Nontrade	46,766	49,623
Dividends payable	20,287	20,287
Interest payables	4,477	8,526
	₱1,086,325	₱548,229

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

Accrued Expenses and Taxes
Details of the accrued expenses and taxes are summarized below:

Amount in thousands	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Excise taxes and royalties payable	₱136,787	₱74,762
Business and other taxes	34,548	25,083
Government dues	1,517	1,509
Provision for Social Development and Management Program (SDMP) and Indigenous Cultural Communities (ICC)	20,366	6,197
Accrued payroll	1,511	1,022
Accrued professional fees	233	5,400
Others	1,152	1,098
	₱196,114	₱115,071

Excise Taxes and Royalties Payable
Excise taxes and royalty are payable immediately upon receipt from DENR-MGB of the Order of Payment and before every shipment of beneficiated nickel ores. Royalty fees to claim owners are noninterest-bearing and are payable on demand and/or generally settled within thirty (30) days' term.

Business and Other Taxes
Business and other taxes pertain to government dues relating to withholding taxes.

Provision for SDMP and ICC
Mining companies are mandated to establish a provision for SDMP and ICC that would enhance the quality of life and ultimately develop a progressive and self-reliant host and neighboring communities. The program includes community development projects and activities such as establishment, construction, and maintenance of infrastructures including schools, hospitals, roads, and the like; establishment of livelihood industries; and programs on education and health. The Group is required to allot annually a minimum of one and a half percent (1.5%) of the operating costs based on the Administrative Order No. 2010-13 issued by the DENR.

Accrued Professional Fees
Accrued professional fees pertains to the accrual related to the audit fees of the Group.

Government Dues
Government dues consist of employer contributions normally payable fifteen (15) to thirty (30) days after the end of each month.

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

Advances from Customers
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
Non-trade payables are normally settled within thirty (30) to ninety (90)-day term. This account includes purchases of machineries and equipment.

Dividends Payable
On May 22, 2013, the BOD of the Parent Company approved the declaration of cash dividends in the amount of ₱1.656 per outstanding common share or ₱10,500.0 million to stockholders of record as at June 5, 2013, payable on June 12, 2013. In 2014, cash dividends declared and paid to certain shareholders on May 22, 2013 amounting to ₱20.3 million were returned as stale checks and presented as cash dividends payable as at September 30, 2017 and December 31, 2016 and for re-issuance to investor claimants subsequently.

Interest Payables
Interest payables arise from bank loans and finance lease obligations of the Group.

14. Bank Loans

Amount in thousands	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
TCB	₱762,225	₱994,400
Banco de Oro (BDO)	1,293	5,008
	763,518	999,408
Less current portion		
TCB	762,225	994,400
BDO	1,260	4,295
Total current portion	763,485	998,695
Bank loan - noncurrent portion	₱33	₱713

<u>TCB</u>

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

On May 17, 2017, the Group was re-granted by TCB a one-year loan facility in the reduced amount of US$15.0 million or ₱757.0 million for the same general corporate purposes, with the same terms and conditions.

The 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. Global Ferronickel Holdings, Inc.

The other conditions of the agreement follow:

1) The Group shall maintain a waterfall account with TCB wherein all amounts collected by TCB from the buyers of nickel ore shall be deposited.
2) The security is of two (2) kinds and shall amount to an aggregate value, in any combination, at least equal or twice (2x) the amount or equivalent to US$30.0 million as follows:
   i. Accounts receivables from the PGMC's customers.
   ii. Import letters of credit (LC) issued in favor of PGMC by its customers and clients.
   iii. Demand Deposit Account which shall be opened and set-up by the collateral provider or pledger acceptable to TCB.
   iv. Guarantee issued by any individual, juridical person or any combination thereof acceptable to TCB.
3) 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.
4) 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.
5) A DSRA shall be opened by the Group which shall have in deposit an amount of US$3.75 million. The amount in said account maybe reduced proportionately as the Group pays the principal and its interest by express agreement of the parties.

BDO
The Group has an existing US$20.0 million export packing line for working capital purposes. As at September 30, 2017 and December 31, 2016, the remaining balance is nil.

The Group also entered into several service vehicle loans with BDO with a 3-year term at an interest rate ranging from seven percent to nine percent per annum.

15. Provision for Mine Rehabilitation and Decommissioning

Amount in thousands	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Beginning balance	₱67,123	₱58,259
Accretion interest	3,057	1,401
Effect of change in estimate	–	7,463
Ending balance	₱70,180	₱67,123

As at December 31, 2016, the Group adjusted its provision for mine rehabilitation and decommissioning to reflect the current discount rates which resulted to a change in estimate.

16. 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 Republic Act (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 September 30, 2017 and December 31, 2016.

The latest actuarial valuation report of the retirement plan is as at December 31, 2016.

As at September 30, 2017 and 2016, retirement obligation amounted to ₱57.8 million and ₱47.9 million, respectively. The retirement benefits costs amounted to ₱7.8 million and ₱7.0 million for the nine months period ended Septermber 30, 2017 and 2016, respectively (see Note 25). The interest cost on retirement obligation amounted to ₱2.1 million and ₱1.6 million for the nine months period ended September 30, 2017 and 2016, respectively.

The Group does not have any plan assets as at September 30, 2017 and December 31, 2016.

The Group is contemplating to put up a defined benefit retirement plan in 2017 that is non-contributory to its members and to be administered by a Trustee Bank to be engaged for this purpose. The Group does not currently employ any asset-liability matching.

The Group (GFHI, PGMC and PSSC) has one hundred seventy-six (176) regular employees, seventeen (17) employees under a probationary period, and one thousand six hundred sixty-nine (1,669) on a fixed term as at September 30, 2017.

17. Other Noncurrent Liabilities

Amount in thousands	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Previous stockholders of Celestial Nickel Mining		
Exploration Corporation (CNMEC	₱366,463	₱366,463
Brookes Nickel Ventures, Inc. (BNVI)	165,566	165,566
Others	1,622	1,504
	₱533,651	₱533,533

In 2016, the Parent Company, SPNVI and the stockholders of SPNVI executed a Deed of Assignment wherein SPNVI assigned its payable to BNVI and to the previous stockholders of CNMEC to the Parent Company amounting to ₱532.0 million.

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 September 30, 2017 and December 31, 2016 consist of:

Amount in thousands	September 30, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one (1) year	₱102,841	₱94,929	₱77,214	₱72,282
After one (1) year but not more than five (5) years	126,268	123,764	166,154	160,670
Total minimum lease payments	229,109	218,693	243,368	232,952
Less amount representing finance charge	10,416	–	10,416	–
Present value of minimum lease payments	₱218,693	₱218,693	₱232,952	₱232,952

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 September 30, 2017 and December 31, 2016.

Future annual minimum lease payments under the lease agreements, together with the present value of the minimum lease payments as at September 30, 2017 and December 31, 2016 are as follows:

	September 30, 2017 (Unaudited)		December 31, 2016 (Audited)	
Amount in thousands	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one (1) year	₱2,684	₱2,527	₱2,886	₱2,416
After one (1) year but not more than five (5) years	1,785	1,228	3,274	3,137
Total minimum lease payments	4,469	3,755	6,160	5,553
Less amount representing finance charge	714	–	607	–
Present value of minimum lease payments	₱3,755	₱3,755	₱5,553	₱5,553

Interest expense related to finance lease is reported under "Finance costs".

19. Equity

Capital Stock
The Parent Company has 11,957,161,906 authorized shares at ₱1.05 par value as at September 30, 2017 and December 31, 2016. Out of the total authorized shares of the Parent Company, 5,822,357,151 shares are issued amounting to ₱6,113,475 as at September 30, 2017 and December 31, 2016.

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

Increase in Authorized Capital Stock
The BOD and stockholders of the Parent Company approved a capital restructuring through a reverse stock split. In relation to this, the Parent Company applied for an increase in its authorized capital stock which was approved by the SEC on November 7, 2016. Out of the increase in capital stock, an individual stockholder subscribed a total of ₱20,000 divided into 19,048 common shares at a par value of ₱1.05.

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 251,404,752 shares amounting to ₱654.8 million and 6,335,752 shares amounting to ₱17.8 million in treasury stock as at September 30, 2017 and December 31, 2016, respectively.

As at September 30, 2017, the Parent Company purchased a total of 245,069,000 common shares at an average price of ₱2.60 per share. As at December 31, 2016, the Parent Company purchased a total of 6,333,333 common shares at an average price of ₱2.81 per share. The estimated number of shares for repurchase, approved and authorized by the BOD on June 29, 2016 is up to ten percent (10%) of the total outstanding shares of the Parent Company.

Employee Stock Option Plan (ESOP)
On June 29, 2016, the BOD and stockholders of the Parent Company approved the establishment of an ESOP, the details of which shall be subject to the approval of the Compensation Committee. On May 9, 2017, the Compensation Committee and the BOD approved the Employee Stock Option Master Plan which is a share-based compensation plan. It also approved the granting of the 1st Tranche which comprised of 20,000,000 option grants to be vested over three (3) years at a strike price of ₱2.00 and 20,000,000 share/stock grants to be granted over two (2) years (i.e., 10,000,000 share/stock grants each year). As at September 30, 2017, the Group has not yet recognized compensation expense for the stock option grant and stock grant as these have not yet been communicated to the qualified employees. Only the list of eligible employees for the stock option grant and stock grant were drawn, but the allocation to the grantees are yet to be finalized. The related compensation expense will be recognized once the compensation scheme is already communicated to the employees as this is the time regarded as rendering of service as allowed in PFRS 2, *Share-based Payment*.

20. Earnings (Loss) Per Share

The following reflects the income and share data used in the earnings (loss) per share computation for the nine months period ended September 30:

	2017	2016
	(Unaudited)	
Net income attributable to equity holders of the Parent Company (amounts in thousands)	₱779,905	₱7,026
Number of shares:		
Common shares outstanding at beginning of the year	5,822,357,150	5,822,335,684
Effect of buyback during the period	53,049,612	–
Adjusted weighted average number of common shares outstanding	5,769,307,538	5,822,335,684
Basic/Diluted Earnings (Loss) per Share	₱0.1352	₱0.0012

As at September 30, 2017 and 2016, there are no potentially dilutive common shares.

21. Cost of Sales

Amount in thousands	For the nine months period ended September 30 2017	2016
	(Unaudited)	
Contract hire	₱1,669,334	₱1,201,274
Depreciation and depletion (see Note 26)	338,529	292,021
Personnel costs (see Note 25)	110,193	112,040
Operation overhead	36,604	15,004
Community relations	27,478	34,502
Environmental protection costs	35,232	28,079
Repairs and maintenance	19,326	8,489
Manning services	16,208	15,392
Assaying and laboratory	24,703	18,892
Fuel and oil	16,107	8,358
Rentals	7,844	25,471
Other charges	21,553	22,181
	₱2,323,111	₱1,781,703

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, agency fees, materials, supplies and spare parts and dry docking.

22. Excise Taxes and Royalties

Amount in thousands	For the nine months period ended September 30 2017	2016
	(Unaudited)	
Royalties to claim - owners	₱248,058	₱130,441
Royalties to government	215,437	128,746
Royalties to indigenous people (IP)	45,577	32,172
Excise taxes	86,175	52,291
	₱595,247	₱343,650

The Group is paying to CMDC and ICC royalty fees of three percent (3%) to seven percent (7%) of gross receipts and minimum of one percent (1%) of the gross output from the mining operations, respectively.

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.

23. General and Administrative

Amount in thousands	For the nine months period ended September 30 2017	2016
	(Unaudited)	
Personnel costs (see Note 25)	₱142,638	₱132,919
Taxes and licenses	80,666	35,535
Consultancy fees	36,010	26,330
Outside services	32,236	15,506
Marketing and entertainment	27,552	9,023
Rentals	19,387	17,473
Depreciation (see Note 26)	13,067	13,022
Travel and transportation	11,327	11,741
Repairs and maintenance	8,764	8,492
Office supplies	4,743	3,466
Communication	4,603	4,094
Fuel, oil and lubricants	3,880	3,175
Membership and subscription	2,262	1,657
Trainings, seminars and meetings	1,355	480
Insurance	881	1,082
Power and utilities	1,134	1,101
SEC and listing fees	683	496
Other charges	10,665	9,861
	₱401,853	₱295,453

Other charges pertain to various expenses such as mailing and postage charges.

24. Shipping and Distribution

Amount in thousands	For the nine months period ended September 30 2017	2016
	(Unaudited)	
Barging charges	₱238,988	₱136,435
Stevedoring charges and shipping expenses	49,482	35,041
Personnel costs (see Note 25)	22,023	22,152
Fuel, oil and lubricants	14,477	12,598
Supplies	1,555	1,234
Repairs and maintenance and others	185	289
Government fees	34	34
	₱326,744	₱207,783

25. Personnel Costs

Amount in thousands	For the nin months period ended September 30 2017	2016
	(Unaudited)	
Salaries and wages	₱240,660	₱235,345
Retirement benefits costs (see Note 16)	7,788	7,026
Other employee benefits	26,406	24,740
	₱274,854	₱267,111

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

The personnel costs were distributed as follows:

Amount in thousands	For the nine months period ended Septermber 30 2017	2016
	(Unaudited)	
Cost of sales (see Note 21)	₱110,193	₱112,040
General and administrative (see Note 23)	142,638	132,919
Shipping and distribution (see Note 24)	22,023	22,152
	₱274,854	₱267,111

26. Depreciation, Depletion and Amortization

Amount in thousands	For the nine months period ended September 30 2017	2016
	(Unaudited)	
Cost of sales (see Note 21)	₱338,529	₱292,021
General and administrative (see Note 23)	13,067	13,022
	₱351,596	₱305,043

27. Finance Costs

Amount in thousands	For the nine months period ended September 30 2017	2016
	(Unaudited)	
Interest expense	₱43,767	₱45,903
Bank charges	5,252	4,553
Accretion interest on provision for mine rehabilitation and decommissioning	3,057	1,052
	₱52,076	₱51,508

28. Other Income - net

Amount in thousands	For the nine months period ended September 30 2017	2016
	(Unaudited)	
Foreign exchange gains - net	₱41,935	₱25,372
Loss on disposal of property and equipment	(8)	(17)
Loss on acquisition of a subsidiary (see Note 29)	–	(7,356)
Loss on modification of finance lease	–	(1,037)
Others	10,530	716
	₱52,457	₱17,678

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. Intercompany transactions are eliminated in the consolidated financial statements.

Amount in thousands

Category	Amount/Volume	Advances to related parties	Amounts owed to related parties	Terms	Conditions
Stockholders					
September 30, 2017	₱206,195	₱1,713,327	₱50,000	On demand; noninterest-bearing; collectible or payable in cash	Unsecured; no guarantee
December 31, 2016	₱106,816	₱1,507,132	₱50,000		
Affiliates with common officers, directors and stockholders					
September 30, 2017	69,143	170,041	41,348	On demand; noninterest-bearing; collectible or payable in cash	Unsecured; no guarantee
December 31, 2016	1,018,720	100,898	389,917		
Other related party GHGC Metallic Ore Resources, Inc.					
September 30, 2017	–	6,054	226,564	On demand; noninterest-bearing; collectible or payable in cash	Unsecured; no guarantee
December 31, 2016	–	6,054	226,564		
Total		₱1,889,422	₱317,912		
Total		₱1,614,084	₱666,481		

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

a. On January 21, 2016, the Parent Company acquired PIL through the purchase of its 10,000 shares at HK$1.0 par value amounting to HK$10.0 thousand or ₱61.0 thousand. The transaction was considered by the Parent Company as an asset acquisition. The assets and liabilities of PIL consist mostly of financial instruments with a net liability amounting to ₱7.3 million. A loss on acquisition amounting to ₱7.4 million was recognized based on the difference between the consideration paid and the fair values of the assets acquired and liabilities assumed.

b. The Parent Company, PGMC and the stockholders of SPNVI executed various Deed of Assignments wherein PGMC assigned all the rights, title, and interest for the cash advances made by PGMC to SPNVI, amounting to ₱1,628.1 million as at December 31, 2015 to the Parent Company. In 2016, the Parent Company, PGMC, SPNVI and the stockholders of SPNVI executed another Deed of Assignments wherein SPNVI assigned its payable to BNVI, payable to the previous stockholders of CNMEC and the remaining payable to stockholders of SPNVI, to the Parent Company amounting to ₱589.2 million.

   As at September 30, 2017 and December 31, 2016, these advances amounted to ₱2,217.4 million. A portion of these advances will form part of the purchase price for the acquisition of SPNVI pursuant to the Contract to Sell executed on August 6, 2015 and are recorded under "Deposits for future acquisition".

   On September 1, 2016, the Parent Company and SPNVI executed a Deed of Assignment wherein the Parent Company assigned all its rights, titles and interests on its advances in favor of SPNVI amounting to ₱0.3 million as payment for the unissued shares of SPNVI and are recorded under "Investment in an associate" (see Note 1).

c. In the first quarter of 2016, PGMC entered into a Time Charter Agreement with PCSSC 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, 2017 to October 31, 2017, subject to renewal upon mutual agreement of the parties.

d. 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 nine months period ended September 30, 2017 and 2016 amounted to ₱38.0 million and ₱38.3 million, respectively.

30. Income Taxes

The current provision for income tax represents regular corporate income tax and minimum corporate income tax (MCIT) for the nine months period ended September 30, 2017 and 2016, respectively.

The components of the Group's net deferred income tax assets as at September 30, 2017 and December 31, 2016 follow:

Amount in thousands	2017	2016
	(Unaudited)	Audited
Deferred tax assets:		
Provision for mine rehabilitation and decommissioning	₱21,054	₱20,137
Unrealized foreign exchange losses - net	6,875	7,793
Retirement obligation recognized in profit or loss	19,621	16,653
Accrued taxes	11,969	11,969
Allowance for impairment losses on trade and other receivables	5,208	5,208
Rent payable	487	452
Currency translation adjustment recognized directly in OCI	–	6,045
Excess MCIT	–	2,787
	65,214	71,044
Deferred tax liabilities:		
Undepleted asset retirement obligation	(9,221)	(10,446)
Retirement obligation recognized directly in OCI	(2,288)	(2,288)
Currency translation adjustment recognized directly in OCI	(1,667)	
	(13,176)	(12,734)
Deferred tax assets - net	₱52,038	₱58,310

The Group has availed of the itemized deductions method in claiming its deductions for the nine months ended September 30, 2017 and 2016.

31. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker (the BOD) to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

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

The Group conducts majority of its business activities in the following areas:

- The mining segment is engaged in the exploration, mining and exporting of nickel saprolite and limonite ore.
- The services segment is engaged in the chartering out of LCTs by PCSSC to PGMC.

The Group's core business is the sale of nickel ore to external customers which accounted for the Group's total revenue.

Accordingly, the Group operates mainly in one reportable business and two geographical segments which is the Philippines and Hong Kong. Noncurrent assets of the Group comprising property and equipment, finance lease receivable, mining rights, mine exploration costs and other noncurrent assets are located in the Philippines and Hong Kong.

Total revenues from external customers amounting to ₱4,646.3 million and ₱2,700.7 million for the nine months period ended September 30, 2017 and 2016, respectively, were shipped to China.

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

Amount in thousands	September 30, 2017 (Unaudited) Mining		Service	Others	Elimination	Total
	Philippines	Hong Kong	Philippines	Philippines		
External customers	₱2,521,837	₱2,124,426	₱–	₱–	₱–	₱4,646,263
Intersegment revenues	1,736,691	–	77,150	–	(1,813,841)	–
Total revenues	4,258,528	2,124,426	77,150	–	(1,813,841)	4,646,263
Cost of sales	2,264,701	1,718,023	58,410	–	(1,718,023)	2,323,111
Excise taxes and royalties	595,247	–	–	–	–	595,247
Shipping and distribution	403,894	–	–	–	(77,150)	326,744
Segment operating earnings (loss)	994,686	406,403	18,740	–	(18,668)	1,401,161
General and administrative	318,189	33,298	6,726	43,640	–	401,853
Finance income	3,612	63	5	14	–	3,694
Finance costs	(48,713)	(3,306)	(5)	(52)	–	(52,076)
Share in net loss of an associate	–	–	–	(116)	–	(116)
Other income (charges) - net	33,893	(104)	–	–	18,668	52,457
Provision for income tax	219,759	–	3,603	–	–	223,362
Net income (loss) attributable to equity holders of GFHI	₱445,530	₱369,758	₱8,411	(₱43,794)	₱–	₱779,905
Segment assets	₱9,843,458	₱805,941	₱363,123	₱11,996,045	(₱13,363,686)	₱9,644,881
Deferred tax assets	65,214	–	–	–	–	65,214
Total assets	₱9,908,672	₱805,941	₱363,123	₱11,996,045	(₱13,363,686)	₱9,710,095
Segment liabilities	₱2,274,170	₱443,836	₱2,794	₱4,972,952	(₱4,704,280)	₱2,989,472
Deferred tax liabilities	11,509	–	–	–	1,667	13,176
Total liabilities	₱2,285,679	₱443,836	₱2,794	₱4,972,952	(₱4,702,613)	₱3,002,648
Capital expenditures	₱75,422	₱453	₱16,385	₱–	₱–	₱92,260
Depreciation and depletion	₱322,921	₱3,333	₱25,040	₱302	₱–	₱351,596

Amount in thousands	September 30, 2016 (Unaudited) Mining		Service	Others	Elimination	Total
	Philippines	Hong Kong	Philippines	Philippines		
External customers	₱2,084,341	₱616,362	₱–	₱–	₱–	₱2,700,703
Intersegment revenues	530,161	–	78,069	–	(608,230)	–
Total revenues	2,614,502	616,362	78,069	–	(608,230)	2,700,703
Cost of sales	1,729,234	580,543	52,469	–	(580,543)	1,781,703
Excise taxes and royalties	343,650	–	–	–	–	343,650
Shipping and distribution	285,852	–	–	–	(78,069)	207,783
Segment operating earnings	255,766	35,819	25,600	–	50,382	367,567
General and administrative	220,828	27,378	8,120	39,127	–	295,453
Finance income	3,790	8	6	18	–	3,822
Finance costs	(49,778)	(1,681)	(4)	(45)	–	(51,508)
Other income (charges) - net	75,446	(13)	(17)	–	(57,738)	17,678
Provision for income tax	29,843	–	5,237	–	–	35,080
Net income (loss) attributable to equity holders of GFHI	₱34,553	₱6,755	₱12,228	(₱39,154)	(₱7,356)	₱7,026
Segment assets	₱9,433,789	₱347,785	₱358,186	₱11,481,832	(₱12,538,735)	₱9,082,857
Deferred tax assets	87,776	–	–	–	–	87,776
Total assets	₱9,521,565	₱347,785	₱358,186	₱11,481,832	(₱12,538,735)	₱9,170,633
Segment liabilities	₱2,821,216	₱346,145	₱4,034	₱3,726,727	(₱4,269,624)	₱2,628,498
Deferred tax liabilities	–	2,644	–	–	–	2,644
Total liabilities	₱2,821,216	₱348,789	₱4,034	₱3,726,727	(₱4,269,624)	₱2,631,142
Capital expenditures	₱62,504	₱354	₱144	₱2,013	₱–	₱65,015
Depreciation and depletion	₱277,096	₱3,122	₱24,624	₱201	₱–	₱305,043

Amount in thousands	December 31, 2016 (Audited) Mining		Service	Others	Elimination	Total
	Philippines	Hong Kong	Philippines	Philippines		
Segment assets	₱9,260,399	₱299,675	₱353,812	₱12,018,784	(₱12,558,240)	₱9,374,430
Deferred tax assets	64,998	–	–	–	–	64,998
Total assets	₱9,325,397	₱299,675	₱353,812	₱12,018,784	(₱12,558,240)	₱9,439,428
Segment liabilities	₱2,520,156	₱311,960	₱1,894	₱4,314,930	(₱4,268,805)	₱2,880,135
Deferred tax liabilities	12,734	–	–	–	–	12,734
Total liabilities	₱2,532,890	₱311,960	₱1,894	₱4,314,930	(₱4,268,805)	₱2,892,869
Capital expenditures	₱33,601	₱376	₱146	₱2,013	₱–	₱36,136

32. Events after the End of the Reporting Period

The Group received the latest PMRC-CP Technical Report on Mineral Resource Evaluation dated October 1, 2017 for CAGAs 1 to 5 of the Cagdianao mining property which reported a measured and indicated ore resources of 54.16 million DMT and an additional inferred ore resources of 23.98 million DMT as at June 23, 2017. The Group's proven and probable ore reserves are at 36.34 million WMT as at June 23, 2017, as estimated in accordance with the PMRC-CP Technical Report on Economic Assessment and Ore Reserve Estimation dated October 15, 2017.