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

1. Check the appropriate box:

   [x] Preliminary Information Statement
   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter
   Global Ferronickel Holdings, Inc.

3. Province, country or other jurisdiction of incorporation or organization
   Metro Manila, Philippines

4. SEC Identification Number: **AS094-003992**

5. BIR Tax Identification Code: **003-871-592**

6. Address of Principal Office:
   7th Floor, Corporate Business Centre, 151 Paseo De Roxas corner Arnaiz Street, Makati City, Metro Manila, Philippines

7. Registrant's telephone number, including area code: (632) 519-7888

8. Date, time and place of the meeting of security holders:
   Date: June 26, 2019, Wednesday
   Time: 3:00 p.m.
   Place: Dusit Thani Manila

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **June 6, 2019**

1. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants) :

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares	**5,511,814,829 shares**

11. Are any or all of registrant's securities listed on a Stock Exchange?
    Yes **[x]** No [ ]

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

    Philippine Stock Exchange
    Common Shares **6,072,357,151 shares**

GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders ("Annual Stockholders' Meeting")

Date of Meeting:	June 26, 2019, Wednesday
Time of Meeting:	3:00 p.m.
Place of Meeting:	Dusit Thani Manila
Registrant's Mailing Address:	**7th Floor, Corporate Business Centre, 151 Paseo De Roxas cor. Arnaiz Street, Makati City, Metro Manila, Philippines**

The approximate date on which the information statement is first to be sent or given to security holder is **June 6, 2019.**

Dissenters' Right of Appraisal

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

a. A stockholder will be entitled to exercise his appraisal right in case any of the following matters or actions occurs:

   i. In case of any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any shareholder or any class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of the Company's corporate existence;

   ii. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code;

   iii. In case of merger or consolidation of the Company with another corporation; and

   iv. In case the Company decides to invest its funds in another corporation or business outside of its primary purpose.

b. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right;

c. The dissenting stockholder shall make a written demand on the Company for payment of the fair value of his shares within thirty (30) days after the date on which the vote was taken. The failure of the stockholder to make the demand within such period shall be deemed a waiver of his appraisal right;

d. If the proposed corporate action is implemented or effected, the Company shall pay to such dissenting stockholder, upon surrender of the certificate(s) of stock representing his shares within ten (10) days after demanding payment of his shares, the fair value thereof, provided the Company has unrestricted retained earnings; and

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

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

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

(a) No current director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year has had any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the agenda of the annual stockholders' meeting other than the election of directors.

(b) None of the incumbent directors has informed the Company in writing of an intention to oppose any action to be taken by the Company at the Annual Stockholders' Meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

(a) The Company has 5,511,814,829 outstanding shares as of April 30, 2019, all of which are common shares of stock. As of April 30, 2019, 1,034,040,857 common shares, or equivalent to 18.76% of the outstanding shares, are owned by foreigners. Each share is entitled to one vote.

(b) In accordance with the By-Laws of the Company, the Board of Directors has set May 30, 2019 as the record date for the purpose of determining stockholders entitled to notice of and to vote at the Annual Stockholders' Meeting. All stockholders of record on May 30, 2019 are entitled to notice and to vote at the Annual Stockholders' Meeting.

Voting Procedures

Vote Required

a. Each share of the common stock outstanding on the record date will be entitled to one (1) vote on all matters.

b. In the election of directors, the ten (10) nominees with the greatest number of votes will be elected directors. If the number of nominees does not exceed the number of directors to be elected, the Secretary of the meeting, upon motion made, is instructed to cast all votes represented at the meeting in favor of the nominees. However, if the number of nominees exceeds the number of directors to be elected, voting shall be done by ballots. Cumulative voting shall be followed.

c. For all proposals or matters submitted to a vote, the affirmative vote of stockholders holding at least a majority of the Company's outstanding capital stock present or represented by proxy and entitled to vote shall be necessary. Unless required by law, or the stockholders, the shares are traditionally voted by verbal motion and duly seconded during the meeting. A matter is carried and approved when there is no objection from the floor.

c. Counting of votes, when necessary, shall be done by the Corporate Secretary or Assistant Corporate Secretary with the assistance of the independent auditors and the Company's stock transfer agent.

Security Ownership of Certain Record and Beneficial Owners And Management

As of March 31, 2019, the following persons or groups are known to the Company as directly or indirectly the record or beneficial owners of more than five (5%) of the Company's voting securities:

Title of Class	**Name, Address of Record Owner and Relationship with Issuer**	**Name of Beneficial Owner and Relationship with Record Owner**	**Citizenship**	**No. of Shares Held**	**Percent of Ownership**
Common	PCD Nominee Corporation G/F Makati Stock Exchange Building, 6767 Ayala Avenue, Makati City Shareholder	Direct- Please see note below	Filipino	2,952,968,022	53.56%
Common	Huatai Investment Pty. Ltd. Auburn, Australia Shareholder	Direct; Hui Lin/ Joseph C. Sy	Australian	1,015,404,734	18.42%
Common	PCD Nominee Corporation G/F Makati Stock Exchange Building, 6767 Ayala Avenue, Makati City Shareholder	Direct- Please see note below	Non-Filipino	856,382,627	15.53%
Common	Regulus Best Nickel Holdings, Inc. 7th Floor, Corporate Business Center, 151 Paseo de Roxas cor. Arnaiz St., Makati City Shareholder	Direct; Joseph C. Sy	Filipino	523,154,668	9.49%

Common	Blue Eagle Elite Venture, Inc. 7th Floor, Corporate Business Center, 151 Paseo de Roxas cor. Arnaiz St., Makati City Shareholder	Direct; Joseph C. Sy	Filipino	348,769,779	6.33%

PCD Nominee Corporation ("PCDNC") is a wholly-owned subsidiary of PCD. The beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares. Instead, the participants have the power to decide how the PCD shares in the Company are to be voted.

As of March 31, 2019, the participants of PCDNC who own more than 5% of the Company's outstanding capital are as follows:

Title of Class	**Name, Address of Record Owner and Relationship with Issuer**	**Name of Beneficial Owner and Relationship with Record Owner**	**Citizenship**	**No. of Shares Held**	**Percent of Ownership**
Common	BA Securities, Inc.	Direct	Filipino	1,33,950,340	25.11
Common	Maybank Atr Kim Eng Securities, Inc.	Direct	Filipino	1,059,843,478	19.23%

The shares held by Huatai Investment Holding Pty. Ltd., Sohoton Synergy, Inc., Regulus Best Nickel Holdings, Inc., Blue Eagle Elite Venture, Inc. and Ultimate Horizon Capital, Inc. will be voted or disposed by the persons who shall be duly authorized by these record or beneficial shareholders for the purpose.

Security Ownership of Directors and Officers as of March 30, 2019

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Joseph C. Sy	5,019,049 (direct) 2,348,309,528 (indirect)	Filipino	42.59%
Common	Ming Huat Chua	1 (direct) 90,689,219 (indirect)	Malaysian	1.64%
Common	Dante R. Bravo	25,271,947 (direct)	Filipino	0.46%
Common	Gu Zhi Fang	1 (direct)	Chinese	0.00%
Common	Francis C. Chua	350 (direct)	Filipino	0.00%
Common	Dennis Allan T. Ang	21,431,362 (direct)	Filipino	0.39%
Common	Mary Belle D. Bituin	1(direct)	Filipino	0.03%
Common	Edgardo G. Lacson	1(direct)	Filipino	0.00%
Common	Roberto C. Amores	1(direct)	Filipino	0.00%
Common	Noel B. Lazaro	2,037,733 (direct)	Filipino	0.04%

Common	Carlo Matilac	1,933,227 (direct)	Filipino	0.04%
Common	Eveart Grace P. Claro	10,000(direct)	Filipino	0.00%
Common	Mario A. Nevado	736,552 (direct)		0.01%
TOTAL		**2,772,644,371**		45.20%

Voting Trust Holders of 5.0% or More

There were no persons holding more than 5.0% of a class of shares of the Company under a voting trust or similar agreement as of the date of this Report.

Change in Control

As of the date of this Prospectus, there are no arrangements which may result in a change in control of the Company.

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

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

Name of Directors	Age	Nationality	Position
Joseph C. Sy	52	Filipino	Chairman of the Board of Directors and Director
Dante R. Bravo	43	Filipino	President and Director
Ming Huat Chua	56	Malaysian	Director
Dennis Allan T. Ang	42	Filipino	Director
Francis C. Chua	70	Filipino	Director
Mary Belle D. Bituin	50	Filipino	Treasurer/ Senior Vice President for Finance/ Human Resources Department/ Director
Gu Zhi Fang	45	Chinese	Director
Noel B. Lazaro	49	Filipino	Regular Director/Senior Vice President for Legal and Regulatory Affairs, and Corporate Information Officer
Edgardo G. Lacson	75	Filipino	Independent Director
Roberto C. Amores	66	Filipino	Independent Director

Name of Officers	Age	Nationality	Position
Carlo Matilac	46	Filipino	Senior Vice President for Operations
Eveart Grace Pomarin-Claro	38	Filipino	Corporate Secretary/ Alternate Corporate Information Officer
Mario A. Nevado	64	Filipino	Compliance Officer

The Nomination's Committee is composed of its Chairman Mr. Edgardo G. Lacson and members Ms. Mary Belle D. Bituin and Mr. Dante R. Bravo.

Upon recommendation of the Company's Nomination Committee as required by the Company's Manual on Corporate Governance, the following are nominated for re-election or election to the position stated below for the year 2019-2020, to hold office as such for one year or until their successors shall have been duly elected and qualified.

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

Joseph C. Sy
Chairman, and Director

Mr. Sy became Chairman of the Board of Directors on August 6, 2015. He became president of PGMC and Company in July 2011 and on August 29, 2014, respectively. He is also a Director and Chairman of Ipilan Nickel Corporation, Chairman and President of Ferrochrome Resources Inc. and the Director of Mining for the Philippine Chamber of Commerce and Industry. Mr. Sy has more than fourteen years of experience in managing and heading companies engaged in mining and mineral exploration and development.

Dante R. Bravo
President and Director

Mr. Bravo became the President of the Company on August 6, 2015. He previously served as Executive Vice President of the Company. He has been a Director, Executive Vice President and Corporate Secretary of PGMC since 2011. He was Chief Finance Officer of PGMC from 2011 to 2013. He is also an attorney-at-law and a Certified Public Accountant in the Philippines. Mr. Bravo served as a Director from 2004 to 2011 and a Senior Associate from 2002 to 2004 at SGV. He is a professor of law at San Beda College and a lecturer for the Mandatory Continuing Legal Education Program for lawyers. He was the Chief Political Affairs Officer of Congressman Mr. Narciso R. Bravo Jr. He holds a Bachelor of Laws degree from San Beda College and a Bachelor of Accountancy degree from the University of Santo Tomas. Mr. Bravo has more than 10 years of corporate management experience. He placed 10th in the 2001 Philippine Bar Examinations.

Mary Belle D. Bituin
Chief Financial Officer and Treasurer

Ms. Bituin became a Director of the Company on November 2, 2015. Ms. Bituin holds a Bachelor of Science degree in Business Administration, major in accounting from Philippine School of Business Administration Manila. She is a Certified Public Accountant. She was Vice President for Business Transformation of Globe Telecom, Inc. She was the international auditor for the International Auditor for International Audits at the Cooperative for Assistance and Relief Everywhere (CARE), a leading international humanitarian organization fighting global poverty based in Atlanta, Georgia USA, from 1994 to 1998. She was also a senior auditor at SGV & Co. where she worked from 1988 to 1994.

Noel B. Lazaro
Senior Vice President for Legal and Regulatory Affairs and Corporate Information Officer

Mr. Lazaro became the Corporate Secretary and Corporate Information Officer of the Company on October 22, 2014. He also acts as its Senior Vice President for Legal and Regulatory Affairs. He joined PGMC on August 1, 2014. He is a Director of INC and also a Director and Corporate Secretary of Southeast Palawan, PCSSC and SIRC. Mr. Lazaro served as a Partner for Siguion Reyna Montecillo & Ongsiako, an Associate at SyCip Salazar Hernandez & Gatmaitan, a Professorial Lecturer for the Lyceum of the Philippines College of Law, the De la Salle University Graduate School of Business and Far Eastern University Institute of Law, Master of Business Administration-Juris Doctor Dual Degree Program. He completed his Bachelor of Laws degree from the University of the Philippines College of Law and placed 19th in the 1995 Philippine Bar Examinations.

Ming Huat Chua
Director

Mr. Chua became a Director of the Company on June 29, 2016 and Vice Chairman of the Board of Directors on July 28, 2016. Mr. Chua was former President of Genting Hong Kong Limited ("GHK") and a director of Norwegian Cruise Line Holdings Ltd., a company listed on the NASDAQ Global Select Market. He held key management positions in various international securities companies in Malaysia, Singapore and Hong Kong, with extensive knowledge in the management of securities, futures and derivatives trading, asset and unit trust management, corporate finance and corporate advisory business. He was a Director and member of the Listing Committee of the MESDAQ market of Bursa Malaysia Securities Berhad. He has a Bachelor of Arts degree in Political Science and Economics from Carleton University in Ottawa, Canada.

Francis C. Chua
Director

Mr. Chua became a director of the Company on October 22, 2014. He is currently the Honorary Consulate General of the Republic of Peru and the honorary president of the Federation of Filipino Chinese Chamber of Commerce and Industry. He is also the president emeritus of the Chamber of Commerce of the Philippines Foundations. Mr. Chua also served as the special envoy on Trade and Investments on China. He holds a Bachelor of Science in Industrial Engineering from the University of the Philippines, College of Engineering and doctorate degrees in humanities and business technology from the Central Luzon State University and the Eulogio Amang Rodriguez Institute of Science and Technology, respectively.

Gu Zhi Fang
Director

Ms. Gu Zhi Fang became a director of the Company on October 22, 2014. She has been a director of Ferrochrome Resources, Inc. since 2011. She has also been a director and general manager of Jiangsu Lianhua Paper Ltd., Wujiang, Jiangsu Province, China. She holds a degree in International Trade from Suzhou University.

Dennis Allan T. Ang
Director

Mr. Ang became a Director of the Company on August 10, 2015. He is the Corporate Secretary of Maxima Machineries, Inc. since February 2009. He is the System Architect and Lead Programmer of Engagement Workflow System Architecture Development since July 2015. He founded Full Metro Gear Corp. and Engagement, Inc in 2014 and 2007, respectively. He occupied several key positions in Asian Institute of Management from 2001 to 2006. Mr. Ang holds a degree in Bachelor of Science in Management Information Systems from Ateneo de Manila University and a Masters degree in Business Administration from Asian Institute of Management.

Roberto C. Amores
Independent Director

Mr. Roberto C. Amores became a director of the Company on March 17, 2015. He is the Director-in-Charge for Agriculture at the Philippine Chamber of Commerce & Industry, a member of the Technical Advisory Group for Agribusiness office of Sec. Arthur C. Yap in the Department of

Agriculture, the president of the Philippine Food Processors and Exporters Organization, Inc. and a council member and trustee of the Export Development Council – DTI. He holds a Bachelor of Arts degree from the University of the Philippines. Mr. Amores has more than 30 years of corporate management experience.

Edgardo Gapuz Lacson
Independent Director

Mr. Edgardo Gapuz Lacson became a Director of the Company on June 29, 2016. Mr. Lacson is a Director of the Philippine Stock Exchange and Puregold Price Club, Inc. He is also a Trustee of De La Salle University, Home Development Mutual Fund, ADR Institute for Strategic and International Studies and Philippine Disaster Recovery Foundation. Mr. Lacson is a President of MIS Maritime Corporation, Safe Seas Shipping Agency, Marine Industrial Supply Corporation and EML Realty. He is also a Trustee, Past President and Honorary Chairman of the Philippine Chamber of Commerce and Industry. He holds a Bachelor of Science in Commerce Major in Accountancy from the De La Salle College.

OTHER EXECUTIVE OFFICERS

Carlo A. Matilac
Senior Vice President Operations

Mr. Matilac became the Senior Vice President for Operations in August 1, 2014. In 1994, Mr. Matilac graduated Bachelor of Science in BS Mining Engineering in Cebu Institute of Technology in 1994 and thereafter passed the 1994 Mining Engineer Licensure Exam garnering 1st Place. Mr. Matilac has more than 19 years of technical and engineering experience in managing companies engaged in mining and mineral exploration development. Prior to his current position, Mr. Matilac served as a technical specialist for BHP Billiton and QNI, and a mine engineering superintendent for Manila Mining Corp. He also holds a Masters in Business Administration from the Saint Paul University.

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

Ms. Pomarin Claro became Assistant Corporate Secretary and Alternate Corporate Information Officer of the Company on September 10, 2014. Ms. Pomarin-Claro served as Corporate Secretary of the Company from February 1, 2014 to August 29, 2014. She is the Executive Legal Officer of PGMC. She is Assistant Corporate Secretary of PGMC, SIRC and the Corporate Secretary of Ipilan Nickel Corporation, Nickel Laterite Resources, Inc. and Celestial Nickel Mining Exploration Corporation. She completed a Bachelor of Laws from the University of St. La Salle.

Mario A. Nevado
Compliance Officer

Mr. Nevado became Compliance Officer of the Company on August 24, 2018. He has been with PGMC since 2007 and became the Assistant Vice President for Finance in 2011. He is a Certified Public Accountant. He has a solid background in the financial services by working in various reputable companies. He held various positions as Manager of Money Market Division, Purchasing Division of the Philippine National Bank (PNB), and of PNB Capital and Investment Corporation, a subsidiary of PNB. He also worked as Accountant of Philippine Bread House in New Jersey, USA.

Significant Employees

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

Involvement In Certain Legal Proceedings Of Directors And Executive Officers

Save as disclosed in this Information Statement, to the best of the Company's knowledge and belief and after due inquiry, none of the Company's directors, nominees for election as director, or executive officer have in the five (5) -year period prior to the date of this Prospectus: (a) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two (2) -year period of that time; (b) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending proceeding in courts of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses except as those disclosed in the public domain; (c) have been the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (d) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, such judgment having not been reversed, suspended, or vacated.

Certain Relationships and Related Transactions

There are no transactions during the past two (2) years to which the Company or any of its subsidiaries was or is to be a party, and in which a director, executive officer, stockholder owning ten percent (10%) or more and members of their immediate family had or are to have a direct or indirect material interest

Note 30 of the audited financial statements for the period ended December 31, 2018 (Annex "A") provides information on the Company's significant transactions with related parties.

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

Disagreement with Director

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

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Compensation

The following are the Company's Chairman of the Board of Directors, its President, and its two other executive officers as of the date of this report:

Name	Position
Joseph C. Sy	Chairman of the Board of Directors and Managing Director
Dante R. Bravo	President and Managing Director
Mary Belle D. Bituin	Treasurer/ Senior Vice President for Finance/ Human Resources Department/ Managing Director
Noel B. Lazaro	Senior Vice President for Legal and Regulatory Affairs and Corporate Information Officer

The following table identifies and summarizes the aggregate compensation of the Company's Chairman and its three other executive officers of the Group for the years ended December 31, 2018 and 2017:

	Year	Total[(1)]
		(In million ₱)
Chairman and the three most highly compensated	2017	50.85
executive officers named above	2018	70.74
Aggregate compensation paid to all other officers	2017	61.28
as a group unnamed	2018	81.74

Note:

(1) Includes salary, bonuses and other income.

The Compensation and Remuneration Committee comprises at least three members, including the President and one independent director. It ensures that the compensation policies and practices are consistent with the corporate culture, strategy and business environment under which the Company operates. It is responsible for objectively recommending a formal and transparent framework of remuneration and evaluation for the members of the Board and the Company's key executives to enable the directors and officers to run the company successfully. It evaluates and recommends to the Board incentives and other equity-based plans designed to attract and retain qualified and competent individuals.

The Compensation and Remuneration Committee reports directly to the Board and is required to meet at least once a year and provides overall direction on the compensation and benefits strategy of the Company. The composition of the Compensation and Remuneration Committee consist of three (3) members, including Mr. Roberto C. Amores as chairman, and Mr. Joseph C. Sy and Atty. Dante R. Bravo as members.

Standard Arrangements

Other than payment of a fixed monthly director's fee of ₱200,000, there are no other standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments.

Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or to be compensated, directly or indirectly, for any service provided as a director.

Family Relationships

There are no family relationships between any Directors and any members of the Company's senior management as of the date of this Information Statement, except Mr. Sy and Ms. Gu who are husband and wife.

Employment Contracts

a) There are no employment contracts between the Company and a named executive officer.

b) Neither is there a compensatory plan or arrangement, including payments to be received from the Company, with respect to a named executive officer, which plan or arrangement results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company and its subsidiaries or from a change-in-control of the Company or a change in the named executive officer's responsibilities following a change-in-control and the amount involved, including all periodic payments or installments, exceed ₱2,500,000.

Warrants and Options Outstanding

As of the date of this Information Statement, there are no outstanding warrants or options held by the President, the CEO, the named executive officers, and all officers and directors as a group.

CORPORATE GOVERNANCE

On May 31, 2017, the Board of Directors of the Company approved and adopted FNI's Manual on Corporate Governance incorporating principles and policies recommended by the regulators for publicly listed companies pursuant to SEC Memorandum Circular 19, Series of 2016.

The Manual assists the Company in monitoring and assessing its level of compliance with leading practices on good corporate governance as specified in pertinent Philippine SEC circulars. Aside from establishing specialized committees to aid in complying with the principles of good corporate governance, the Manual also outlines specific investor's rights and protections and enumerates particular duties expected from the Board members, officers and employees. It also features a disclosure system which highlights adherence to the principles of transparency, accountability and fairness.

COMPENSATION PLANS

On June 29, 2016, the BOD and stockholders of the Parent Company approved the establishment of an ESOP (which covers the qualified employees of the subsidiaries of the Parent Company), 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 First Tranche which comprised the 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).

Special Stock Grant
The stock grant agreement in relation to the Employee Stock Option Master Plan was executed on December 27, 2017, the grant date, between the Parent Company and the grantees. A total of 10,100,000 treasury shares of the Parent Company was granted to PGMC, then subsequently issued and awarded by PGMC to its employees as recognition for their past services. The basic terms and conditions of the stock grant are as follows:

- The participants of the special stock grant are the officers and employees of its significantly owned subsidiaries as selected and approved by the Compensation Committee;
- The shares granted under the 2017 Plan will be registered in the employee's name and will have a lock-in period of two (2) years from the date of grant;
- As the owner of record, the employee will have the right to vote shares and receive dividends; and
- During the lock-in period, such shares of stocks granted may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of. Pursuant to this, the certificate covering the shares of stock will be held in escrow by the designated escrow agent, and will be released at the end of the lock-in period.

The second tranche of the Stock Grant was executed on December 28, 2018, the grant date, between the Parent Company and the grantees. A total of 9,900,000 treasury shares of the Parent Company was granted to PGMC, then subsequently issued and awarded by PGMC to its employees as recognition for their past services. The basic terms and conditions of the stock grant are the same as that of the 2017 Stock Grant.

MANAGEMENT REPORT

Appointment of Stock and Transfer Agent

Securities Transfer Services, Inc. ("STSI") will be nominated and recommended to the stockholders for reappointment as the Company's stock and transfer agent for the year 2018-2019. Representatives of STSI are expected to be present at the upcoming Annual Stockholders' Meeting to respond to appropriate questions and to make a statement if they so desire.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

The auditing firm of Sycip Gorres Velayo & Co. ("SGV"), a member firm of Ernst & Young Global Limited will be nominated and recommended to the stockholders for reappointment as external auditor for the year 2018-2019. Representatives of the said firm are expected to be present at the upcoming Annual Stockholders' Meeting to respond to appropriate questions and to make a statement if they so desire.

In compliance with SRC Rule 68 (3) (b) (iv) of the Securities Regulation Code, the appointment of a signing partner of SGV shall not exceed five (5) consecutive years. Ms. Eleonore A. Layug, commenced as engagement partner of the Company starting 2017.

The independent auditors for the Company were changed from Navarro, Amper & Co. to SGV effectively from July 2014 after the acquisition of the PGMC by the Company. SGV has been the auditor for PGMC since 2005, for the considerations of consistency and ease of consolidation of the Company's and PGMC's financial stations. SGV was also appointed by the Company as its auditors. There were no disagreements between the two auditing firms.

External Audit Fees

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

	2017	**2016**	**2015**
		(₱ thousands)	
Audit and Audit-Related Fees[(1)]	9,339.00	12,243.3	12,979.3
Non-Audit Services [(2)]	2,680.2	17,297.6	13,145.9
Total	12,019.2	29,540.9	26,125.2

(1) *Audit and Audit-Related Fees. This category includes the audit of annual financial statements, review of interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years.*
The fees presented above include out-of-pocket expenses incidental to the independent auditors' work, the amounts of which do not exceed 10.0% of the agreed-upon engagement fees.

(2) *Non-Audit Services. This category includes the tax advisory fees for the tax advisory services provided by SGV, on PGMC's corporate restructuring. The fees presented above include out-of-pocket expenses incidental to the work performed, the amounts of which do not exceed 10.0% of the agreed-upon engagement fees.*

Market Price of and Dividends

Market Information

The PSE is the principal market for the Company's shares. The closing price of the shares as of December 28, 2018 was at ₱1.66 per share. On May 21, 2019, the closing price of the shares on the PSE was ₱1.54 per share.

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

YEAR	Q1		Q2		Q3		Q4	
	High	Low	High	Low	High	Low	High	Low
2019	1.69	1.45	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2018	2.55	2.17	2.57	2.12	2.20	1.85	1.85	1.66
2017	2.86	2.78	2.53	2.47	2.84	2.70	2.64	2.59
2016	2.76	1.36	3.42	2.40	2.85	0.82	4.29	2.82

Holders

The Company has approximately 1,721 shareholders owning shares as of March 31, 2019. Based on the records, the following are the top 20 stockholders with their respective shareholdings and percentage to total shares outstanding as of said date:

Stockholder Name	Nationality	No. of Shares	%
PCD Nominee Corp – Filipino	Filipino	2,955,850,926	53.60
Huatai Investment Pty. Ltd. –Australian	Australian	1,015,404,734	18.42
PCD Nominee Corp – Non-Filipino	Foreign	856,382,627	15.53
Regulus Best Nickel Holdings, Inc.	Filipino	523,154,668	09.49
Blue Eagle Elite Venture, Inc.	Filipino	348,769,779	06.32
Sohoton Synergy, Inc.	Filipino	233,156,767	04.23
Red Lion Fortune Group, Inc.	Filipino	57,588,866	01.04
Joseph C. Sy	Filipino	5,000,000	00.90
Dante R. Bravo	Filipino	3,261,053	00.58
Orion-Squire Capital, Inc. A/C-0459	Filipino	2,283,106	00.04
Carlo A. Matilac	Filipino	1,733,226	00.03
Mary Belle D. Bituin	Filipino	1,630,523	00.03
Squire Securities, Inc.	Filipino	867,338	00.02
Corsino L. Odtojan	Filipino	785,860	00.01
Geary L. Barias	Filipino	785,860	00.01
Mario A. Nevado	Filipino	705,852	00.01
Amor A. Quintero	Filipino	678,479	00.01
Marilou C. Celzo	Filipino	678,479	00.01
Emmanuel Felipe E. Fang	Filipino	575,779	00.01
Hilario A. Sale Jr.	Filipino	575,779	00.01
George L. Go	Filipino	539,153	00.01
Kuok Philippines Properties Inc.	Filipino	463,953	00.01
Richard C. Gimenez	Filipino	430,738	00.01

Dividends

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

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

Note:

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

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

On March 14, 2018, the Company approved the declaration of property dividends consisting of the Company's listed shares at the ratio of 0.06 share for every FNI share to all shareholders of record by April 2, 2018 based on the March 14, 2018 listed price. The declaration is subject to approval by the SEC. Payment for the property dividend shall be fifteen (15) trading days from receipt of the approval by the SEC of the property dividend.

Description of Registrant's Securities

As of April 30, 2018, the Company has a total issued capital stock of 5,822,357,151 common shares. 5,412,875,399 common shares of the Company are outstanding and 409,481,752 shares are treasury stock.

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

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

On July 9, 2014, IHoldings Group entered into a Share Purchase Agreement with Huatai Investment Holdings Pty. Ltd., Regulus Best Nickel Holdings, Inc., Bellatrix Star, Inc., Alpha Centauri Fortune Group, Inc., Antares Nickel Capital, Inc., Blue Eagle Elite Ventures, Inc., Ultimate Horizon Capital, Inc., Sohoton Energy, Inc., Great South Group Ventures, Inc., Red Lion Fortune Group, Inc., Wei Ting, Dante R. Bravo and Seng Gay Chan (collectively, the "Thirteen Stockholders") pursuant to which IHoldings Group will sell to the Thirteen Stockholders 6,291,132,047 common shares of the Company (the "Subject Shares") comprising the entirety of their respective shareholdings and representing 89.82% of the total issued and outstanding capital stock of the Company. This Share Purchase Agreement was amended on September 4, 2014,

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

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

- Change in the Company's name from Southeast Asia Cement Holdings, Inc. to Global Ferronickel Holdings, Inc.;
- Change in the registered and principal address from Room 1104, Liberty Center Buildings, 104 H.V. dela Costa corner Leviste Streets, Salcedo Village, Makati City to 7th Floor, Corporate Business Centre, 151 Paseo de Roxas corner Arnaiz Street, Makati City;
- Increase in the number of directors from nine (9) to ten (10) members;
- Increase in the authorized capital stock of the Company from ₱2,555,000,000.00 divided into 7,300,000,000 common shares with par value of ₱0.35 per share to ₱12,555,000,000.20 divided into 35,871,428,572 common shares with a par value of ₱0.35 per share; and
- Change of fiscal year from June 30 to December 31.

The Board and the stockholders of the Company also approved the issuance of 10,463,093,371 new common shares of the Company resulting from the increase in the authorized capital stock to the Thirteen Shareholders who are also the stockholders of PGMC in exchange for the sale and transfer to the Company of 99.85% of the outstanding capital stock of PGMC under a Deed of Exchange dated October 23, 2014; and the follow-on offering and listing of shares with the PSE which includes the 10,463,093,371 common shares issued to the stockholders of PGMC.

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

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

On December 1, 2014, the Company filed with SEC a Notice of Exempt Transaction under Section 10.1 (e) and (i) of the Securities Regulation Code, or pursuant to the sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock and pursuant to the subscription for shares of the capital stock of a corporation prior to the incorporation thereof or in pursuance of an increase in its authorized capital stock under the Philippine Corporation Code, when no expense is incurred, or no commission, compensation or remuneration is paid or given in connection with the sale or disposition of such securities, and only when the purpose for soliciting, giving or taking of such subscriptions is to comply with the requirements of such law as to the percentage of the capital stock of a corporation which should be subscribed before it can be registered and duly incorporated, or its authorized capital increased, for the issuance of the aforementioned 10,463,093,371 new common shares. An amended Notice of Exempt Transaction was filed on February 18, 2015.

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

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

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

On August 6, 2015, the Board of Directors of the Company approved the following:

- the execution of the Contract to Sell for the purchase of 500,000 common shares and 6,250,000,000 preferred shares or one hundred percent (100%) interest of SPNVI for $50.0 million or its Philippine peso equivalent
- subscription of the company to the remaining unissued and unsubscribed shares of SPNVI consisting of Three Hundred Thousand (300,000) common shares with a par value of One Peso (₱ 1.00) per share, and Three Billion Seven Hundred Fifty Million (3,750,000,000) preferred shares with a par value of One Centavo (₱ 0.01) per share, for a total subscription price of Thirty Seven Million Eight Hundred Thousand Pesos (₱ 37,800.000.00)

The Company, its Subsidiaries and Affiliates (collectively, the "Group") have no record of any bankruptcy, receivership or similar proceedings during the past three (3) years. Neither has the Group made any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business from 2013 to 2017, except as disclosed and mentioned herein, and in the Company and Subsidiaries' audited financial statements.

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

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

Operating Segment Information

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

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

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

Summary Financial Information

The following discussion and analysis are based on the audited consolidated financial statements as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 and accompanying notes to the consolidated financial statements, prepared in conformity with Philippine Financial Reporting Standards (PFRS) and should be read in conjunction with those audited consolidated financial statements.

The Group has not, in the past five (5) years and since its incorporation, revised its consolidated financial statements for reasons other than changes in accounting period and policies.

The consolidated financial statements as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 are hereto attached.

The following tables set forth the summary financial information as at and for the years ended December 31, 2018, 2017 and 2016.

Summary of Consolidated Statements of Income

	For the Years Ended December 31			Horizontal Analysis			
				Increase (Decrease)		Increase (Decrease)	
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	In Thousand Pesos						
Revenues	5,486,619	5,815,596	3,773,669	(328,977)	-6%	2,041,927	54%
Cost of Sales	(2,656,531)	(2,768,571)	(2,308,220)	(112,040)	-4%	460,351	20%
Operating Expenses	(1,956,182)	(1,936,207)	(1,254,594)	19,975	1%	681,613	54%
Finance Costs	(76,938)	(68,741)	(67,696)	8,197	12%	1,045	2%
Finance Income	4,609	6,877	6,505	(2,268)	-33%	372	6%
Share in Net Loss of An Associate	-	(116)	(184)	(116)	-100%	(68)	37%
Other Income (Charges) - net	(15,170)	28,369	(32,373)	43,539	-153%	(60,742)	-188%
Provision for Income Tax - net	(276,879)	(297,518)	(79,613)	(20,639)	-7%	217,905	-274%
Net Income	509,528	779,689	37,494	(270,161)	-35%	742,195	1980%

Summary of Consolidated Statements of Income

	For the Years Ended December 31			Vertical Analysis			
				Increase (Decrease)		Increase (Decrease)	
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	In Thousand Pesos						
Revenues	5,486,619	5,815,596	3,773,669	(328,977)	-122%	2,041,927	275%
Cost of Sales	(2,656,531)	(2,768,571)	(2,308,220)	(112,040)	41%	460,351	-62%
Operating Expenses	(1,956,182)	(1,936,207)	(1,254,594)	19,975	-7%	681,613	-92%
Finance Costs	(76,938)	(68,741)	(67,696)	8,197	-3%	1,045	0%
Finance Income	4,609	6,877	6,505	(2,268)	-1%	372	0%
Share in Net Loss of An Associate	-	(116)	(184)	(116)	0%	(68)	0%
Other Income (Charges) - net	(15,170)	28,369	(32,373)	43,539	-16%	(60,742)	8%
Provision for Income Tax - net	(276,879)	(297,518)	(79,613)	(20,639)	8%	217,905	-29%
Net Income	509,528	779,689	37,494	(270,161)	-100%	742,195	100%

Summary Consolidated Statements of Financial Position as at December 31,

	2018	2017	2016	Horizontal Analysis Increase (Decrease) 2018 vs. 2017	%	Increase (Decrease) 2017 vs. 2016	%
	In Thousand Pesos						
Current Assets	3,474,416	3,823,022	3,773,688	(348,606)	-9%	49,334	1%
Noncurrent Assets	5,387,665	5,217,835	5,653,006	169,830	3%	(435,171)	-8%
Total Assets	8,862,081	9,040,857	9,426,694	(178,776)	-2%	(385,837)	-4%
Current Liabilities	961,271	1,805,529	2,227,747	(844,258)	-47%	(422,218)	-19%
Noncurrent Liabilities	1,513,304	831,024	652,388	682,280	82%	178,636	27%
Equity	6,387,506	6,404,304	6,546,559	(16,798)	0%	(142,255)	-2%
Total Liabilities and Equity	8,862,081	9,040,857	9,426,694	(178,776)	-2%	(385,837)	-4%

Summary Consolidated Statements of Financial Position as at December 31,

	2018	2017	2016	Vertical Analysis Increase (Decrease) 2018 vs. 2017	%	Increase (Decrease) 2017 vs. 2016	%
	In Thousand Pesos						
Current Assets	3,474,416	3,823,022	3,773,688	(348,606)	-195%	49,334	-13%
Noncurrent Assets	5,387,665	5,217,835	5,653,006	169,830	95%	(435,171)	113%
Total Assets	8,862,081	9,040,857	9,426,694	(178,776)	-100%	(385,837)	100%
Current Liabilities	961,271	1,805,529	2,227,747	(844,258)	-472%	(422,218)	109%
Noncurrent Liabilities	1,513,304	831,024	652,388	682,280	382%	178,636	-46%
Equity	6,387,506	6,404,304	6,546,559	(16,798)	-9%	(142,255)	37%
Total Liabilities and Equity	8,862,081	9,040,857	9,426,694	(178,776)	-100%	(385,837)	100%

Summary Consolidated Statements of Cash Flows

	For the Years Ended December 31 2018	2017	2016
		In Thousand Pesos	
Net Cash Flows From (Used in):			
Operating Activities	1,345,821	1,890,644	354,916
Investing Activities	(1,138,813)	(344,540)	(264,490)
Finaning Activities	(57,036)	(1,221,537)	(61,094)
Net Increase in Cash and Cash Equivalents	149,972	324,567	29,332
Effect of Exchange Rate Changes on Cash and Cash Equivalents	12,145	10,057	19,734
Cash and Cash Equivalents at Beginning of Year	886,566	551,942	502,876
Cash and Cash Equivalents at End of Year	1,048,683	886,566	551,942

RESULTS OF OPERATIONS

Year ended December 31, 2018 compared with year ended December 31, 2017

Export Revenues

The Group's sale of nickel ore for the year ended December 31, 2018 generated total export revenues of ₱5,486.6 million compared to ₱5,815.6 million in the year ended December 31, 2017, a decrease of ₱329.0 million or 5.7%. The decline was attributable to lower volume of shipment in 2018 (than in 2017) and lower selling prices, which is mainly driven by external demand and supply. The decrease was offset by favorable exchange rate compared to the prior year.

The sale of nickel ore for the year ended December 31, 2018 was 5.709 million WMT, down by 0.262 million WMT or 4.4%, compared to 5.971 million WMT of nickel ore in the year ended December 31, 2017. The Group were able to ship 103 vessels of nickel ore during the year ended December 31, 2018 as against 109 vessels of nickel ore during the same period last year. The decrease in the number of vessels loaded and consequently in the volume of nickel ore shipped was mainly due to Management's decision to shift its focus towards higher-grade ores that entails more processing activities in order to maximize profitability. This resulted to a product mix of 47% low-grade ore and 53% medium-grade ore in 2018 versus the previous year's mix of 61% low-grade ore and 39% medium-grade ore, which led to an average revenue per vessel of ₱53.3 million, slightly lower by 0.2% compared to 2017. The 53% medium-grade ore sold in 2018 included 11 shipments of 1.65% nickel ore grade that were not in the 2017 product offering. These shipments sold solely to Chinese customers consisted of 2.658 million WMT low-grade nickel ore and 3.051 million WMT medium-grade nickel ore compared to 3.641 million WMT low-grade nickel ore and 2.330 million WMT medium-grade nickel ore of the same period in 2017.

The average realized nickel ore prices for 2018 were lower than 2017, specifically: (1) Low-grade ore was US$12.92/WMT in 2018, 18.4% lower than 2017 price of US$15.83/WMT; and (2) Medium-grade ore, without considering the shipments of 1.65% nickel ore grade, was US$20.51/WMT, 17.0% lower than 2017 price of US$24.70/WMT. However, considering the 1.65% nickel ore grade shipments, the average realized ore price for medium-grade ore increased (from US$20.51/WMT) to US$22.56/WMT. Because of this, the Group was able to temper the overall average realized nickel ore price decline to only 6.3% (US$18.07/WMT in 2018 versus US$19.29/WMT in 2017).

The average realized Peso over US$ exchange rate for the Group's export revenues was ₱53.18 compared to ₱50.49 of the same period last year, higher by ₱2.69 or 5.3%.

Service Revenues

The service income earned for the LCT chartered by PGMC from its subsidiary, PCSSC, amounted to ₱95.4 million for the year ended December 31, 2018 as compared to ₱89.9 million for the year ended December 31, 2017.

Cost and Expenses

The cost and expenses include cost of sales, excise taxes and royalties, general and administrative expenses, and shipping and distribution. The cost and expenses amounted to ₱4,612.7 million for the year ended December 31, 2018 compared to ₱4,704.8 million for the year ended December 31, 2017, a decrease of ₱92.1 million or 2.0%. The decrease was primarily due to lower contractor rates by US$1 compared to the prior year. However, the average cash operating cost per volume sold increased to ₱717.34 per WMT in 2018 from ₱674.45 per WMT, higher by ₱42.89 per WMT or 6.4%. For the year ended December 31, 2018, the total aggregate cash costs and total sales volume were ₱4,095.3 million and 5.709 million WMT, respectively. For the year ended December 31, 2017, the total aggregate cash costs and total sales volume were ₱4,027.1 million and 5.971 WMT, respectively.

Cost of Sales

The cost of sales went down from ₱2,768.6 million for the year ended December 31, 2017 to ₱2,656.5 million for the same period this year, a decrease by ₱112.1 million, or 4.0%. The decline was mainly due to decrease in contract hire by ₱125.8 million (from ₱1,962.5 million in 2017 to ₱1,836.7 million in 2018), or 6.4% as a result of renegotiation of contract rates with Contractors (reduction by US$1.0 per WMT). In addition, depreciation, depletion and amortization decreased by ₱12.1 million (from ₱425.7 million in 2017 to ₱413.6 million in 2018) due to reduction in depletion rates as a result of the increase in ore reserve based on the updated PMRC Report effective February 1 and November 1, 2018. On the other hand, repairs and maintenance, environmental protection costs, fuel and oil, and personnel costs increased by ₱16.7 million, ₱13.8 million, ₱8.8 million and ₱8.5 million, respectively.

Excise Taxes and Royalties

Excise taxes and royalties were ₱727.5 million and ₱714.2 million for the years ended December 31, 2018 and 2017, respectively. Since these expenses were computed and paid based on the percentage of revenues, it is expected that the decrease in nickel ore price and volume shipped should consequently decrease the excise taxes and royalties taken up. However, excise taxes and royalties increased due to the implementation of Tax Reform for Acceleration and Inclusion (TRAIN) Law this year increasing the applicable excise tax rate from two percent (2%) to four percent (4%). The increase in excise tax was offset by lower royalty fees paid to the claim-owner as Management was able to negotiate and entered into an Amended Royalty Agreement effective 2018 mining season, with the new rates ranging from two percent (2%) to five percent (5%) versus the previous rates of three percent (3%) to seven percent (7%).

General and Administrative
General and administrative expenses were ₱795.7 million in the year ended December 31, 2018 compared to ₱833.2 million in the year ended December 31, 2017, a decrease of ₱37.5 million, or 4.5%. The decrease was mainly attributable to the provision for impairment losses taken up by the Group in 2018 amounted to ₱79.7 million compared to ₱208.8 million in the prior year. The Group's 2018 provision pertains to a disputed receivable from its previous contractor while the 2017 provision pertains to long-outstanding trade receivables. The provision has no effect on cash and is less than 2% and 5% of the Group's revenues in 2018 and 2017, respectively. Also, the Group continues to take the necessary steps to collect at least a portion of the amount. On the other hand, taxes and licenses, personnel costs and consultancy fees increased by ₱40.9 million, ₱23.4 million and ₱19.0 million, respectively. The net increase in taxes and licenses is mainly attributable to the increase in local business tax in Claver amounted to ₱48.7 million due to the 100% increase in the corresponding tax rate (from 1% to 2%) and higher tax base (revenue was ₱5.8 billion in 2017 versus ₱3.8 billion in 2016). The increase in personnel costs is due to salary adjustments to eligible employees starting March 1 and minimum salary wage increase effective February 14 and May 1, 2018. Moreover, the increase in consultancy fees is mainly attributable to the professional fees incurred in relation to the completion of the Group's FOO in July.

Shipping and Distribution
Shipping and loading costs were ₱432.9 million for the year ended December 31, 2018 compared to ₱388.8 million in the same period last year, up by ₱44.1 million, or 11.3%. The increase was mainly due to payment of Philippine Port Authority (PPA) wharfage fees during the year versus none in the prior years since it is covered under the 10-year exemption of wharfage fees from the Board of Investments (BOI) which expired in 2016.

Finance Costs
Finance costs amounted to ₱76.9 million in the year ended December 31, 2018 compared to ₱68.7 million in the year ended December 31, 2017, an increase of ₱8.2 million, or 11.9%. The provision for mine rehabilitation and decommissioning cost increased in 2017 based on the latest FMRDP of the Group resulting to the increase in accretion interest expense (increase by ₱10.0 million, from ₱4.1 million in 2017) taken up by the Group at the start of the year.

Other Income (Charges) - net
Net other charges amounted to ₱15.2 million in the year ended December 31, 2018 compared to net other income amounted to ₱28.4 million in the year ended December 31, 2017, a decrease of ₱43.6 million, or 153.5%. The difference pertains mainly to the net foreign exchange losses during the year as a result of the rebooking of US$ denominated accounts. This was offset by the net despatch revenues earned by the Group during the year.

Provision for Income Tax - net
The net provision for income tax was ₱276.9 million for the year ended December 31, 2018 compared to ₱297.5 million in the same period last year, a decrease of ₱20.6 million or 6.9%. The Group's current provision for income tax represents regular corporate income tax for the years ended December 31, 2018 and 2017. The decrease was due to the lower taxable income earned during the year compared to the prior year.

Total Comprehensive Income – net of tax

Currency Translation Adjustment
The Group had recognized currency translation adjustment amounted to ₱17.4 million and ₱9.4 million for the years ended December 31, 2018 and 2017, respectively, which pertained to the exchange differences arising on the translation of a subsidiary's functional currency to the presentation currency of the Parent Company.

Remeasurement Gain (Loss) on Retirement Obligation
Remeasurement gain (loss) on retirement obligation - net of tax recognized in 2018 and 2017 amounted to (₱9.7 million) and ₱7.2 million, respectively.

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

Export Revenues

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

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

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

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

Service Revenues

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

Cost and Expenses
The cost and expenses include cost of sales, excise taxes and royalties, general and administrative expenses and shipping and distribution. The cost and expenses amounted to ₱4,704.8 million for the year ended December 31, 2017 compared to ₱3,562.8 million for the year ended December 31, 2016, an increase of ₱1,142.0 million or 32.1%. The increase was primarily due to higher tonnage produced and volume shipped compared to the prior year. However, the average cash operating cost per volume sold decreased to ₱674.45 per WMT in 2017 from ₱736.76 per WMT, lower by ₱62.13 per

WMT or 8.5%. For the year ended December 31, 2017, the total aggregate cash costs and total sales volume were ₱4,027.1 million and 5.971 million WMT, respectively. For the year ended December 31, 2016, the total aggregate cash costs and total sales volume were ₱3,174.7 million and 4.309 WMT, respectively.

Cost of Sales
The cost of sales went up from ₱2,308.2 million for the year ended December 31, 2016 to ₱2,768.6 million for the same period this year, an increase by ₱460.4 million, or 19.9%. Contract hire increased by ₱414.2 million (from ₱1,548.3 million in 2016 to ₱1,962.5 million in 2017), or 26.7%. Depreciation, depletion and amortization increased by ₱55.2 million (from ₱370.4 million in 2016 to ₱425.6 million in 2017), or 14.9%. The increase in contract hire and depreciation, depletion and amortization was mainly due to increase in production volume in relation to the increase in volume shipped compared to prior year. The increase in depreciation, depletion and amortization due to volume was reduced by ₱17.2 million attributable to lower depletion and amortization rates used effective July 1, 2017. The change in depletion and amortization rates was due to the change in ore reserves estimate based on the latest PMRC Competent Person report dated October 15, 2017.

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

General and Administrative
The general and administrative expenses were ₱833.2 million in the year ended December 31, 2017 compared to ₱460.9 million in the year ended December 31, 2016, an increase of ₱372.3 million, or 80.8%. In the last quarter of 2017, the Group received a notice that certain customer has filed bankruptcy. In view of this unexpected development, management deemed it prudent to take a conservative approach to the Group's financials. With this, the Group recognized a provision for doubtful long-outstanding trade receivables amounted to ₱208.8 million. The provision has no effect on cash, but such was included in the Group's general and administrative expenses. However, the provision is less than 5% of the Group's revenues and that the Group is taking the necessary steps to collect at least a portion of the amount. In addition, the Group recognized a provision for impairment losses on its other current and noncurrent assets (creditable withholding tax and claim for business tax refund carryover from 2013) amounted to ₱24.5 million. Furthermore, taxes and licenses increased by ₱92.8 million mainly due to the payment of additional tax assessments for the calendar/taxable years 2012 and 2013, and local business tax which was minimal in 2016 compared to 2017 as the Board of Investments (BOI) Income Tax Holiday of the Group's subsidiary, PGMC, already expired. Moreover, the Group's personnel costs increased during the period as the Group hired additional manpower to complement the growing business requirements of the Group.

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

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

Other Income (Charges) - net
The net other income amounted to ₱28.4 million in the year ended December 31, 2017 compared to net other charges amounted to ₱32.4 million in the year ended December 31, 2016. The change in the account pertains mainly to the movement in the foreign exchange related transactions resulting to

higher net foreign exchange gains during the year compared to the prior year. Also, the Group recognized a loss on disposal of property and equipment amounted to ₱24.3 million in 2016.

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

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

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

Total Comprehensive Income - net of tax

Currency Translation Adjustment
The Group had recognized currency translation adjustment amounting to ₱9.4 million and (₱14.1 million) for the periods ended December 31, 2017 and 2016, respectively, which pertained to the exchange differences arising on the translation of a subsidiary's functional currency to the presentation currency of the Parent Company.

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

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

Export Revenues

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

The sale of nickel ore for the year ended December 31, 2016 was 4.309 million WMT of nickel ore, declined by
1.043 million WMT or 19.5%, compared to 5.352 million WMT of nickel ore in the year ended December 31, 2015. We were able to ship only 80 vessels of nickel ore during the year ended December 31, 2016 as against 99 vessels of nickel ore during the same period in 2015. These shipments sold solely to Chinese customers consisted of 2.396 million WMT low-grade nickel ore, 1.858 million WMT medium-grade nickel ore and 0.055 million WMT high-grade nickel ore compared to 0.608 million WMT low-grade nickel ore, 4.368 million WMT medium-grade nickel ore and 0.376 million WMT high-grade nickel ore of the same period in 2015. The reduction in shipments was brought about by unfavorable weather conditions which affected production and loading operations. The decrease in the export revenues was aggravated by the decline of nickel ore price from 2015's average of US$26.69/WMT to only US$18.36/WMT average for the year ended December 31, 2016 lower by US$8.33/WMT or 31.21%.

Cost and Expenses
The cost and expenses include cost of sales, excise taxes and royalties, general and administrative expenses and shipping and distribution.

The cost and expenses amounted to ₱3,562.8 million for the year ended December 31, 2016 compared to ₱5,277.2 million for the year ended December 31, 2015, a decrease of ₱1,714.4 million or 32.5%. The decrease was due to the decline in the volume shipped, change in product mix as more low grade ores were shipped in 2016 as compared to the same period in 2015 and as the result of cost rationalizations and greater operational efficiencies. However, the average cash operating cost per volume sold decreased to ₱736.76 per WMT in 2016 from ₱874.95 per WMT, lower by ₱138.19 per WMT or 15.8%. For the year ended December 31, 2016, the total aggregate cash costs and total sales volume were ₱3,174.7 million and 4.309 million WMT, respectively. For the year ended December 31, 2015, the total aggregate cash costs and total sales volume were ₱4,682.7 million and 5.352 WMT, respectively.

Cost of Sales

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

The significant factor in the decline in the cost of sales was due to the decrease by ₱840.5 million in contract hire from ₱2,388.9 million in 2015 to ₱1,548.4 million in 2016, or 35.2%. Moreover, there was a decrease in equipment rentals by ₱35.6 million or 50.3%, from ₱70.8 million in 2015 to ₱35.2 million in 2016 due to non-renewal of equipment lease (as all heavy equipment are now provided in full by the Contractors) and Group-owned equipment previously allowed to be used by one of the mining contractors were returned upon expiration of the mining contract with this contractor. Furthermore, depreciation, depletion and amortization went down by ₱209.1 million or 36% as a result of the change in depletion rate. For the year ended December 31, 2015 and for the period January 1 to June 30, 2016, the depletion rate used was ₱60.48 per WMT computed based on the previous Joint Ore Reserve Committee Report received from Runge Pincock Minarco in February 2015 with an indicated mineral reserve estimate of 13.2 million DMT for Cagdianao Areas 2 and 4. For the period July 1 to December 31, 2016, the rate used in computing depletion was ₱31.71 per WMT based on the latest PMRC Competent Person's Technical Report dated September 15, 2016 with an indicated mineral reserve estimate of 25.6 million WMT for Cagdianao Areas 2 and 4 out of the total indicated ore reserve of 35.5 million WMT for CAGAs 1 to 5. For fuel, oil and lubricants, it went down by ₱140.5 million, from ₱151.5 million in 2015 to ₱11.0 million for the same period this year. However, the decrease was partially offset by the increase in personnel costs by ₱28.0 million or 22.2% as the Group re-embarked its in-house operations on the control and monitoring of contracted activities to ensure quality of work, which translated to hiring of additional local manpower in 2016.

Operating Expenses

The operating expenses amounted to ₱1,254.6 million for the year ended December 31, 2016 compared to ₱1,767.3 million for the year ended December 31, 2015, a decrease of ₱512.7 million or 29.0%.

Excise Taxes and Royalties

Excise taxes and royalties were ₱503.3 million and ₱972.6 million in 2016 and 2015, respectively, a decrease of ₱469.3 million, or 48.2%. Since these expenses were computed and paid based on the percentage of gross sales, the decline in nickel ore price and volume shipped and change in product mix consequently lowered the excise taxes and royalties taken up.

General and Administrative

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

2016 and increase in personnel costs as the Group hired additional manpower to complement the management team of the Group and employees of PIL.

Shipping and Distribution
Shipping and loading costs were ₱290.4 million for the year ended December 31, 2016 compared to ₱166.5 million in the same period last year, an increase of ₱123.9 million, or 74.4%. Although the actual volume of nickel ore shipped in 2016 was lower compared to the same period last year, the shipping and distribution costs incurred this year expectedly rose as the Group embarked in directly handling full port operations in 2016 compared to 2015 where the Group only operated one of the two causeways.

Finance Costs
The finance costs were ₱67.7 million and ₱88.9 million in 2016 and 2015, respectively, a decrease of ₱21.2 million, or 23.8%. The decline was primarily due to the retirement of long-term loans with Amsterdam Trade Bank (ATB), and Trade and Investment Development Corporation of the Philippines (PhilEXIM).

Finance Income
The finance income was ₱6.5 million for the year ended December 31, 2016 compared to ₱9.4 million for the same period in 2015, a decrease of ₱2.9 million, or 30.8%. The finance income in 2016 was primarily consisted of the interest income related to finance lease arising from JL Earthmoving Corporation's (JLEC) lease of the Group's transportation and handling equipment.

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

Provision for (Benefit from) Income Tax

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

Deferred
The provision for deferred income tax were ₱44.2 million for the year ended December 31, 2016 as compared to the benefit from deferred income tax of (₱54.8) million for the same period in 2015, an increase of the provision amounting to ₱99.0 million, or 180.7%. The increase was brought about by the application of net loss carry over partially offset by the recognition of excess MCIT for the year ended December 31, 2016.

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

Other Comprehensive Income - net of tax

Cumulative Translation Adjustment
The Group had recognized cumulative translation adjustment amounting to ₱14.1 million which pertained to the exchange differences arising on the translation of a subsidiary's functional currency to the presentation currency of the Company.

Valuation Loss on AFS Financial Assets
The Group had a net valuation loss on AFS financial assets of nil and ₱0.5 million in the years ended December 31, 2016 and 2015, respectively.

Remeasurement Gain on Retirement Obligation
Remeasurement gain on retirement obligation recognized in 2016 and 2015 amounted to ₱3.1 million and ₱0.6 million, respectively.

Total Comprehensive Income (Loss) - net of tax
As a result of the foregoing, total comprehensive loss - net of tax was ₱11.0 million in 2016 compared to ₱0.09 million total comprehensive income - net of tax in 2015.

FINANCIAL POSITION

Year as at December 31, 2018 and 2017

As at December 31, 2018, total assets of the Group stood at ₱8,862.1 million, a decrease of ₱178.8 million or 2.0%, from ₱9,040.9 million as at December 31, 2017.

Current assets were ₱3,474.4 million as at December 31, 2018 compared to ₱3,823.0 million as at December 31, 2017, a decrease of ₱348.6 million or 9.1%. The decline was mainly due to the decrease in trade and other receivables by ₱299.2 million or 85.8%, prepayments and other current assets by ₱192.3 million or 89.7%, and current portion of finance lease receivable by ₱73.8 million or 100.0%. The decrease in trade and other receivables was attributable to: (a) More than 90% of the trade receivables were collected as at December 31, 2018; and (b) A provision for doubtful accounts for disputed receivables amounted to ₱79.7 million was recognized during the year (see related discussion in the general and administrative section). The decrease in prepayments and other current assets was attributable to the reclassification of restricted cash to noncurrent (see related discussion below). In addition, the Group ended its lease agreement with Nickelbase, Inc. (NI) during the period in which the remaining balance would be settled by NI through procurement of equipment that led to the derecognition of finance lease receivable. The decrease in accounts discussed was offset by the increase in cash and advances to related parties by ₱162.1 million and ₱72.5 million, respectively.

Noncurrent assets increased by ₱169.8 million or 3.3% from ₱5,217.8 million as at December 31, 2017 to ₱5,387.6 million as at December 31, 2018. The increase was mainly attributable to the increase in other noncurrent assets by ₱535.6 million (from ₱320.9 million as at December 31, 2017) or 166.9%. The increase in other noncurrent assets was attributable to the following: (a) increase in restricted cash amounted to ₱301.9 million due to reclassification from current assets based on the new terms of the loan entered with TCB during the year; (b) increase in mine rehabilitation fund amounted to ₱153.4 million mainly attributable to the updated FMRDP of the Group; and (c) increase in advances to suppliers amounted to ₱73.9 million. On the other hand, property and equipment, noncurrent portion of finance lease receivable (see related discussion in the current assets portion above) and mining rights decreased by ₱266.8 million, ₱86.8 million and ₱38.8 million, respectively. Property and equipment mainly decreased as a result of the additional depreciation and depletion during the year amounted to ₱398.9 million, net of ₱155.6 million acquisitions of machinery and other equipment, and others. Moreover, mining rights decreased due to the amortization during the year.

Total liabilities of the Group stood at ₱2,474.6 million as at December 31, 2018, a decrease of ₱161.9 million or 6.1%, from ₱2,636.5 million as at December 31, 2017. The decline was mainly due to the decrease in trade and other payables amounted to ₱171.7 million (from ₱577.1 million as at December 31, 2017).

Year as at December 31, 2017 and 2016

As at December 31, 2017, total assets of the Group stood at ₱9,040.9 million, a decrease of ₱385.8 million or 4.1%, from ₱9,426.7 million as at December 31, 2016.

Current assets were ₱3,823.0 million as at December 31, 2017 compared to ₱3,773.7 million as at December 31, 2016, an increase of ₱49.3 million or 1.4%. The increase was mainly due to the increase in cash by ₱334.6 million or 60.6% and advances to related parties by ₱257.9 million or 16.0%. This was offset by the decrease in trade and other receivables by ₱498.5 million or 58.8% due to full collection of the 2016 shipments during the year; 93.0% of the 2017 shipments were collected as at December 31, 2017 and the provision of doubtful accounts for long-outstanding trade receivables amounted to ₱208.8 million (outstanding since 2015; see related discussion in the general and administrative section). In addition, restricted cash under prepayments and other current assets decreased by ₱61.6 million due to the reduction in the debt service reserve account required on the TCB loan in May 2017.

Noncurrent assets decreased by ₱435.2 million or 7.7% from ₱5,653.0 million as at December 31, 2016 to ₱5,217.8 million as at December 31, 2017. The decrease 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 ₱108.6 million as a result mainly of the additional depreciation and depletion during the year amounted to ₱399.7 million, net of ₱123.2 million acquisitions of machinery and other equipment, and others, and adjustment to capitalized cost of mine rehabilitation amounted to ₱174.2 million. Moreover, mining rights decreased by ₱44.7 million due to the amortization during the year.

Total liabilities of the Group stood at ₱2,636.5 million as at December 31, 2017, a decrease of ₱243.6 million or 8.5%, from ₱2,880.1 million as at December 31, 2016. The net decrease was due to repayment of bank loans amounting to ₱1,382.6 million, net of ₱1,124.0 million availments during the year and decrease in advances from related parties amounting to ₱338.9 million (see related discussion in noncurrent assets section). This was offset by the increase in the provision for mine rehabilitation and decommissioning by ₱178.3 million based on the latest draft of FMRDP submitted by the Group to the DENR/MGB (see related discussion in the property and equipment section above) and increase in income tax payable by ₱136.8 million due to higher taxable income during the year compared to the prior year.

CASH FLOWS

Years ended December 31, 2018, 2017 and 2016

Cash Flows from Operating Activities

The net cash flows from operating activities resulted to ₱1,345.8 million for the year ended December 31, 2018 compared to ₱1,890.6 million of the same period in 2017. The decrease in the cash generated from operations was due to lower sale of ore during the year compared to the prior year as a result of the decrease in volume shipped and average realized nickel ore price.

The net cash flows from operating activities was ₱354.9 million for the year ended December 31, 2016, primarily comprising operating income before changes in working capital of ₱641.6 million adjusted for changes in working capital of ₱211.6 million, interest paid of ₱51.8 million, income taxes paid of ₱24.5 million and interest received of ₱1.3 million.

Cash Flows from Investing Activities
The net cash flows used in investing activities for the years ended December 31, 2018 and 2017 amounted to ₱1,138.8 million and ₱344.5 million, respectively. The net cash outflows in 2018 arise mainly to the increase in other noncurrent assets by ₱506.9 million, additional advances to related parties amounted to ₱568.8 million and net acquisitions of property and equipment amounted to ₱69.7 million.

The net cash outflows in 2017 arise mainly to the net acquisition of property and equipment amounted to ₱103.4 million, additional mine exploration costs incurred amounted to ₱17.9 million, additional advances to related parties amounted to ₱397.5 million, decrease in finance lease receivable by ₱73.5 million and decrease in other noncurrent assets by ₱94.8 million.

The net cash used in investing activities for the year ended December 31, 2016 was ₱264.5 million. The net cash outflows in 2016 arise mainly to the net acquisition of property and equipment amounted to ₱270.3 million, additional mine exploration costs incurred amounted to ₱83.0 million, additional advances to related parties amounted to ₱156.6 million and decrease in other noncurrent assets amounted to ₱237.6 million.

Cash Flows from Financing Activities
For the years ended December 31, 2018 and 2017, the net cash flows used in financing activities amounted to ₱57.0 million and ₱1,221.5 million, respectively. The net cash outflows in 2018 arise mainly from the proceeds from availment of bank loans amounted to ₱1,559.1 million, net of payments of bank loans amounted to ₱1,495.4 million and repurchase of treasury shares amounted to ₱636.9 million. In addition, proceeds from issuance of common stock arising from the Group's follow-on offering amounted to ₱517.5 million.

The net cash outflows in 2017 arise mainly from the proceeds from availment of bank loans amounted to ₱1,124.0 million, net of payments of bank loans amounted to ₱1,382.6 million and repurchase of treasury shares amounted to ₱964.5 million.

The net cash flows from financing activities for the year ended December 31, 2016 was ₱61.1 million, which primarily reflected a ₱832.4 million proceeds from availment of bank loans, which was partially offset by ₱875.0 million payment of bank loans.

Cash Dividends Payable and Treasury Stock Distributable as Dividends

On May 22, 2013, the BOD of the Parent Company approved the declaration of cash dividends in the amount of ₱1.656 per outstanding common share or ₱10,500 million to stockholders of record as at June 5, 2013, payable on June 12, 2013. In 2014, cash dividends declared and payable to certain shareholders on May 22, 2013 amounting to ₱20.3 million were returned as stale checks and presented as cash dividends payable and will be reissued to such investors subsequent to year-end. As at December 31, 2018 and 2017, dividends payable amounted to ₱20.2 million and ₱20.3 million, respectively.

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

On July 15, 2014, the PGMC's BOD approved the declaration of cash dividends amounting to ₱1,084.6 million at ₱0.09 per share. The dividends were settled on August 29, 2014.

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

On December 26, 2017, PGMC declared cash dividends of ₱480.00 per share to stockholders of record as of December 31, 2017 or for a total of ₱4,365,119,520.00 and paid its stockholders on January 15, 2018. On the same day, PGMC declared stock dividend amounting to ₱1,200,000,000.00 divided into 12,000,000 shares at the par value of ₱100.00 per share, or on or about 1.32 common shares for every common share held.

On March 14, 2018, the Board approved the declaration of property dividend consisting of FNI listed treasury shares at the ratio of 0.06 share for every FNI share to all shareholders of record by April 2, 2018 based on the March 14, 2018 listed price. On October 30, 2018, the SEC approved the Company's declaration of property dividend and payment to eligible shareholders was made on November 22, 2018.

Capital Stock

The capital structure of the Parent Company as at December 31, 2018 and 2017 is as follows:

	2018	2017
Authorized shares	11,957,161,906	11,957,161,906
Par value	₱1.05	₱1.05
Total authorized capital stock	₱12,555,020,001.30	₱12,555,020,001.30
Issued shares	6,072,357,151	5,822,357,151
Total capital stock (amounts in thousand Pesos)	₱6,375,975	₱6,113,455

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

As discussed in the Corporate Information section, 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 ₱20,000.40 divided into 19,048 common shares at a par value of ₱1.05.

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

Parent Company Follow-on Offering
On July 20, 2018, the Parent Company has completed its 250,000,000 common shares follow-on offering at an offer price of ₱2.07 with total proceeds of ₱517.5 million. On the same date, all the

6,072,357,151 issued shares of the Parent Company, including the common shares issued in accordance with the Share Swap transaction approved by the SEC on December 22, 2014, private placement and follow-on offer shares, are listed in the PSE.

The issuance of the 250,000,000 common shares resulted in an increase in the common stock and recognition of additional paid-in capital amounted to ₱262.5 million and ₱239 million (net of transaction costs directly attributable to the issuance of new common shares), respectively.

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
Additional registration	Various	July 2018	2.07	250,000,000
				7,259,810,000

Treasury Stock

The Company has 547,391,385 shares amounting to ₱1,116.3 million and 358,819,752 shares amounting to ₱954.1 million as at December 31, 2018 and 2017, respectively.

For the period ended December 31, 2018, the Company purchased a total of 306,058,144 common shares at an average price of 2.08 per share. As at December 31, 2018, the Company purchased a total of 674,975,477 common shares at an average price of 2.40 per share. The Parent Company is allowed to buyback up to ten percent (10%) and an additional five percent (5%) of the total outstanding shares of the Parent Company or equivalent to 582.2 million common shares and 270.4 million common shares, respectively. As at December 31, 2018, about 177.7 million shares remain available in the Company's approved Share Buyback Program.

Employee Stock Option Plan (ESOP)

On June 29, 2016, the BOD and stockholders of the Parent Company approved the establishment of an ESOP (which covers the qualified employees of the subsidiaries of the Parent Company), 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 First Tranche which comprised the 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).

Special Stock Grant

The stock grant agreement in relation to the Employee Stock Option Master Plan was executed on December 27, 2017, the grant date, between the Parent Company and the grantees. A total of 10,100,000 treasury shares of the Parent Company was granted to PGMC, then subsequently issued and awarded by PGMC to its employees as recognition for their past services. The basic terms and conditions of the stock grant are as follows:

- The participants of the special stock grant are the officers and employees of its significantly owned subsidiaries as selected and approved by the Compensation Committee;
- The shares granted under the 2017 Plan will be registered in the employee's name and will have a lock-in period of two (2) years from the date of grant;
- As the owner of record, the employee will have the right to vote shares and receive dividends; and
- During the lock-in period, such shares of stocks granted may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of. Pursuant to this, the certificate covering the shares of stock will be held in escrow by the designated escrow agent, and will be released at the end of the lock-in period.

The second tranche of the Stock Grant was executed on December 28, 2018, the grant date, between the Parent Company and the grantees. A total of 9,900,000 treasury shares of the Parent Company was granted to PGMC, then subsequently issued and awarded by PGMC to its employees as recognition for their past services. The basic terms and conditions of the stock grant are the same as that of the 2017 Stock Grant.

Key Performance Indicators (KPIs)

The Group identified the following KPIs:

KPI	*Formula*	*2018*	*2017*	*2016*
Profitability 1. Return on Equity	Profit for the Year / Average Total Equity	8.0%	12.0%	0.6%
2. Return on Assets	Profit for the Year / Average Total Assets	5.7%	8.4%	0.4%
3. Earnings Per Share	Profit for the Year / Adjusted Weighted Average Number of Common Shares Outstanding	0.09	0.14	0.01
Leverage 4. Debt-to-Equity Ratio	Total Liabilities / Total Equity	0.39:1	0.41:1	0.44:1
Liquidity 5. Current Ratio	Current Assets / Current Liabilities	3.61:1	2.12:1	1.63:1

Trends, Events or Uncertainties

Recent Trends

The Nickel price is mainly dictated by the interaction of demand and supply in the market. For 2018, London Metals Exchange (LME) Nickel Index showed strong recovery due to the declining inventory of pure Nickel and the strong demand brought by the resilient stainless-steel industry. LME Pure Nickel inventory dropped by 43.6% year-on-year to 207k MT, which brought the average price of Nickel to jump to US$ 13,118 or 26.0% year-on-year. On the other hand, Nickel ore prices was penalized due to the increasing China Nickel ore inventory after Indonesia temporarily lifted its Nickel ore export and ramp up its production. For 2018, Indonesia exported more than 20 million WMT of Nickel ores to China, from 4.1 million WMT of Nickel ore export in 2017, putting downward pressure on Nickel laterite ore prices.

Locally, Nickel ore supply declined for 2018 due to the closure of some local Nickel mining companies. Philippine 2018 Nickel ore production dropped by 4.5% year-on-year to 27.09 DMT with total value amounting to Php 55.18 million, up by 24.6% year-on-year.

Outlook

With the declining supply of pure Nickel, the Company believes that the price of Nickel ore is positioned for a recovery for 2019. Given the strong demand coming from the growing stainless-steel business and the booming electronic vehicle (EV) production coupled with the declining local supply of Nickel ores due to the mine closures, the medium- to long-term price projections of Nickel ore prices remain positive.

Uncertainties

Upon assumption of office by the new Philippine President Rodrigo Duterte and the appointment of Regina Paz Lopez as the DENR Secretary, the new government's responsible mining thrust took off with the mining industry audit. Ten mining firms, of which eight are ore producers, were initially ordered suspended prior to the start of the audit. On September 28, 2016, an additional 20 firms were recommended for suspension after the audit. The firms were given seven days upon receipt of the audit reports "to respond on why their operations should not be suspended." The DENR in turn will study the firms' responses within 2 weeks "then render its decision." The audit found these firms "to have violated various mining and environmental laws and regulations, such as violations of conditions of their environmental clearance certificates (ECCs), siltation, soil erosion, lack of tree-cutting or water permits, and no ISO 14001 certification." The initial firms recommended for suspension or issued suspension orders accounts for about 10% of the Philippines nickel mining capacity. These, together with the additional 20 firms recommended for suspension will put about 57% of the Philippines nickel mining capacity at risk. On the other hand, 11 out of the 41 metallic mines in current operation passed the audit.

On October 21, 2016, the Company received the results of the Mine Audit conducted by the DENR in the CAGA Mines. The DENR provided that "the Company should continue to operate on the following grounds:

a. The Company is ISO 14001 certified;

b. The Company is compliant with the policies, environmental laws, rules and regulations of the Philippine Mining Act and on the issued ECC particularly on the establishment of adequate environmental protection and enhancement measures including safety and housekeeping, and implementation of progressive rehabilitation of mined-out areas; and

c. Social acceptability of the mine operation is high with several social development projects in place which are well implemented.

A copy of the Mine Audit Report has been submitted to the SEC.

Following the results of the mining audit, officials of the DENR and mining companies agreed to work together to address the issues, including the environmental issues.

Capital Expenditures

The Group does not have any outstanding commitment on capital expenditures as of December 31, 2018.

Operational and Financial Requirements

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

Material Contingencies and Off-Balance Sheet Obligations

The Group is not aware of any significant commitment, guarantee, litigation or contingent liability during the reported period other than those discussed in this report and the audited consolidated financial statements.

Events that will Trigger Direct or Contingent Financial Obligation

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

OTHER MATTERS

Action with Respect to Reports

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

a. Report of Management for the year 2018; and
b. Approval of the Audited Financial Statements for the year ended December 31, 2018.

Other Proposed Actions

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

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

Voting Procedures

Vote Required

d. Each share of the common stock outstanding on the record date will be entitled to one (1) vote on all matters.

e. In the election of directors, the ten (10) nominees with the greatest number of votes will be elected directors. If the number of nominees does not exceed the number of directors to be elected, the Secretary of the meeting, upon motion made, is instructed to cast all votes represented at the meeting in favor of the nominees. However, if the number of nominees exceeds the number of directors to be elected, voting shall be done by ballots. Cumulative voting shall be followed. Slots allotted for independent directors shall be filled only by qualified nominees for independent directors.

f. For all proposals or matters submitted to a vote, the affirmative vote of stockholders holding at least a majority of the Company's outstanding capital stock present or represented by proxy and entitled to vote shall be necessary. Unless required by law, or the stockholders, the shares are traditionally voted by verbal motion and duly seconded during the meeting. A matter is carried and approved when there is no objection from the floor.

c. Counting of votes, when necessary, shall be done by the Corporate Secretary with the assistance of the independent auditors and the Company's stock transfer agent.

UNDERTAKING

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

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati, Metro Manila on **May 22, 2019**.

GLOBAL FERRONICKEL HOLDINGS, INC.
Issuer

EVEART GRACE POMARIN-CLARO
Corporate Secretary

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Global Ferronickel Holdings, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the audited consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the audited consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature: **JOSEPH C. SY**
CHAIRMAN

Signature: **DANTE R. BRAVO**
PRESIDENT

Signature: **MARY BELLE D. BITUIN**
CHIEF FINANCE OFFICER

Signed this 21st day of March 2019

SUBSCRIBED AND SWORN TO BEFORE ME ON THIS DAY OF APR 15 2019 IN THE CITY OF MAKATI AFFIANT HAVING EXHIBITED TO ME HIS/HER CTC NO._____ ISSUED ON_____ ISSUED AT_____

ATTY. JOHN DOMINGO A. PONCE, JR.
NOTARY PUBLIC
APPOINTMENT No. M-92 MAKATI CITY
UNTIL DECEMBER 31, 2020
PTR No. 7333128 / 01-3-2019 / MAKATI CITY
IBP No. 058600 / 11-27-2018 / RIZAL
MCLE COMPLIANCE No. V-0023350 / 08-03-2016
ROLL No. 36452 / TIN No. 106-098-182-000
Unit G-14 Makati Executive Tower 3
Sen. Gil Puyat Avenue, Pio del Pilar,
Makati City, Metro Manila

Doc. No. 406;
Page No. 87;
Book No. 142;
Series of 2019

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S O 9 4 0 0 3 9 9 2

COMPANY NAME

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.gfni.com.ph	(632) 519-7888	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,724	6/27	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Mary Belle D. Bituin	mdbituin@gfni.com.ph	(632) 519-7888	N/A

CONTACT PERSON's ADDRESS

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

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

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

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Global Ferronickel Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Estimation of Ore Reserves

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties and are key inputs to depletion, amortization and decommissioning provisions. The Group estimates its ore reserves based on information compiled by a specialist 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 ore 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 ore reserves may affect the carrying value of mine exploration costs, property and equipment, provision for mine rehabilitation and decommissioning and depreciation, and depletion charges.

The Group's mining properties and mining rights amounting to ₱562.2 million and ₱181.4 million as at December 31, 2018, respectively, are amortized using the units of production method. Under the units of production method, cost is amortized based on the ratio of the volume of actual ore extracted during the year over the estimated volume of ore reserves for the remaining life of the mine. This matter is significant to our audit because the estimation of the ore reserves for Cagdianao, Claver, Surigao del Norte for the entire life of the mine requires significant estimation from the management.

The Group's disclosure on mining properties and mining rights are included in Notes 3, 8 and 10 to the consolidated financial statements.

Audit Response

We evaluated the competence, capabilities and objectivity of the specialist engaged by the Group to perform an independent assessment of its ore reserves by considering his qualifications, experience and reporting responsibilities. We reviewed the specialist's report and obtained an understanding of the nature, scope and objectives of his work, basis of the estimates including the changes in the reserves during the year. We evaluated the significant factors considered by the specialist in preparing and producing the report such as estimates of foreign exchange rates and commodity prices by comparing these with externally published data. We also evaluated the future capital requirements and production costs by comparing these with historical information. We tested the ore reserves applied to the relevant areas of the consolidated financial statements including depletion, amortization and decommissioning provisions.

Recoverability of Mine Exploration Costs

The mine exploration costs amounting to ₱242.2 million as at December 31, 2018 represents the expenditures incurred by the Group for the Cagdianao areas, which are still under exploration. Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, these mine exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceed the recoverable amounts. The ability of the Group to recover its mine exploration costs would depend on the commercial viability of the reserves. We considered this as a key audit matter because of the materiality of the amount involved and the significant management's judgment required in assessing whether there is any indication of impairment.

The Group's disclosures about mine exploration costs are included in Notes 3 and 12 to the consolidated financial statements.

Audit Response

We obtained management's assessment on whether there is any indication that mine exploration costs may be impaired. We reviewed the summary of the status of the Cagdianao areas under exploration as of December 31, 2018, as certified by the Group's technical group head and compared it with the disclosures submitted to regulatory agencies. We reviewed contracts and agreements, and budget for exploration costs. We inspected the licenses/permits of each exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly. We inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Recoverability of Deposits for Future Acquisition

As at December 31, 2018, the Group has deposits for future acquisition amounting to ₱2,217.4 million. The significant portion of these deposits will form part of the purchase price for the acquisition of additional interest in the Group's investment in an associate, Southeast Palawan Nickel Ventures, Inc. (SPNVI). SPNVI has a subsidiary, Ipilan Nickel Corporation (INC), which is still under exploration and evaluation stage and has pending legal cases. Currently, INC is taking actions to settle the cases that includes constant communication with the National Government. We considered this as a key audit matter because of the materiality of the amount involved and the significant management's judgment required in assessing whether there is any indication of impairment such as future capital requirements and production costs, as well as external input such as commodity prices, foreign exchange rates, price inflation and discount rate. Significant management's judgment is also required in assessing whether there is any indication of impairment such as the feasibility and successful development of INC's exploration activities.

The Group's disclosures on deposits for future acquisition are included in Notes 3 and 30 to the consolidated financial statements.

Audit Response

We obtained management's assessment on whether any events or circumstances exist that may indicate that the deposits for future acquisition may be impaired. We evaluated the methodologies and assumptions used in the impairment assessment which include the future capital requirements, production costs, commodity prices, price inflation and foreign exchange rates. We involved our internal specialist in evaluating the discount rate, valuation approach and methodologies used in the impairment assessment. We compared the commodity prices, foreign exchange rates, price inflation and discount rate with externally published data. We also evaluated the future capital requirements and production costs by comparing these with historical information. We inquired the status of INC's exploration activities and reviewed the related budget for exploration costs, and the INC's projects and future business plans. We inspected the related permits of INC's exploration project to determine that the period for which INC has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly. We discussed with management the status of INC's pending legal cases, and obtained correspondences with the relevant authorities and opinions from the external legal counsel.

Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach. This is significant to our audit because this involves application of significant management judgment in determining whether the transaction price includes variable consideration arising from the sale of nickel ore.

The Group's disclosures on the adoption of PFRS 15 are included in Notes 3 and 34 to the consolidated financial statements.

Audit Response
We obtained an understanding of the Group's process in implementing the new revenue standard. We reviewed the PFRS 15 adoption documentation and accounting policies prepared by management, including revenue streams identification and scoping, and contract analysis. For significant revenue streams, we obtained sample contracts and reviewed whether the accounting policies appropriately considered the five-step model of PFRS 15. In addition, we checked whether the performance obligations within the contracts have been identified and whether management has identified and estimated the components of the transaction price. We reviewed sample contracts and checked whether the Group's timing of revenue recognition is based on when the performance occurs and control of the goods are transferred to the customer. We reviewed the application of the accounting policy and the additional disclosures in the consolidated financial statements required under PFRS 15.

Other Information
Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Eleanore A. Layug.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-AR-2 (Group A),
February 28, 2019, valid until February 27, 2022
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 7332561, January 3, 2019, Makati City

March 21, 2019

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱1,048,683**	₱886,566
Trade and other receivables (Note 5)	**49,479**	348,668
Advances to related parties (Note 30)	**2,085,417**	2,012,894
Current portion of finance lease receivable (Note 18)	**–**	73,812
Inventories - at cost (Note 6)	**268,687**	286,598
Prepayments and other current assets (Note 7)	**22,150**	214,484
Total Current Assets	**3,474,416**	3,823,022
Noncurrent Assets		
Property and equipment (Note 8)	**1,736,567**	2,003,317
Deposits for future acquisition (Note 30)	**2,217,354**	2,217,354
Mine exploration costs (Note 12)	**242,163**	241,729
Mining rights (Note 10)	**181,407**	220,209
Deferred tax assets - net (Note 31)	**153,703**	127,476
Finance lease receivable - net of current portion (Note 18)	**–**	86,858
Investment in an associate (Note 9)	**–**	–
Other noncurrent assets (Note 13)	**856,471**	320,892
Total Noncurrent Assets	**5,387,665**	5,217,835
TOTAL ASSETS	**₱8,862,081**	₱9,040,857
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	**₱405,437**	₱577,149
Current portion of bank loans (Note 15)	**98,588**	749,669
Advances from related parties (Note 30)	**287,194**	327,593
Current portion of finance lease liabilities (Note 18)	**5,777**	2,350
Income tax payable	**164,275**	148,768
Total Current Liabilities	**961,271**	1,805,529
Noncurrent Liabilities		
Bank loans - net of current portion (Note 15)	**690,112**	–
Provision for mine rehabilitation and decommissioning (Note 16)	**234,496**	245,407
Retirement obligation (Note 17)	**50,711**	51,203
Finance lease liabilities - net of current portion (Note 18)	**4,293**	787
Other noncurrent liabilities (Note 19)	**533,692**	533,627
Total Noncurrent Liabilities	**1,513,304**	831,024
Total Liabilities	**2,474,575**	2,636,553
Equity		
Capital stock (Note 20)	**6,375,975**	6,113,475
Additional paid-in capital (Note 20)	**239,012**	–
Fair value reserve of financial asset at fair value through other comprehensive income (Note 13)	**(4,891)**	–
Valuation loss on available-for-sale financial asset (Note 13)	**–**	(464)
Remeasurement gain on retirement obligation (Note 17)	**2,824**	12,561
Cumulative translation adjustment	**12,691**	(4,751)
Retained earnings (Note 20)	**878,235**	1,237,573
Treasury shares (Note 20)	**(1,116,340)**	(954,090)
Total Equity	**6,387,506**	6,404,304
TOTAL LIABILITIES AND EQUITY	**₱8,862,081**	₱9,040,857

See accompanying Notes to Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2018	2017	2016
REVENUES			
Revenue from contracts with customers (Note 34)	**₱5,486,619**	₱–	₱–
Sale of nickel ore (Note 34)	**–**	5,815,596	3,773,669
	5,486,619	5,815,596	3,773,669
COST OF SALES (Note 22)	**2,656,531**	2,768,571	2,308,220
GROSS PROFIT	**2,830,088**	3,047,025	1,465,449
OPERATING EXPENSES			
General and administrative (Note 23)	**795,744**	833,158	460,914
Excise taxes and royalties (Note 24)	**727,535**	714,206	503,275
Shipping and distribution (Note 25)	**432,903**	388,843	290,405
	1,956,182	1,936,207	1,254,594
FINANCE COSTS (Note 28)	**(76,938)**	(68,741)	(67,696)
FINANCE INCOME (Notes 4, 7, 13, 17 and 18)	**4,609**	6,877	6,505
SHARE IN NET LOSS OF AN ASSOCIATE (Note 9)	**–**	(116)	(184)
OTHER INCOME (CHARGES) - net (Note 29)	**(15,170)**	28,369	(32,373)
INCOME BEFORE INCOME TAX	**786,407**	1,077,207	117,107
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 31)			
Current	**306,408**	373,786	35,406
Deferred	**(29,529)**	(76,268)	44,207
	276,879	297,518	79,613
NET INCOME	**509,528**	779,689	37,494
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified to profit or loss in subsequent periods:			
Valuation loss on available-for-sale financial asset (Note 13)	**–**	(464)	–
Currency translation adjustment	**24,917**	13,364	(20,151)
Income tax effect	**(7,475)**	(4,009)	6,045
	17,442	8,891	(14,106)
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on retirement obligation (Note 17)	**(13,910)**	10,313	4,379
Income tax effect (Note 17)	**4,173**	(3,094)	(1,314)
	(9,737)	7,219	3,065
Fair value reserve of financial asset at fair value through other comprehensive income (Note 13)	**(4,427)**	–	–
	(14,164)	7,219	3,065
TOTAL COMPREHENSIVE INCOME	**₱512,806**	₱795,799	₱26,453
Basic/Diluted Earnings Per Share (Note 21)	**₱0.09**	₱0.14	₱0.01

See accompanying Notes to Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(Amounts in Thousands)

	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Treasury Shares (Note 20)	Equity Reserve (Note 20)	Valuation Gain (Loss) on Available-for-sale Financial Assets (Note 13)	Fair Value Reserve of Financial Asset at Fair Value through Other Comprehensive Income (Note 13)	Remeasurement Gain (Loss) on Retirement Obligation	Cumulative Translation Adjustment	Retained Earnings (Note 20)	Total
Balances at December 31, 2015	₱6,113,455	₱–	(₱18)	₱–	₱–	₱–	₱2,277	₱–	₱422,160	₱6,537,874
Net income	–	–	–	–	–	–	–	–	37,494	37,494
Other comprehensive income (loss) - net of tax	–	–	–	–	–	–	3,065	(14,106)	–	(11,041)
Total comprehensive income (loss)	–	–	–	–	–	–	3,065	(14,106)	37,494	26,453
Issuance of common stock (Note 20)	20	–	–	–	–	–	–	–	–	20
Purchase of treasury shares (Note 20)	–	–	(17,788)	–	–	–	–	–	–	(17,788)
Balances at December 31, 2016	6,113,475	–	(17,806)	–	–	–	5,342	(14,106)	459,654	6,546,559
Net income	–	–	–	–	–	–	–	–	779,689	779,689
Other comprehensive income (loss) - net of tax	–	–	–		(464)	–	7,219	9,355	–	16,110
Total comprehensive income (loss)	–	–	–	–	(464)	–	7,219	9,355	779,689	795,799
Purchase of treasury shares in relation to buyback program (Note 20)	–	–	(964,516)	–	–	–	–	–	–	(964,516)
Stock grant expense (Note 20)	–	–	–	26,462	–	–	–	–	–	26,462
Issuance of treasury shares in relation to stock grant (Note 20)	–	–	28,232	(26,462)	–	–	–	–	(1,770)	–
Balances at December 31, 2017	₱6,113,475	₱–	(₱954,090)	₱–	(₱464)	₱–	₱12,561	(₱4,751)	₱1,237,573	₱6,404,304

	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Treasury Shares (Note 20)	Equity Reserve (Note 20)	Valuation Gain (Loss) on Available-for-sale Financial Assets (Note 13)	Fair Value Reserve of Financial Asset at Fair Value through Other Comprehensive Income (Note 13)	Remeasurement Gain (Loss) on Retirement Obligation	Cumulative Translation Adjustment	Retained Earnings (Note 20)	Total
Balances at December 31, 2017	₱6,113,475	₱–	(₱954,090)	₱–	(₱464)	₱–	₱12,561	(₱4,751)	₱1,237,573	₱6,404,304
Effect of adoption of Philippine Financial Reporting Standards 9, *Financial Instruments* (Notes 2 and 13)	–	–	–	–	464	(4,849)	–	–	4,385	–
Balances at at January 1, 2018 (As restated)	6,113,475	–	(954,090)	–	–	(4,849)	12,561	(4,751)	1,241,958	6,404,304
Net income	–	–	–	–	–	–	–	–	509,528	509,528
Other comprehensive income (loss) - net of tax	–	–	–	–	–	(42)	(9,737)	17,442	–	7,663
Total comprehensive income (loss)	–	–	–	–	–	(42)	(9,737)	17,442	509,528	517,191
Issuance of:					–					
Common stock (Note 20)	262,500	255,000	–	–	–	–	–	–	–	517,500
Treasury shares in relation to stock grant (Note 20)	–	–	29,823	(16,533)	–	–	–	–	(13,290)	–
Treasury shares in relation to property dividends (Note 20)	–	–	859,961	–	–	–	–	–	(859,961)	–
	262,500	255,000	889,784	(16,533)	–	–	–	–	(873,251)	517,500
Transaction costs on issuance of shares (Note 20)	–	(15,988)	–	–	–	–	–	–	–	(15,988)
Purchase of treasury shares in relation to buyback program (Note 20)	–	–	(636,904)	–	–	–	–	–	–	(636,904)
Acquisition of treasury shares from shareholders in relation to declaration of property dividends (Note 20)	–	–	(415,130)	–	–	–	–	–	–	(415,130)
Stock grant expense (Note 20)	–	–	–	16,533	–	–	–	–	–	16,533
Balances at December 31, 2018	₱6,375,975	₱239,012	(₱1,116,340)	₱–	₱–	(₱4,891)	₱2,824	₱12,691	₱878,235	₱6,387,506

See accompanying Notes to Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱786,407**	₱1,077,207	₱117,107
Adjustments for:			
Depreciation, depletion and amortization (Note 27)	**437,735**	444,367	388,108
Provision for impairment losses on:			
Trade and other receivables (Notes 5 and 23)	**79,707**	208,805	–
Other noncurrent assets (Notes 13 and 23)	**1,030**	20,798	–
Prepayments and other current assets (Notes 7 and 23)	**–**	3,684	–
Interest expense (Note 28)	**56,350**	56,586	60,387
Net change in retirement obligation (Note 17)	**18,334**	10,828	10,123
Accretion interest on provision for mine rehabilitation and decommissioning (Notes 16 and 28)	**14,064**	4,077	1,401
Unrealized foreign exchange gains (losses) - net	**(12,172)**	2,025	36,296
Interest income (Notes 4, 7, 13, 17 and 18)	**(4,609)**	(6,877)	(6,505)
Levelization of rental expense	**65**	94	409
Share in net loss of an associate (Note 9)	**–**	116	184
Loss on:			
Disposal of property and equipment (Notes 8 and 29)	**–**	8	24,282
Acquisition of a subsidiary (Note 29)	**–**	–	7,356
Modification of finance lease receivable (Note 29)	**–**	–	1,037
Impairment loss on available-for-sale financial assets (Notes 13 and 29)	**–**	–	1,433
Operating income before changes in working capital	**1,376,911**	**1,821,718**	**641,618**
Decrease (increase) in:			
Trade and other receivables	**219,976**	289,702	(77,810)
Prepayments and other current assets	**189,757**	53,138	(242,219)
Inventories - at cost	**17,911**	(10,615)	367,800
Increase (decrease) in trade and other payables	**(80,919)**	27,517	(259,389)
Net cash generated from operations	**1,723,636**	2,181,460	430,000
Income taxes paid	**(288,324)**	(235,868)	(24,543)
Interest paid	**(57,916)**	(60,592)	(51,811)
Contributions (Note 17)	**(34,689)**	–	–
Interest received	**3,114**	5,644	1,270
Net cash flows from operating activities	**1,345,821**	1,890,644	354,916
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment (Notes 8 and 37)	**(69,674)**	(103,354)	(270,341)
Mine exploration costs (Note 12)	**(434)**	(17,922)	(83,017)
Decrease (increase) in:			
Advances to related parties	**(568,772)**	(397,524)	(156,625)
Finance lease receivable	**6,935**	73,515	–
Other noncurrent assets	**(506,868)**	94,785	237,586
Proceeds from sale of property and equipment (Note 8)	**–**	5,960	2,543
Cash inflow from acquisition of net assets of a subsidiary	**–**	–	5,364
Net cash flows used in investing activities	**(1,138,813)**	(344,540)	(264,490)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availments of bank loans (Note 15)	**1,559,090**	1,124,017	832,396
Issuance of capital stock (Note 20)	**517,500**	–	20
Payments of bank loans (Note 15)	**(1,495,417)**	(1,382,576)	(875,038)
Purchase of treasury shares (Note 20)	**(636,904)**	(964,516)	(17,788)
Transaction costs related to issuance of shares (Note 20)	**(15,988)**	–	–
Increase (decrease) in:			
Advances from related parties	**17,464**	3,954	19,586
Finance lease liabilities	**(2,781)**	(2,416)	(20,270)
Net cash flows used in financing activities	**(57,036)**	(1,221,537)	(61,094)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**149,972**	324,567	29,332
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**12,145**	10,057	19,734
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**886,566**	551,942	502,876
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱1,048,683**	₱886,566	₱551,942

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Global Ferronickel Holdings, Inc. (GFHI; Parent Company) 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 and office address of the Parent Company is at 7th Floor, Corporate Business Centre, 151 Paseo De Roxas corner Arnaiz Street, Makati City.

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

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

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

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

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

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

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

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

On August 22, 2016 and October 3, 2016, the BOD and stockholders of the Parent Company, respectively, approved the following resolutions:

- Reverse stock split of the Parent Company's common stock at a ratio 1-for-3
- Amendment of the AOI to reflect an increase in the par value per share and a corresponding decrease in the total number of shares or a reverse stock split, whereby in effect, the authorized capital stock of the Parent Company is increased from ₱12,555,000,000 divided into 35,871,428,572 common shares with par value of ₱0.35 per share to ₱12,555,020,001 divided into 11,957,161,906 common shares with a par value of ₱1.05 per share, or an increase of ₱20,001
- Amendment of the By-laws to include notice of regular or special meeting of the Board by electronic mail and attendance to board meetings by means of telephone, electronic, or other suitable electronic communication facilities, including telephone conference, videoconference, or the internet or any combination of those methods

On November 7, 2016, the SEC approved the Parent Company's increase in the authorized capital stock and the amendments of the AOI and By-laws.

On July 20, 2018, the Parent Company has completed the follow-on offering with total proceeds amounting to ₱517.5 million. On the same date, all the 6,072,357,151 issued shares of the Parent Company, including the common shares issued in accordance with the Share Swap transaction approved by the SEC on December 22, 2014, private placement and follow-on offer shares, are listed in the PSE.

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

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

Memorandum of Agreements (MOA)
On November 27, 2014, the Parent Company entered into two MOAs with the following:

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

The acquisition of FRI and SPNVI shares are still subject to the fulfillment of the pre-conditions as indicated in the MOA including the need to conduct a due diligence examination of FRI and SPNVI.

On February 26, 2015 during a special stockholders' meeting of the Parent Company, the stockholders representing 71.64% of the total issued shares unanimously approved and ratified the above planned acquisitions.

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

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

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

The approval of the stockholders to authorize this transaction was secured during the Special Stockholders' Meeting held on February 26, 2015.

On August 6, 2015, after the meeting, the parties through their authorized representatives signed the Contract to Sell.

<u>The Subsidiaries</u>
PGMC
PGMC was registered with the SEC on February 10, 1983. PGMC is a wholly-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
The Cagdianao Mine produces and exports nickel ores from April to October of each year, typically the dry and minimal sea swell season at the mine site. During the rainy season, mining operations in the mine site are suspended and there are no loading of ore onto ships. This seasonality results in quarter-to-quarter volatility in the operating results with more revenue being earned and more expenses being incurred during the second and third quarters compared to the first and fourth quarters.

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

On April 22, 2015, the Parent Company subscribed for an additional 20,000,000,000 Class A common shares with a par value of ₱0.01 amounting to a total of ₱200.0 million and paid a total amount of ₱50.0 million out of the subscribed shares. There was no additional subscription of shares from the increase in authorized capital stock of PGMC by the non-controlling interest (NCI) which resulted to its dilution. As a result, the Parent Company's percentage of ownership to PGMC increased from 99.89% to 99.98%.

On February 13, 2017, PGMC applied for the conversion and increase in authorized capital stock from ₱1,515.4 million composed of:

- 92,501,562,696 Class A common shares with a par value of ₱0.01 per share
- 15,000,000 Class B-1 Reedemable Preferred Shares (RPS) with a par value of ₱1.00 per share
- 5,753,594 Class B-2 RPS with a par value of ₱100.00 per share
- 1,984 Class B-3 RPS with a par value of ₱0.01 per share

to ₱1,515.4 million divided into 15,154,000 common shares with a par value of ₱100.00 per share. This was approved by the SEC on February 21, 2017.

The Parent Company subscribed and paid in cash a total of 249 shares with a par value of ₱100.00 per share amounting to a total of ₱25.0 thousand.

On December 29, 2017, PGMC applied for an increase in authorized capital stock with the SEC and the SEC simultaneously approved the increase in authorized capital stock of PGMC from ₱1,515.4 million divided into 15,154,000 shares with a par value of ₱100.00 each to ₱3,000.0 million divided into 30,000,000 shares with a par value of ₱100.00 per share. Of the increase in authorized capital stock of PGMC, a total of ₱1,200.0 million equivalent to 12,000,000 common shares with a par value of ₱100.00 per share was subscribed and issued as stock dividends.

Certification for Value-Added Tax (VAT) Zero-Rated Status
PGMC has been certified by the Board of Investment (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 18, 2018, the BOI issued the certification granting the renewal of PGMC's VAT zero-rated status. The certification is valid from January 1 up to December 31, 2018 unless sooner revoked by the BOI Governing Board.

Surigao Integrated Resources Corporation (SIRC)
SIRC is a wholly-owned subsidiary of the Parent Company through PGMC and was registered with the SEC on July 16, 1999. Its primary purpose is 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 MPSA No. 007-92-X located in Cagdianao, Claver, Surigao del Norte. The said MPSA was last renewed on June 21, 2016 for another 25 years from its initial term ending in 2017, or until February 14, 2042.

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. (PCSSC)
PCSSC is a wholly-owned subsidiary of the Parent Company through PGMC and was registered with the SEC on June 4, 2013. Its primary purpose is to conduct and carry on the business of inter-island shipping, including chartering, hiring, leasing, or otherwise acquiring tug and barge, self-propelled barges or landing craft transport (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, a wholly-owned subsidiary of the Parent Company through PGMC, was incorporated as a limited company under the Companies Ordinance of Hong Kong. Its primary purpose is to trade mineral products. It was established to facilitate relations with Chinese customers, to promote marketing, to collect accounts, to avail of offshore banking services such as loans, credit/discounting lines and other financing arrangements, and to do other services for PGMC.

PGMC, SIRC, PCSSC 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.

<u>The Associate</u>
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 Centre, 151 Paseo De Roxas corner Arnaiz Street, Makati City, Philippines.

On September 1, 2016, SPNVI and 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 37.50% of the common shares with voting rights and 0.47% of total shares. The Group assessed that it has a significant influence over SPNVI since it directly holds more than 20% of the voting power of SPNVI.

As at December 31, 2018 and 2017, SPNVI directly owns 99.76% of Ipilan Nickel Corporation (INC), respectively, a company registered with the 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).

The Group's share in net loss of SPNVI amounted to nil, ₱0.1 million and ₱0.2 million in 2018, 2017, and 2016, respectively. The Group's unrecognized share in net losses of SPNVI amounted to ₱0.3 million, ₱95.0 thousand and nil in 2018, 2017 and 2016, respectively.

Authorization for Issue
The accompanying consolidated financial statements of GFHI and Subsidiaries (the Group) as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 were authorized for issuance by the BOD on March 21, 2019.

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

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis, except for the available-for-sale (AFS) financial asset in 2017 and financial asset at fair value through other comprehensive income (FVOCI) in 2018, which have been measured 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 currency of the Parent Company and its subsidiaries is Philippine peso, except for PIL whose functional currency is Hong Kong Dollar (HK$). All values are rounded to the nearest thousand (₱000), except number of shares, per share data and as indicated.

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

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

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

The "Equity reserve" presented in the consolidated statements of changes in equity is the difference between the capital structure of PGMC Group and GFHI. Refer to Note 20 for the movements in the "Equity reserve" account.

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

a. The consolidated assets and liabilities of PGMC Group (legal subsidiary/accounting acquirer) recognized and measured at their pre-combination carrying amounts and not at fair value, and the assets and liabilities of GFHI (legal parent/accounting acquiree) were recognized and measured at acquisition cost;
b. The retained earnings of PGMC Group for full period together with the post-combination results of GFHI from December 22, 2014, the date when GFHI was acquired by PGMC;
c. The total equity that shows the combined equity of PGMC Group and GFHI. However, the legal capital of PGMC Group will be eliminated as the legal capital that will be reflected would be that of GFHI (legal parent);
d. Any difference between the consideration transferred by GFHI and the legal capital of PGMC Group that is eliminated is reflected as "Equity reserve" (see Note 20).

Basis of Consolidation

The consolidated financial statements as at December 31, 2018 and 2017 include the following:

Subsidiaries	Principal Place of Business	Principal Activities	Effective ownership
PGMC	Philippines	Mining	99.98%
SIRC[1]	Philippines	Mining	99.98%
PCSSC[1]	Philippines	Services	99.98%
PIL[1]	Hong Kong	Marketing, Trading and Services	99.98%

(1) Indirect ownership through PGMC

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries after eliminating significant intercompany balances and transactions. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform and consistent accounting policies. When necessary, adjustments are made to the stand-alone financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Subsidiaries are entities over which the Parent Company has control. The Parent Company controls an investee if, and only if, the Parent Company has:

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the NCI, even if this results in the NCI having a deficit balance.

NCI represents interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company and represents the portion of profit or loss and the net assets not held by the Group. Transactions with NCI are accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share in the net assets acquired is recognized as an equity transaction.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any NCI
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in the profit or loss
- Reclassifies the Parent Company's share of components previously recognized in the consolidated statement of comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Statement of Compliance
The accompanying consolidated financial statements of the Group have been prepared in compliance with PFRS. PFRS includes statements named PFRS, Philippine Accounting Standards (PAS), and Standard Interpretation Committee/Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC, including SEC pronouncements.

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, 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. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

  These amendments do not have any impact on the Group's consolidated financial statements.

- PFRS 9, *Financial Instruments*
  PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group applied PFRS 9 using modified retrospective approach, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. There was no material impact on the comparative balances other than a change in classification and measurement of financial assets, and a transfer of previously recognized impairment losses on AFS from retained earnings to other components of equity.

The effect of adopting PFRS 9 as at January 1, 2018 was, as follows:

	Adjustments	January 1, 2018
Assets		
Cash	a	₱886,566
Trade and other receivables:		
Trade receivables	a	241,834
Advances to contractors	a	79,707
Advances to related parties	a	2,012,894
Restricted cash under "Prepayments and other current assets"	a	187,418
AFS financial asset under "Other noncurrent assets"	a	–
FVOCI under "Other noncurrent assets"	a	4,006
Total adjustments on equity		
Retained earnings	a	(4,385)
Fair value reserve of financial asset at FVOCI	a	4,385

The nature of these adjustments are described below:

a. *Classification and measurement*
Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortized cost, or FVOCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" (SPPI) on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact on the Group. The following are the changes in the classification of the Group's financial assets:

- Cash, trade receivables and advances to contractors under "Trade and other receivables", "Advances to related parties" and restricted cash under "Prepayments and other current assets" previously classified as "*Loans and receivables"* as at December 31, 2017 are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are classified and measured as "Debt instruments at amortized cost" beginning January 1, 2018.
- Quoted equity instrument previously classified as AFS financial asset is currently classified as "Financial asset at FVOCI" under "Other noncurrent assets" beginning January 1, 2018.

As a result of the change in classification of the Group's AFS financial asset, the cumulative impairment losses previously recognized under "Retained earnings" in PAS 39 were reclassified to "Fair value reserve of financial asset at FVOCI" under "Other comprehensive income" as at January 1, 2018, resulting to an increase in retained earnings amounting to ₱4.4 million.

The Group has not designated any financial liabilities at FVTPL. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018:

		PFRS 9 Measurement Category	
PAS 39 measurement category	**Amount**	**Amortized cost**	**FVOCI**
Loans and receivables			
Cash	₱886,566	₱886,566	₱–
Trade and other receivables:			
Trade receivables	241,834	241,834	–
Advances to contractors	79,707	79,707	–
Advances to related parties	2,012,894	2,012,894	–
Restricted cash under "Prepayments and other current assets"	187,418	187,418	–
AFS financial asset			
Quoted equity instrument	4,006	–	4,006
	₱3,412,425	₱3,408,419	₱4,006

b. *Impairment*
The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at FVTPL in the scope of PFRS 15.

Upon adoption of PFRS 9, the Group did not recognize additional impairment on the Group's cash, trade receivables, advances to contractors, advances to related parties and restricted cash as at January 1, 2018.

- Amendments to PFRS 4, *Applying PFRS 9, Financial Instruments, with PFRS 4, Insurance Contracts*
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

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

- PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 supersedes, PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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 five-step model is as follows:

  1. Identify the contract with a customer;
  2. Identify the performance obligations in the contract;
  3. Determine the transaction price;
  4. Allocate the transaction price to the performance obligations in the contract; and
  5. Recognize revenue as the entity satisfies a performance obligation

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application on January 1, 2018. Under this method, the standard can be applied either to all open contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all open contracts as at January 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 18 and related Interpretations.

The adoption of PFRS 15 did not have material impact on the consolidated statement of comprehensive income and consolidated statement of financial position as at and for the year ended December 31, 2018 and the Group's consolidated statement of cash flows.

- 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 FVTPL. 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. Retrospective application is required.

  These amendments do not have any impact on the Group's consolidated financial statements.

- 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. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

  The amendments are not applicable to the Group since it does not have an investment property.

- Philippine Interpretation 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 nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

  Since the Group's current practice is in line with the clarifications issued, the interpretation has no significant effect on the Group's consolidated financial statements.

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 will 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, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

  These amendments have no impact on the consolidated financial statements of the Group.

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of "low-value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset)

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the ECL model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. The Group is currently assessing the impact of these amendments on the consolidated financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as at December 31, 2018 and 2017.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, OCI or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
    The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

    An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

    These amendments are not expected to have any effect on the Group's consolidated financial statements.

Effective beginning on or after January 1, 2020

  - Amendments to PFRS 3, *Definition of a Business*
    The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  The new accounting standard is not expected to have any impact on the Group's consolidated financial statements.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, 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. 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 FRSC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes 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.

Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements
The Group has elected to present all items of recognized income and expense in a single consolidated statement of comprehensive income.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realized within 12 months after the end of the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the end of the reporting period.

The Group classifies all other assets as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the end of the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the end of the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents
Cash and cash equivalents represent cash on hand and in banks, and short-term cash investments. Cash in banks earn interest at the respective bank deposit rates. Short-term cash investments are highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition. These earn interest at the respective short-term cash investment rates and are subject to an insignificant risk of changes in value.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets (prior to adoption of PFRS 9)
Initial Recognition, Classification and Measurement
The Group determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at each end of the reporting period.

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include loans and receivables and AFS financial asset as at December 31, 2017. There were no financial assets at FVTPL, HTM investments or as derivatives designated as hedging instruments in an effective hedge.

Subsequent Measurement
Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in "Finance income" in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in "General and administrative expenses" in the consolidated statement of comprehensive income. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans are derecognized or impaired as well as through the amortization process.

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

As at December 31, 2017, the Group's loans and receivables include cash, trade receivables and advances to contractors under "Trade and other receivables", advances to related parties and restricted cash under "Prepayments and other current assets" (see Notes 4, 5, 7 and 30).

AFS Financial Asset
AFS financial asset is designated as such or does not qualify to be classified as designated as at FVTPL, HTM investments, or loans and receivables.

Financial assets may be designated at initial recognition as AFS financial asset if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. The Group's AFS financial asset includes equity investments. After initial measurement, AFS financial asset is subsequently measured at fair value with unrealized gains or losses recognized as "Valuation gain (loss) on AFS financial asset" in the OCI until the investment is derecognized, at which time the cumulative gain or loss is recognized in "Other income (charges)" or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of comprehensive income in "Other income (charges)" and removed from "Valuation gain (loss) on AFS financial asset". Interest earned while holding AFS financial asset is reported as part of "Finance income" using the EIR method.
The Group evaluates whether the ability and intention to sell its AFS financial asset in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

As at December 31, 2017, AFS financial asset consists of the Group's quoted equity instrument (see Note 13).

Financial Assets (upon adoption of PFRS 9)
Initial Recognition, Classification and Measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVOCI, or FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent Measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial Assets at Amortized cost (Debt Instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents, trade receivables and interest receivables under "Trade and other receivables", advances to related parties and restricted cash previously under "Prepayments and other current assets" and currently under "Other noncurrent assets".

Financial Assets at FVOCI (Debt Instruments)
The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to proft or loss.

The Group does not have debt instruments at FVOCI.

Financial Assets at FVOCI (Equity Instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation,* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its quoted equity instrument under this category.

As at December 31, 2018, financial asset at FVOCI includes the Group's quoted equity instrument.

Financial Assets at FVTPL (Debt Instruments)
Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

The Group does not have debt instruments at FVTPL.

Impairment of Financial Assets (prior to adoption of PFRS 9)
The Group assesses at each end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event") has impact on the estimated future cash flows of the financial asset or the group of the financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

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

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

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

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

The determination of what is "Significant" or "Prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Impairment of Financial Assets (upon adoption of PFRS 9)
Further disclosures relating to impairment of financial assets are also provided in the summary of significant accounting judgments, estimates and assumptions (see Note 3).

The Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For cash and cash equivalents, interest receivable under "Trade and other receivables" and restricted cash under "Other noncurrent assets", the Group applies the low credit risk simplification. The probability of default (PD) and loss given default (LGD) are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Standard and Poor's, Moody's and Bloomberg to determine whether the debt instruments have significantly increased in credit risk and to estimate ECLs.

For trade receivables and advances to contractors under "Trade and other receivables", the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at the end of each reporting period. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For advances to related parties, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition (prior to and upon adoption of PFRS 9)
A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial Liabilities (prior to and upon adoption of PFRS 9)
Initial Recognition, Classification and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, trade and other payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of interest-bearing loans and borrowings and trade and other payables, net of directly attributable transaction costs.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as “Other income (charges)”. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax.

The Group’s financial liabilities include trade and other payables (excluding statutory payables), bank loans, advances from related parties and payable to Brooks Nickel Ventures Inc. (BNVI) and previous stockholders of CNMEC which are under “Other noncurrent liabilities” (see Notes 14, 15, 19 and 30).

As at December 31, 2018 and 2017, the Group has no financial liabilities at FVTPL or as derivatives designated as hedging instruments in an effective hedge.

Subsequent Measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities at FVTPL
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVTPL.

Payables and Loans and Borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

Derecognition
A financial liability is derecognized when the associated obligation is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, is recognized in the consolidated statement of comprehensive income.

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

Fair Value Measurement
The Group measures financial instruments, such as derivatives, and non-financial assets, at fair value at each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

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

<u>Inventories - at cost</u>
Inventories are valued at the lower of cost or net realizable value (NRV). Cost is determined by the moving average production cost during the year for nickel ore inventories exceeding a determined cut-off grade and moving average method for materials and supplies. This includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The NRV of nickel ore inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The NRV of materials and supplies is the current replacement cost. In determining NRV, the Group considers any adjustment necessary for obsolescence.

<u>Prepayments and Other Current and Noncurrent Assets</u>
Prepayments and other current assets are composed of prepaid rent, prepaid insurance, creditable withholding taxes (CWT), prepaid taxes and licenses, restricted cash which is currently classified under "Other noncurrent assets" and others. Other noncurrent assets are composed of restricted cash, mine rehabilitation fund (MRF), input VAT, advances to suppliers, AFS financial asset which is currently classified as financial asset at FVOCI and others. These are classified as current when these are probable

to be realized or consumed within one year from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

Input VAT
Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations, 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 Bureau of Internal Revenue (BIR) and/or the Philippine Bureau of Customs.

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position as part of “Other noncurrent assets” to the extent of the recoverable amount.

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

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

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

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

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

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

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

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

The estimated ore reserves, useful lives, residual values and depreciation and depletion methods are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment. The residual values are reviewed and adjusted, if appropriate, at each end of the reporting period. If there is an indication that there has been a significant change in depreciation and depletion rate, useful life, estimated ore reserves or residual value of an asset, the depreciation and depletion of that asset is revised prospectively to reflect the new expectations.

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

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

Deposits for Future Acquisition
This pertains to advances made to related parties converted into deposits for future acquisition of shares with the intention of applying the same as payment for future acquisition of stock.

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

Mining Rights
Mining rights refer to the right of the Group as the holder of the MPSA located in Cagdianao, Claver, Surigao del Norte acquired through the assignment of MPSA from Case Mining Development Corporation (CMDC) to the Group under the Deed of Assignment. It also includes initial mine exploration costs incurred by the Group relative to the exploration works on the mining properties.
Mining rights with finite useful life is stated at cost less amortization and accumulated impairment in value. Impairment assessments are made if events or changes of circumstances indicate that the carrying value of the assets may not be recoverable.

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

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

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

Investment in an Associate
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence or joint controls are similar to those necessary to determine control over subsidiaries.

The Group's investment in an associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Parent Company recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The financial statements of the associate is prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

After application of the equity method for investment in an associate, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in an associate. The Group determines at the end of the reporting period whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognizes the amount in the consolidated statement of comprehensive income. Recoverable amount is determined as the higher between fair value less cost to sell and VIU.

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

- The period for which the entity has the right to explore in the specific area has not expired during the period or will not expire in the near future, and is expected to be renewed
- Such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale or
- Exploration and evaluation activities in the area of interest have reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future

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

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

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

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

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

MRF committed for use in satisfying environmental obligations is included under "Other Noncurrent Assets" in the consolidated statement of financial position.

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

Capital Stock and APIC
Common shares are classified as equity.

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

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

The APIC is reduced by the transaction costs directly incurred by the Group in relation to issuance of shares. The transaction costs include, but are not limited to, underwriting fees, legal, audit and other professional fees, documentary stamp tax, registration fees, prospectus design, and printing and publication costs, and others.

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

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

Share-based Payment Transactions
Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 20.

That cost is recognized in stock grant expense under "Personnel costs" (Note 26), together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each end of the reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the Group or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

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

NCI
NCI represents the portion of profit or loss and the net assets in subsidiaries, not held by the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to the equity holders of the Parent Company.

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

Asset Acquisition
The transfers of shares from PIL to PGMC constitutes an asset acquisition as these do not pertain to an integrated set of activities and assets that are capable of being conducted and managed to generate output and for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or to the stockholders.

Earnings per Share (EPS)
Basic EPS is calculated by dividing net income attributable to the common equity holders of the Parent Company by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

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

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

Segment Reporting

For purposes of management reporting, the Group is organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit. The Group reports its primary segment information based on business segments. Financial information on segment reporting is presented in Note 38 to the consolidated financial statements.

Retained Earnings

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

Dividend distribution to the Group's stockholders is recognized as a liability and deducted from retained earnings when they are approved by the Group's BOD.

Property dividends are declared based on the fair value fixed by the BOD on the date of declaration. The excess of the cost over the fair value fixed by the BOD for the treasury shares distributed as property dividends is debited to the following accounts in the order given: (1) APIC to the extent of the specific or average APIC when the shares are issued, and (2) retained earnings.

Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the end of the reporting period.

Sale of Nickel Ore

Revenue Recognition (prior to adoption of PFRS 15)

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

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

Revenue from Contracts with Customers (upon adoption of PFRS 15)

The Group is principally engaged in the business of producing beneficiated nickel ore. Revenue from contracts with customers is recognized when the control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

Variable Consideration
The Group's sale of ore allows price adjustment provision where final ore shall be based on the final results of the final assay exchange with customer. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Despatch
Despatch is recognized in respect of the time by which the allowable loading laytime has been saved and this is collected from the buyer.

Demurrage
Demurrage is incurred by the Group in respect of the time by which the allowable loading laytime has been exceeded and this is reimbursed by the Group to the buyer.

Contract Balances
Contract Assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. The Group does not have any contract assets as performance and a right to consideration occurs within a short period of time and all rights to consideration are unconditional.

Trade Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section "Financial Assets (upon adoption of PFRS 9)".

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

From time to time, the Group recognizes contract liabilities in relation to its sale of ore whereby a portion of the cash may be received from the customer before the loading of ore is fully completed and which is before satisfaction of the performance obligation.

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

Other Income
Other income is recognized in the consolidated statement of comprehensive income as they are earned. This includes despatch and demurrage which are offset to arrive at the net amount.

<u>Cost and Expenses Recognition</u>
Cost and expenses are decreases in economic benefits during the period in the form of outflows or decreases in assets or incurrences of liabilities that result in decrease in retained earnings or increase in deficit. These are recognized in the consolidated statement of comprehensive income in the period these are incurred.

Cost of Sales
Cost of sales is incurred in the normal course of business and is recognized when incurred. This mainly consists of contract hire, depreciation, depletion and amortization, personnel costs, environmental protection cost, repairs and maintenance, community relations, fuel, oil and lubricants, assaying and laboratory and others, which are provided in the period when the goods are delivered.

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

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

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

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

Group as a Lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalized at the commencement of lease at the inception date at fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are recognized in "Finance costs" in the consolidated statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Group as a Lessor
Leases in which the Group transfers substantially all the risks and rewards incidental to legal ownership. The Group recognizes assets held under a finance lease in the consolidated statement of financial position under "Finance lease receivable" at an amount equal to the net investment in the lease.

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

The plan meets the minimum requirement benefit specified under Retirement Pay Law (*Republic Act No. 7641*).

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected nit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries. These amounts are calculated periodically by independent qualified actuaries.

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as "Retirement benefits costs" under "Personnel costs" under "Cost of sales" and "General and administrative expenses" in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

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

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

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

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

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

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the prevailing functional currency exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the closing functional currency rate of exchange at the end of the reporting period. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions. All differences are taken to the consolidated statement of comprehensive income.

The financial statements of the foreign consolidated subsidiary are translated at closing exchange rates with respect to the consolidated statement of financial position, and at the average exchange rates for the year with respect to the consolidated statement of comprehensive income. Resulting translation differences are included in equity under "Cumulative translation adjustment". Upon disposal of the foreign subsidiary, accumulated exchange differences are recognized in the consolidated statement of comprehensive income as a component of the gain or loss on disposal.

Income Taxes

Current income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income.

Deferred Tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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

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

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

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

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

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

Contingencies

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

Events After the End of the Reporting Period

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRSs requires the Group to make judgments, 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.

Accounting 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.

Other disclosures relating to the Group's exposure to risk and uncertainties include financial risk management, policies, sensitivity analyses disclosures and capital management (see Note 32).

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:

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
- 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.

Identifying the Enforceable Contract
The Group's primary document for a contract with a customer is a signed Individual Purchase & Sales Contract (IPSC). The Group made an irrevocable and firm commitment to sell nickel ore, while the buyer made an irrevocable and firm commitment to purchase quantity of the nickel ore under the terms and conditions specified and agreed upon in the IPSC. From time to time throughout the year and as necessary, the parties executed addendums to the IPSC to deliver nickel ore with quantity and specifications indicated therein.

The enforceable contracts have been determined to be the IPSCs and the addendums thereon. While there are master supply agreements with customers that set out the general terms and conditions governing any sales that occur, they do not contain any minimum volumes. Therefore, for above arrangements, the enforceable contracts have been determined to be the IPSCs and the addendum thereon.

Identifying Performance Obligations
The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if: i) each distinct good or services in the series are transferred over time, and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

With regard to the sale of nickel ore, the Group and its buyers agree to respectively sell and purchase a specific quantity of nickel ore during the term of the sales contracts. This performance obligation is a promise to transfer to the buyer distinct goods (i.e. nickel ore) that shall be satisfied at a point in time. It is capable of being distinct since the customers can benefit from it in conjunction with other readily available resources. It is distinct within the context of the sales contracts because it is not integrated, not highly interdependent on or highly interrelated with other promised services in the contract. The obligation is to transfer nickel ore which shall be satisfied once the control to the goods has been transferred to the buyer at a point in time.

Determining Method to Estimate Variable Consideration and Assessing the Constraint
The Group assessed that it has variable consideration pertaining to quality of ore shipped to customer. The variability arises from the uncertainty of final quality and is assessed based on preliminary assay which is the Group's estimate of the most likely amount that is not highly probable to result in a significant reversal in cumulative revenue recognized when final assay is completed.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not fully constrained based on its historical experience (i.e., quality and unit price adjustments) and the unpredictability of other factors outside the Group's influence.
The final ore price shall be based on the results of the final assay exchange.

Determining the Timing of Satisfaction of the Sale of Ore
The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The sale of ore is satisfied at a point in time. All risk of loss, damage or destruction respective of the ore delivered shall progressively pass to the buyer at the time the ore passes over the rail and into the vessel.

Determining the Group's Business Model
The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Defining Default and Credit-Impaired Financial Assets
Upon adoption of PFRS 9, the Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria.* The borrower is more than 90 days past due on its contractual payments, which is consistent with the Group's definition of default.
- *Qualitative Criteria.* The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

  a. The borrower is experiencing financial difficulty or is insolvent;
  b. The borrower is in breach of financial covenant(s);
  c. An active market for that financial assets has disappeared because of financial difficulties;
  d. Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty;
  e. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
  f. Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout the Group's ECL calculation.

An instrument is no longer in default (i.e. to have cured) when it no longer meets any of the default criteria.

Identifying Forward-looking Information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

In the Group's ECL models, it relies on forward looking information as economic inputs such as dollar index and inflation rates.

Predicted relationship between the key indicators and default and loss rates on portfolios of financial assets have been developed based on analyzing historical data. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the end of the reporting period. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Determining Significant Increase in Credit Risk
The criteria for determining whether credit risk has increased significantly vary and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the related party/customer.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria can identify significant increase in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria, or which are less than 30 days past due, are considered to have a low credit risk. The provision for expected credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency 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 represent 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 Group 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 December 31, 2018 and 2017, the Group assessed that it has significant influence over SPNVI and has accounted for the investment as an associate (see Note 9).

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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 ore reserves may affect the carrying value of mine exploration costs, property and equipment, provision for mine rehabilitation and decommissioning and depreciation, depletion and amortization. Any change in the ore reserves as a result of latest available information is accounted for prospectively.

In 2015, total ore estimate pertaining to Cagdianao Areas (CAGA) 1, 2, 3, 4 and 5 changed from 119.5 million wet metric ton (WMT) of ore resources to 37.3 million WMT of ore reserves based on the latest Joint Ore Reserves Committee (JORC) Report received from Runge Pincock Minarco in February 2015. Total ore reserves pertaining to the operating CAGAs 2 and 4 changed from 86.0 million WMT of ore resources to 20.3 million WMT of ore reserves which had an impact on the remaining life of the Group's mining properties classified under "Property and equipment" and "Mining rights."
On July 1, 2016, there was a change in the ore reserves used in calculating the depletion rate used for the depletion and amortization of mining properties and mining rights. The change was based on the latest Philippine Mining Reporting Code - Competent Person (PMRC-CP) Technical Report dated September 15, 2016 with indicated ore reserves of 25.6 million WMT for operating CAGAs 2 and 4, out of the total indicated ore reserves of 35.5 million WMT for CAGAs 1 to 5 as at June 30, 2016. For the period January 1 to June 30, 2016 and for the year ended December 31, 2015, the rates used were based on the latest JORC Report in February 2015 with indicated ore reserves of 20.3 million WMT for CAGAs 2 and 4, out of the total indicated ore reserves of 37.3 million WMT for CAGAs 1 to 5.

Effective July 1, 2017, there was a change in the ore reserves used in calculating the depletion rates used for the depletion and amortization of mining properties and mining rights. The change was based on the latest PMRC-CP Technical Report dated October 15, 2017 (as of June 23, 2017 cut-off reserve) compared to the PMRC-CP Technical Report dated September 15, 2016 (as of June 30, 2016 cut-off reserve) with proven and probable ore reserves of 23.1 million WMT and 25.6 million WMT, respectively, for operating CAGAs 2 and 4, out of the total proven and probable ore reserves of 36.3 million WMT and 35.5 million WMT, respectively, for CAGAs 1 to 5.

Effective November 1, 2018, there was a change in the ore reserves used in calculating the depletion rates used for the depletion and amortization of mining properties and mining rights. The change was based on the latest PMRC-CP Technical Report dated December 15, 2018 (as of October 20, 2018 cut-off reserve) compared to the PMRC-CP Technical Report dated October 15, 2017 (as of June 23, 2017 cut-off reserve) with proven and probable ore reserves of 25.1 million WMT and 23.1 million WMT, respectively, for operating CAGAs 2 and 4, out of the total proven and probable reserves of 43.9 million WMT and 36.3 million WMT, respectively, CAGAs 1 to 5 (see Notes 8 and 10).

The change in estimates during the year resulted to lower depletion of mining properties and amortization of mining rights from prior year amounting to ₱7.9 thousand and ₱1.8 thousand, respectively.

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. Mining rights and exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceed the recoverable amounts. Estimates and assumptions made may change if new information becomes available. The ability of the Group to recover its mine exploration costs would depend on the viability of ore reserves. If, after mining rights and mine exploration costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-off in the consolidated statements of comprehensive income in the period when the

new information becomes available. An impairment loss is recognized when the carrying value of these assets do not exceed their fair value.

As at December 31, 2018 and 2017, mining rights amounted to ₱181.4 million and ₱220.2 million, respectively. Allowance for impairment losses on mining rights amounted to nil as at December 31, 2018 and 2017 (see Note 10).

As at December 31, 2018 and 2017, mine exploration costs amounted to ₱242.2 million and ₱241.7 million, respectively. Allowance for impairment losses on mine exploration costs amounted to nil as at December 31, 2018 and 2017 (see Note 12).

Assessing Recoverability of Deposits for Future Acquisition
The Group assesses impairment on deposits for future acquisition whenever events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. The asset is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. In estimating the fair value, the significant assumptions being considered by the Group include commodity prices, foreign exchange rates, discount rate, production costs, price inflation and future capital requirements.

As at December 31, 2018 and 2017, deposits for future acquisition amounted to ₱2,217.4 million. Allowance for impairment losses on deposits for future acquisition amounted to nil as at December 31, 2018 and 2017 (see Note 30).

Estimating Allowance for Impairment Losses on Trade and Other Receivables and Advances to Related Parties (prior to adoption of PFRS 9)
The provision for impairment losses on trade and other receivables and advances to related parties is based on the Group's assessment of the collectibility of payments from customers, contractors, related parties and others. This assessment requires judgment regarding the outcome of disputes and the ability of each of the debtors to pay the amounts owed to the Group. The Group assesses individually the receivable based on factors that affect the collectibility of the receivables, such as the length of the relationship of the Group with the debtor, the historical payment behavior, a review of the age and status of its receivable, the probability of insolvency of the counterparty, as well as its significant financial difficulties.

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

As at December 31, 2017, trade and other receivables amounted to ₱348.7 million. Provision for impairment losses on trade and other receivables amounted to ₱208.8 million in 2017. Allowance for impairment losses on trade and other receivables amounted to ₱226.2 million as at December 31, 2017 (see Note 5).

As at December 31, 2017, advances to related parties and allowance for impairment losses on advances to related parties amounted to ₱2,012.9 million and nil, respectively.

Estimating Allowance for ECL on Trade and Other Receivables and Advances to Related Parties (upon adoption of PFRS 9)
The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every end of the financial reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and other receivables is disclosed in Note 5.

ECLs are derived from unbiased and probability-weighted estimates of expected loss. The ECLs for the Group's financial assets which are not credit-impaired at the reporting period are measured as the present value of all cash shortfalls over the expected life of the financial asset discounted by the EIR. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

For the Group's advances to related parties, the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

Estimating Allowance for Inventory Losses
The Group maintains allowance for inventory losses at a level considered adequate to effect the excess of cost of inventories over their NRV due to damage, physical deterioration, obsolescence, changes in price levels or other causes. NRV tests are performed annually and it represents the current replacement cost. Increase in NRV of inventories will increase the cost of inventories but only to the extent of their original costs.

As at December 31, 3018 and 2017, inventories amounted to ₱268.7 million and ₱286.6 million, respectively. Allowance for impairment losses on inventories amounted to nil as at December 31, 2018 and 2017 (see Note 6).

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

As at December 31, 2018 and 2017, other noncurrent assets, excluding MRF, restricted cash and AFS financial asset currently classified as financial asset at FVOCI, amounted to ₱356.1 million and ₱274.7 million, respectively. Provision for impairment losses on other noncurrent assets amounted to ₱1.0 million, ₱20.8 million and nil in 2018, 2017 and 2016, respectively. Allowance for impairment losses on other noncurrent assets amounted to ₱41.3 million and ₱40.3 million as at December 31, 2018 and 2017, respectively (see Note 13).

As at December 31, 2017, for the Group's AFS financial asset recorded under "Other noncurrent assets" amounting to ₱4.0 million, impairment is recognized when there is a significant or prolonged decline in the fair value of the investment below cost or where other objective evidence of impairment exists. The Group also evaluates other factors, including normal volatility in share price for quoted equities and future cash flows. Impairment loss on AFS financial asset amounting to nil and ₱1.4 million was recognized in 2017 and 2016, respectively, as a result of a significant and prolonged decline in the fair value of the shares held by the Group (see Note 13).

As at December 31, 2018, financial assets at FVOCI amounted to ₱4.0 million. No impairment loss was recognized in 2018 since financial asset at FVOCI is not subject to impairment assessment (see Note 13).

Assessing Recoverability of Property and Equipment
The Group assesses impairment on property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

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

An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows.

As at December 31, 2018 and 2017, property and equipment amounted to ₱1,736.6 million and ₱2,003.3 million, respectively. Allowance for impairment losses on property and equipment amounted to nil as at December 31, 2018 and 2017 (see Note 8).

Estimating Provision for Mine Rehabilitation and Decommissioning
The Group assesses its provision for mine rehabilitation and decommissioning annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation and decommissioning as there are numerous factors that will affect the provision. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. 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 statements of financial position by adjusting the rehabilitation asset and liability.

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. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future ore prices, which are inherently uncertain.

As at December 31, 2018 and 2017, the Group adjusted its provision for mine rehabilitation and decommissioning to reflect the current discount rates and expenditures required to settle the expected mined out areas of the Group, which resulted to a change in estimate amounting to ₱25.0 million and ₱174.2 million, respectively. As at December 31, 2018 and 2017, provision for mine rehabilitation and decommissioning amounted to ₱234.5 million and ₱245.4 million, respectively (see Note 16).

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 ₱153.7 million and ₱127.5 million as at December 31, 2018 and 2017, respectively. The Group has NOLCO amounting to ₱327.9 million, ₱325.3 million and ₱214.4 million as at December 31, 2018, 2017 and 2016, respectively. The Group has excess MCIT amounting to nil as at December 31, 2018 and 2017, and ₱2.8 million as at December 31, 2016. No deferred tax assets on NOLCO and excess MCIT were recognized as at December 31, 2018 and 2017 (see Note 31).

4. Cash and Cash Equivalents

	2018	2017
Cash on hand	**₱743**	₱798
Cash in banks	**556,727**	885,768
Short-term cash investments	**491,213**	–
	₱1,048,683	₱886,566

Cash in banks earn interest at the respective bank deposit rates. Interest income earned on cash in banks amounted to ₱2.2 million, ₱1.3 million and ₱0.8 million in 2018, 2017 and 2016, respectively.

Short-term cash investments earn interest at the respective short-term cash investment rates. These are made for varying periods of up to three months, depending on the immediate cash requirements of the Group. Interest income earned on short-term cash investments amounted to ₱0.7 million in 2018. No interest income was earned on short-term cash investments in 2017 and 2016.

The Group has US$-denominated cash and cash equivalents amounting to US$12.0 million and US$16.1 million as at December 31, 2018 and 2017, respectively, and HK$-denominated cash and cash equivalents amounting to HK$22.4 million and HK$0.3 million as at December 31, 2018 and 2017, respectively (see Note 32).

5. Trade and Other Receivables

	2018	2017
Trade	**₱261,234**	₱463,698
Advances to:		
Contractors	**79,707**	79,707
Officers, employees and others	**13,915**	31,427
Interest receivable	**494**	–
	355,350	574,832
Less allowance for ECL/impairment losses	**305,871**	226,164
	₱49,479	₱348,668

Trade Receivables
Trade receivables arising from shipment of nickel ore are noninterest-bearing and generally collectible within 30 to 90 days. Provision for impairment losses on trade receivables amounted to ₱204.5 million in 2017. No provision for impairment losses on trade receivables was recognized in 2018 and 2016. Allowance for impairment losses on trade receivables amounted to ₱221.9 million as at December 31, 2018 and 2017.

The Group has US$-denominated trade receivables as at December 31, 2018 and 2017 amounting to US$5.3 million and US$9.7 million, respectively, and HK$-denominated trade receivables amounting to HK$2.1 million and nil as at December 31, 2018 and 2017, respectively (see Note 32).

Advances to Contractors
Advances to contractors are advanced payments for contract hire fee. Provision for impairment losses on advances to contractors amounted to ₱79.7 million in 2018, and nil in 2017 and 2016. Allowance for impairment losses on advances to contractors amounted to ₱70.7 million and nil as at December 31, 2018 and 2017, respectively.

Advances to Officers, Employees and Others
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. Provision for impairment lossess on advances to third paty companies amounted to ₱4.3 million in 2017. No provision for impairment losses on advances to third party companies was recognized in 2018 and 2016. Allowance for impairment losses on advances to third party companies amounted to ₱4.3 million as at December 31, 2018 and 2017.

Interest Receivable
Interest receivable pertains to the accrued interest income derived from short-term cash investments with various interest rates placed in local banks. This would be collectible upon maturity.

Movements in the allowance for ECL/impairment losses on trade and other receivables are as follows:

	2018	2017
Beginning balance	**₱226,164**	₱17,359
Provision for impairment losses on trade and other receivables (see Note 23)	**79,707**	208,805
Ending balance	**₱305,871**	₱226,164

6. **Inventories** - at cost

	2018	2017
Beneficiated nickel ore	**₱202,949**	₱188,022
Materials and supplies	**65,738**	98,576
	₱268,687	₱286,598

Beneficiated Nickel Ore
The amount of inventoriable cost charged to cost of sales in the consolidated statements of comprehensive income amounted to ₱1,836.7 million, ₱1,962.5 million and ₱1,548.4 million in 2018, 2017 and 2016, respectively (see Note 22).

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

7. **Prepayments and Other Current Assets**

	2018	2017
Prepaid rent	**₱14,818**	₱14,425
Prepaid insurance	**4,732**	3,472
CWTs	**3,684**	3,684
Prepaid taxes and licenses	**1,145**	7,882
Restricted cash	**–**	187,418
Others	**1,455**	1,287
	25,834	218,168
Less allowance for impairment losses	**3,684**	3,684
	₱22,150	₱214,484

Prepayments and other current assets are expected to be realized within 12 months after the end of reporting period.

Prepaid Rent
Prepaid rent represents advance payments made for the monthly rental of the Group's registered office address.

Prepaid Insurance
Prepaid insurance represents advance payments made for the insurance of the Group's property and equipment.

CWTs
CWTs pertain to the amount withheld by the Group which can be applied against income tax payable.

Prepaid Taxes and Licenses
Prepaid taxes and licenses represent advance payments made to the MGB and BIR for the processing of shipments.

Restricted Cash
Restricted cash pertains to the Debt Service Reserve Account (DSRA) with Taiwan Cooperative Bank Manila Offshore Banking Branch (TCB) which acts as collateral or security for the TCB loan. The amount maybe reduced proportionately as the Group pays the principal and its interest by express agreement of the parties. This is currently classified under "Other noncurrent assets".

The Group has US$-denominated restricted cash classified under "Prepayments and other current assets" amounting to US$3.8 million as at December 31, 2017 (see Note 32).

Interest income earned related to the restricted cash classified under "Prepayments and other current assets" amounted to nil, ₱0.1 million and ₱27.1 thousand in 2018, 2017 and 2016, respectively.

Others
Others pertain to prepayments for barging and shipping expenses and others.

Provision for impairment losses on other current assets amounted to ₱3.7 million in 2017. No provision for impairment losses on other current assets was recognized in 2018 and 2016.

8. Property and Equipment

	2018								
	Land	**Building and Land Improvements**	**Machineries and Other Equipment**	**Furniture and Fixtures**	**Equipment and Supplies**	**Mining Properties**	**Roads and Bridges**	**CIP**	**Total**
Cost:									
Beginning balances	**₱10,435**	**₱70,696**	**₱1,015,252**	**₱12,310**	**₱6,008**	**₱1,580,645**	**₱832,789**	**₱ 9,695**	**₱3,537,830**
Additions	**–**	**3,735**	**132,314**	**1,208**	**269**	**7,142**	**–**	**10,976**	**155,644**
Disposals	**–**	**–**	**(758)**	**–**	**–**	**–**	**–**	**–**	**(758)**
Currency translation adjustment	**–**	**–**	**1,789**	**166**	**43**	**–**	**–**	**–**	**1,998**
Reclassifications	**–**	**5,483**	**–**	**–**	**–**	**–**	**–**	**(5,483)**	**–**
Adjustment to capitalized cost of mine rehabilitation (see Note 16)	**–**	**–**	**–**	**–**	**–**	**(24,975)**	**–**	**–**	**(24,975)**
Ending balances	**10,435**	**79,914**	**1,148,597**	**13,684**	**6,320**	**1,562,812**	**832,789**	**15,188**	**3,669,739**
Accumulated depreciation and depletion:									
Beginning balances	**–**	**31,548**	**461,472**	**8,759**	**4,169**	**837,431**	**191,134**	**–**	**1,534,513**
Depreciation and depletion	**–**	**7,678**	**174,100**	**1,438**	**828**	**163,150**	**51,739**	**–**	**398,933**
Disposals	**–**	**–**	**(758)**	**–**	**–**	**–**	**–**	**–**	**(758)**
Currency translation adjustment	**–**	**–**	**401**	**73**	**10**	**–**	**–**	**–**	**484**
Ending balances	**–**	**39,226**	**635,215**	**10,270**	**5,007**	**1,000,581**	**242,873**	**–**	**1,933,172**
Net book values	**₱10,435**	**₱40,688**	**₱513,382**	**₱3,414**	**₱1,313**	**₱562,231**	**₱589,916**	**₱15,188**	**₱1,736,567**

	2017								
	Land	Building and Land Improvements	Machineries and Other Equipment	Furniture and Fixtures	Equipment and Supplies	Mining Properties	Roads and Bridges	CIP	Total
Cost:									
Beginning balances	₱10,435	₱55,599	₱904,789	₱11,811	₱5,313	₱1,406,438	₱832,789	₱20,721	₱3,247,895
Additions	–	4,071	117,893	523	697	–	–	–	123,184
Disposals	–	–	(6,856)	(6)	–	–	–	–	(6,862)
Currency translation adjustment	–	–	(574)	(18)	(2)	–	–	–	(594)
Reclassifications	–	11,026	–	–	–	–	–	(11,026)	–
Adjustment to capitalized cost of mine rehabilitation (see Note 16)	–	–	–	–	–	174,207	–	–	174,207
Ending balances	10,435	70,696	1,015,252	12,310	6,008	1,580,645	832,789	9,695	3,537,830
Accumulated depreciation and depletion:									
Beginning balances	–	25,230	310,301	7,329	3,311	650,356	139,395	–	1,135,922
Depreciation and depletion	–	6,318	152,248	1,448	860	187,075	51,739	–	399,688
Disposals	–	–	(888)	(6)	–	–	–	–	(894)
Currency translation adjustment	–	–	(189)	(12)	(2)	–	–	–	(203)
Ending balances	–	31,548	461,472	8,759	4,169	837,431	191,134	–	1,534,513
Net book values	₱10,435	₱39,148	₱553,780	₱3,551	₱1,839	₱743,214	₱641,655	₱9,695	₱2,003,317

On February 26, 2015, the Group engaged JL Earthmoving Corporation (JLEC) as an additional mining contractor in CAGA 2 whereby some assets returned by Frasec Ventures Corporation (FVC) to the Group were transferred to JLEC. On March 7, 2015, the Group and FVC executed a First Addendum to the Mining Contract modifying the area where FVC undertake their mining operations and that some equipment originally transferred to them be reverted to the Group. Net book value of the assets transferred as result of the addendum and new mining contract entered into with FVC and JLEC, respectively, amounted to a total of ₱648.3 million. Assets amounting to ₱208.1 million were returned to and retained by the Group were recorded as part of "Machineries and other equipment" (see Note 18).

In 2016, the Group ended its mining contract with FVC due to mutual agreement which resulted to the return of previously leased mining equipment, amounting to ₱138.3 million, recorded under "Machineries and other equipment". This also resulted in the derecognition of finance lease receivable amounting to ₱180.7 million and recognition of loss on modification of finance lease amounting to ₱1.0 million (see Notes 18 and 29).

The Group disposed various assets under "Machineries and equipment" and "Equipment and supplies" with cash proceeds amounting to nil and ₱6.0 million in 2018 and 2017, respectively, and recorded a loss amounting to nil, ₱8.0 thousand and ₱24.3 million in 2018, 2017 and 2016, respectively (see Note 29).

In 2018, the Group received various assets from Nickelbase, Inc. (NI), amounting to ₱57.8 million, as a result of the settlement of finance lease receivable of the Group with NI (see Note 18).

The rates used by the Group in computing depletion were ₱16.25 per WMT for the period November 1, 2018 to December 31, 2018, ₱23.42 per WMT for the period February 1, 2018 to October 31, 2018, ₱28.61 per WMT for the period July 1, 2017 to January 31, 2018, ₱31.71 per WMT for the period January 1 to June 30, 2017 and July 1 to December 31, 2016, and ₱60.48 for the period January 1 to June 30, 2016. Starting November 1, 2018, the rate used was based on the latest PMRC-CP Technical Report dated December 15, 2018, with proven and probable ore reserves of 25.1 million WMT for CAGAs 2 and 4 as at October 20, 2018. The change in ore reserves resulted to lower depletion rate.

The CIP balance in the books of the Group pertains to the construction of roads, fences and improvements in the mine site. The CIP balance amounting to ₱5.5 million was transferred to building and land improvements as at December 31, 2018.

The gross carrying amount of fully depreciated property and equipment that is still in use by the Group amounted to ₱163.5 million and ₱145.2 million as at December 31, 2018 and 2017, respectively.

9. **Investment in an Associate**

On September 1, 2016, the Parent Company entered into a Deed of Assignment with SPNVI, a related party, 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 37.50% of the common shares with voting rights and 0.47% of total shares. The Group assessed that it has a significant influence over SPNVI since it directly holds more than 20% of the voting power of SPNVI.

Details of the summarized consolidated financial assets of SPNVI and subsidiaries as at December 31, 2018 and 2017 are as follows:

	2018	2017
Current assets	**₱415,000**	₱823,623
Noncurrent assets	**795,758**	733,610
Total assets	**1,210,758**	1,557,233

The Group's unrecognized share in net loss of SPNVI amounted to ₱24.2 million and ₱16.1 million in 2018 and 2017, respectively. The Group's cumulative unrecognized share in net loss of SPNVI amounted to ₱40.3 million and ₱16.1 million as at December 31, 2018 and 2017, respectively.

10. Mining Rights

	2018	2017
Cost	**₱396,500**	₱396,500
Accumulated amortization:		
Beginning balance	**176,291**	131,612
Amortization	**38,802**	44,679
Ending balance	**215,093**	176,291
Net book value	**₱181,407**	₱220,209

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 the said MPSA from CMDC to SIRC, a wholly-owned subsidiary, under a Deed of Assignment executed on March 3, 2004. Pursuant to the Deed of Assignment, CMDC transferred to SIRC all its rights, interest and obligations relating to the MPSA.

The rates used by the Group in computing amortization were ₱4.14 per WMT for the period November 1, 2018 to December 31, 2018, ₱6.90 per WMT for the period February 1 to October 31, 2018 and July 1, 2017 to January 31, 2018, ₱8.19 for the period January 1 to June 30, 2017 and July 1 to December 31, 2016, and ₱9.59 per WMT for the period January 1 to June 30, 2016. Starting November 1, 2018, the rate used was based on the latest PMRC-CP Technical Report dated December 15, 2018, with proven and probable ore reserves of 43.9 million WMT for CAGAs 1 to 5 as at October 20, 2018. The change in ore reserves resulted to lower amortization rate.

No provision for impairment losses on mining rights was recognized in 2018, 2017 and 2016.

11. 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 City. The land was held for capital appreciation. The bank loan related to the purchase of the Aseana Property was fully paid on January 29, 2016.

On March 1, 2017, PGMC entered into a Deed of Absolute Sale agreement with JSY6677 Landholdings, Inc. (JLI) for the sale of the Aseana property amounting to ₱319.9 million. The related payment was offset against the outstanding amounts owed to JLI. No gain or loss was recognized in relation to the transaction (see Note 30).

As at December 31, 2018 and 2017, investment property amounted to nil. There was no income earned from the investment property in 2018, 2017 and 2016. Interest expense incurred in relation to the bank loan and real property tax related to the investment property amounted to nil, ₱0.5 million and ₱2.3 million in 2018, 2017 and 2016, respectively.

12. Mine Exploration Costs

	2018	2017
Beginning balance	**₱241,729**	₱223,807
Exploration expenditures incurred	**434**	17,922
Ending balance	**₱242,163**	₱241,729

The Group operates the Cagdianao mineral tenements by virtue of the 25-year Operating Agreement executed by and between PGMC and SIRC (see Note 34).

CAGAs 1, 3, 5, 6 and 7 are all under exploration activities.

13. Other Noncurrent Assets

	2018	2017
Restricted cash	**₱301,902**	₱–
MRF	**235,836**	82,466
Input VAT	**186,722**	184,436
Advances to suppliers	**143,358**	69,465
Financial asset at FVOCI	**3,964**	–
AFS financial asset	**–**	4,006
Others	**25,998**	20,798
	897,780	361,171
Less allowance for impairment losses	**41,309**	40,279
	₱856,471	₱320,892

Movements in the allowance for impairment losses on other noncurrent assets are as follows:

	2018	2017
Beginning balance	**₱40,279**	₱19,481
Provision for impairment losses on other noncurrent assets (see Note 23)	**1,030**	20,798
Ending balance	**₱41,309**	₱40,279

Restricted Cash
Restricted cash pertains to the DSRA with TCB which acts as collateral or security for the TCB loan. The amount maybe reduced proportionately as the Group pays the principal and its interest by express agreement of the parties. This was previously classified under "Prepayments and other current assets".

The Group has US$-denominated and HK$-denominated restricted cash currently classified under "Other noncurrent assets" amounting to US$1 and HK$45.1 million as at December 31, 2018 (see Note 32).

Interest income earned related to the restricted cash classified under "Other noncurrent assets" amounted to ₱49.9 thousand in 2018, and nil in 2017 and 2016.

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 deposits with any government bank. The Group has deposits for 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, pollution control and integrated community development. The funds earned interest based on the prevailing market rate. Interest income earned on MRF amounted to ₱0.6 million in 2018 and 2017, and ₱0.5 million and 2016.

Input VAT
Input VAT represents the VAT paid on purchases of applicable goods and services and capital assets, 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 BIR and/or the Philippine Bureau of Customs. Provision for impairment losses on input VAT amounted to ₱1.0 million in 2018 and nil in 2017 and 2016. Allowance for impairment losses on input VAT amounted to ₱20.5 million and ₱19.5 million as at December 31, 2018 and 2017, respectively.

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

Financial Asset at FVOCI (previously classified as "AFS financial asset" prior to adoption of PFRS 9)
As at December 31, 2018 and 2017, 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 in 2018 and 2017 and the shares are valued based on the exit market price as at December 31, 2018 and 2017.

The table below reconciles the carrying amount of AFS financial asset, from previous measurement category in accordance with PAS 39, to the new measurement category upon transition to PFRS 9 on January 1, 2018:

	PAS 39 Carrying Amount December 31, 2017	Effect of Adoption of PFRS 9	PFRS 9 Carrying Amount January 1, 2018
Opening balance under PAS 39 and closing balance under PFRS 9	₱4,006	–	₱4,006

Movements in the fair value of the financial asset at FVOCI are as follows:

	2018	2017
Balances at December 31, 2017	**₱4,006**	₱4,470
Effect of adoption of PFRS 9:		
Revaluation of the investment at its original cost	**4,385**	–
Remeasurement of the investment at fair value with changes taken to OCI	**(4,385)**	–
Balances at January 1, 2018	**4,006**	4,470
Fair value reserve	**(42)**	(464)
Balances at December 31, 2018	**₱3,964**	₱4,006

Movements in the "Fair value reserve of the financial asset at FVOCI" are as follows:

	2018	2017
Beginning balance	**₱464**	₱–
Effect of adoption of PFRS 9 (see Note 2)	**4,385**	–
Fair value reserve	**42**	464
Ending balance	**₱4,891**	₱464

No dividend income was earned by the Group in 2018, 2017 and 2016 from the AFS financial asset currently classified as financial asset at FVOCI.
Impairment loss recognized in 2017 and 2016 amounted to nil and ₱1.4 million, respectively, as a result of a significant and prolonged decline in the fair value of the shares held by the Group. In 2018, no impairment loss was recognized by the Group since financial asset at FVOCI is not subject to impairment assessment (see Note 29).

Others
Others represent claim for business tax refund and performance bond. Provision for impairment losses on claim for business tax refund amounted to nil and ₱20.8 million in 2018 and 2017, respectively. Allowance for impairment losses on claim for business tax refund amounted to ₱20.8 million as at December 31, 2018 and 2017. For the performance bond, it pertains to the minimum amount required to be annually posted by the Group in a duly licensed bonding entity to guarantee compliance and implementation of the temporary revegetation and/or the progressive rehabilitation of the disturbed areas beyond the maximum disturbed limit in accordance with the Administrative Order No. 2018-19 issued by the DENR.

14. Trade and Other Payables

	2018	2017
Trade	**₱186,747**	₱254,788
Accrued expenses and taxes	**84,221**	88,362
Advances from customers	**79,755**	170,410
Nontrade	**34,454**	38,782
Dividends payable	**20,260**	20,287
Interest payables	**–**	4,520
	₱405,437	₱577,149

Trade
Trade payables are noninterest-bearing and generally settled within 30 days. These include payables to suppliers, contractors and other service providers for the goods delivered and/or services rendered to the Group in the ordinary course of business.

Accrued Expenses and Taxes
Details of the accrued expenses and taxes are as follows:

	2018	2017
Excise taxes and royalties payable (see Note 24)	**₱36,415**	₱39,375
Provision for Social Development and Management Program (SDMP) and Indigenous Cultural Communities (ICC)	**22,318**	12,572
Business and other taxes	**20,151**	27,607
Accrued payroll	**1,493**	3,630
Others	**3,844**	5,178
	₱84,221	₱88,362

Excise Taxes and Royalties Payable

Excise taxes and royalties are immediately payable upon receipt from the DENR-MGB of the Order of Payment and before every shipment of beneficiated nickel ores. Royalty fees to claim owners are noninterest-bearing and payable within 30 calendar days after payment of the final invoice for the relevant shipment by the customers.

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 1.5% of the operating costs based on the Administrative Order No. 2010-13 issued by the DENR.

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

Accrued Payroll
Accrued payroll pertains to the accrual related to the salaries and wages of the Group's employees which are noninterest-bearing, payable on demand and/or generally settled within 30 days.

Others
Others include outside services such as accrual of audit and legal fees, and purchases of supplies which are usual in the business operations of the Group.

Advances from Customers
Advances from customers pertain to the amounts received by the Group from its customers before goods have been shipped to them.

Nontrade
Nontrade payables pertain to payable to third party companies which are payable on demand/or generally settled within 30 days.

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 stockholders on May 22, 2013 amounting to ₱20.3 million, were returned as stale checks and presented as cash dividends payable as at December 31, 2018 and 2017.

Interest Payables
Interest payables arise from the Group's bank loans and finance lease liabilities (see Notes 15 and 18).

The Group has US$-denominated trade and other payables amounting to US$2.9 million and US$6.6 million as at December 31, 2018 and 2017, respectively, and HK$-denominated trade and other payables amounting to HK$2.8 million and HK$39.0 thousand as at December 31, 2018 and 2017, respectively(see Note 32).

15. **Bank Loans**

	2018	2017
TCB	**₱788,700**	₱748,950
Banco de Oro (BDO)	**–**	719
	788,700	749,669
Less current portion:		
TCB	**98,588**	748,950
BDO	**–**	719
Current portion	**98,588**	749,669
Noncurrent portion	**₱690,112**	₱–

Movements in the carrying value of bank loans are as follows:

	2018	2017
Beginning balance	**₱749,669**	₱999,408
Availments	**1,559,090**	1,124,017
Payments	**(1,495,417)**	(1,382,576)
Effect of changes in foreign currency exchange rates (see Note 29)	**(24,642)**	4,300
Others	**–**	4,520
Ending balance	**₱788,700**	₱749,669

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

On May 17, 2017, the Group repaid the US$20.0 million loan extended by TCB. The Group was re-granted by TCB a one-year loan facility with a reduced amount of US$15.0 million for the same general corporate purposes, with the same terms and conditions (see Note 32).

On June 28, 2018, the Group was granted by TCB a loan facility in the aggregate principal amount not exceeding US$15.0 million for the same general corporate purposes, with the same terms and conditions.

a) Tranche A: loan facility of US$10.0 million

- Available for lump sum drawdown before December 31, 2018
- Maturity date on December 31, 2018

b) Tranche B: loan facility of US$15.0 million

- Available for drawing before May 25, 2019
- Maturity date on 36 months after the first drawdown date for payment as follows:

Months from the first drawdown date	Repayment installment from outstanding principal at the end of availability period (%)
18	12.50%
24	12.50%
30	12.50%
36	62.50%

The interest shall be payable quarterly in arrears. The interest rate for the loan is the aggregate of the reference rate plus spread of 3.50% per annum. The reference rate is the applicable London Interbank Offered Rate (LIBOR) displayed on the Bloomberg and Reuters' page for the three month yield as of approximately 11:15 am on the interest rate setting date. In the event that the LIBOR will be replaced by a new benchmark as determined by the Banker's Association of the Philippines or the Banko Sentral ng Pilipinas, the new benchmark may be adopted as the new reference rate upon mutual agreement of the parties.

The other conditions of the agreement are as follows:

a. The Group shall maintain a waterfall account with TCB wherein all amounts collected by TCB from the buyers of nickel ore shall be deposited.
b. The security by TCB shall consist of only three kinds, as follows:
    i. Accounts receivables from PGMC's customers or clients.
    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 amounting to at least 25% of the drawdown.
    iv. Guarantee issued by any individual, juridical person or any combination thereof acceptable to TCB.
c. TCB is irrevocably appointed as the collecting agent for the account receivables from the Group's export orders of nickel ore and as a collecting and advising bank for the import LC opened by the buyers of the nickel ore of the Group. The amount collected shall be deposited in the waterfall account of the Group.
d. The Group may, at its option, prepay the loan in part or in full, together with accrued interest thereon.
e. 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 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.
f. A DSRA shall be opened by the Group which shall have a deposit amounting 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.

The Group has complied with the terms of the loan as at December 31, 2018 and 2017.

Interest expense related to TCB loan amounted to ₱52.3 million, ₱50.7 million and ₱52.2 million in 2018, 2017 and 2016, respectively (see Note 28).

Pursuant to the follow-on offering which was completed on July 20, 2018, the net proceeds amounting to ₱480.6 million has been infused by the Parent Company to PGMC through additional subscription of shares. This was subsequently used by PGMC to pay part of its outstanding TCB loan on August 3, 2018. The net proceeds from the follow-on offering has been fully utilized as at December 31, 2018.

<u>BDO</u>
The Group annually avails a US$20.0 million Export Packing Credit Line for working capital purposes. As at December 31, 2018 and 2017, the remaining balance is nil.

The Group entered into several service vehicle loans with BDO with a three-year term at an interest rate ranging from 7% to 9% per annum. The remaining service vehicle loans of the Group with BDO amounted to nil million and ₱0.7 million as at December 31, 2018 and 2017, respectively.

The Group has complied with the terms of the loan as at December 31, 2018 and 2017.

Interest expense related to BDO loan amounted to ₱1.0 million, ₱2.8 million and ₱4.6 million in 2018, 2017 and 2016, respectively (see Note 28).

UnionBank of the Philippines (UnionBank) and EastWest Bank (EastWest)
As at December 31, 2016, the loans from UnionBank and EastWest have been fully paid. Interest expense related to the service vehicle loans amounted to nil in 2018 and 2017, and ₱0.4 million in 2016 (see Note 28).

16. Provision for Mine Rehabilitation and Decommissioning

	2018	2017
Beginning balance	**₱245,407**	₱67,123
Accretion interest (see Note 28)	**14,064**	4,077
Effect of change in estimate (see Note 8)	**(24,975)**	174,207
Ending balance	**₱234,496**	₱245,407

The provision for mine rehabilitation and decommissioning was adjusted in 2018 to reflect the latest discount rates and the current expenditures required to settle the expected mined out areas of the Group based on the latest Final Mine Rehabilitation and Decommissioning Plan (FMRDP) submitted to the MGB on July 13, 2018. In 2017, the provision for mine rehabilitation and decommissioning was adjusted to reflect the current expenditures required to settle the expected mine out areas of the Group based on the latest FMRDP submitted to the MGB on December 11, 2017.

17. Retirement Obligation

The GFHI Group of Companies Multiemployer Retirement Plan (the Retirement Plan) is jointly established by PGMC, PCSSC, INC and the Parent Company, and other affiliate companies that may adopt the said plan. The Retirement Plan is a non-contributory defined benefit retirement plan covering all of the Group's regular employees effective January 1, 2018.

The funding of the Retirement Plan shall be determined by the actuarial advisor and payment of the benefits thereunder shall be provided through the medium of a fund held by the Trustee Bank under the Trust Agreement.

The latest actuarial valuation report of the retirement plan is as at December 31, 2018.

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

Details of the retirement benefits costs in the consolidated statements of comprehensive income are as follows:

	2018	2017	2016
Current service cost (see Note 26)	**₱9,926**	₱10,828	₱10,383
Past service cost - plan amendment (see Note 26)	**8,408**	–	–
Interest cost on retirement obligation (see Note 28)	**2,954**	2,806	2,152
Interest income on plan assets	**(1,001)**	–	–
	₱20,287	₱13,634	₱12,535

Current and past service costs are recognized under "Retirement benefits costs".

In 2017, there was no Retirement Plan amendment, curtailment nor settlement. In 2018, there was no curtailment nor settlement but there was an amendment which changed the benefits payable under the Retirement Plan resulting to the recognition of past service cost for the year.

As at December 31, 2018, the Group has 174 regular employees, 10 employees on probationary and project status and 40 employees on a fixed term. As at December 31, 2017, the Group has 166 regular employees, 11 employees on probationary and project status and 84 employees on a fixed term.

Changes in the present value of retirement obligation are as follows:

	2018	2017
Beginning balance	**₱51,203**	₱47,882
Current service cost (see Note 26)	**9,926**	10,828
Past service cost - plan amendments (see Note 26)	**8,408**	–
Interest cost on retirement obligation (see Note 28)	**2,954**	2,806
Remeasurement loss (gain) arising from:		
Experience adjustments	**35,637**	(10,758)
Financial assumptions	**(22,581)**	445
Ending balance	**₱85,547**	₱51,203

Changes in the fair value of plan assets are as follows:

	2018	2017
Beginning balance	**₱–**	₱–
Contributions	**34,689**	–
Actual return on plan assets:		–
Interest income on plan assets	**1,001**	–
Remeasurement loss - return on plan assets excluding interest income	**(854)**	–
Ending balance	**₱34,836**	₱–

Net retirement obligation recognized in the consolidated statements of financial position are as follows:

	2018	2017
Present value of retirement obligation	**₱85,547**	₱51,203
Fair value of plan assets	**34,836**	–
	₱50,711	₱51,203

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2018	2017
Cash and cash equivalents:		
Savings deposit	**₱9,421**	₱–
Time deposit	**1,910**	–
Investment in equity securities	**23,420**	–
Others:		
Market gain - investment in equity securities	**81**	–
Interest receivables - net of trust fees	**4**	–
	₱34,836	₱–

The main categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2018	2017
Investment in equity securities	**67.23%**	–
Cash and cash equivalents	**32.53%**	–
Others	**0.24%**	–
	100.00%	–

Investment in equity securities pertains to unit investment trust funds. Cash and cash equivalents consist of savings and time deposits. Others are in the form of interest receivables and market gain in unit investment trust funds.

Details of the investment in equity securities are as follows:

	December 31, 2018			
	Carrying Amount	**Fair Value**	**Unrealized gain**	December 31, 2017
Investment in equity securities	**₱23,420**	**₱23,501**	**₱81**	₱–

The retirement trust fund assets are valued by the fund manager at fair value using market-to-market valuation. The principal assumptions used in determining retirement obligation for the defined retirement plan are shown below:

	2018	2017	2016
Discount rate	**7.70%**	5.77%	5.86%
Salary increase rate	**10.00%**	10.00%	10.00%
Turnover rate	**7.5% at age 19 decreasing to 0% at age 45**	7.5% at age 19 decreasing to 0% at age 45	7.5% at age 19 decreasing to 0% at age 45

Assumptions regarding future mortality rate and disability rate are based on the 2001 CSO Table - Generational and Disability Study Period 2 Benefit 5, respectively, developed by the Society of Actuaries, which provides separate rates for males and females.

The Retirement Plan Trustee has no specific matching strategy between the plan assets and the plan liabilities.

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

	Increase (Decrease)	**2018**	2017
Discount rate	+100 basis points	**(₱9,712)**	(₱6,571)
	-100 basis points	**11,619**	7,968
Salary increase rate	+100 basis points	**₱11,242**	₱7,098
	-100 basis points	**(9,606)**	(6,031)

The Group expects to contribute at least ₱22.9 million to the defined benefit plan in 2019.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2018 and 2017:

	2018	2017
Less than one year	**₱6,381**	₱3,769
More than one year to five years	**10,555**	5,302
More than five years to 10 years	**82,766**	45,147
	₱99,702	₱54,218

The average duration of the defined retirement benefits obligation as at December 31, 2018 and 2017 is 12.5 years and 14.2 years, respectively.

18. **Finance Lease**

Finance Lease Receivable

In 2016, the Group's finance lease agreement with FVC on March 7, 2014 ended and has resulted to the return of previously leased mining equipment. Some of the returned property and equipment were subsequently leased to JLEC. This also resulted to the derecognition of finance lease receivable amounting to ₱180.7 million and recognition of loss on modification of finance lease amounting to ₱1.0 million (see Note 29).

On February 28, 2017, JLEC assigned its responsibilities with regard to the Group's property and equipment to NI that took over the operation of JLEC in CAGA 2 area. NI agreed to shoulder the balance of the remaining service agreement with JLEC. No loss on modification of finance lease was recognized in 2017 (see Note 29).

In 2018, the Group and NI executed an agreement to modify the terms of the lease. The modification of the lease includes changes in the lease term and cash flows which is expected to be settled within the year. The Group ended its lease agreement with NI during the period in which the remaining balance would be settled by NI through procurement of equipment that led to the derecognition of finance lease receivable. In 2018, the Group received various assets from NI, amounting to ₱57.8 million, as a result of the settlement of finance lease receivable of the Group with NI (see Note 8). No loss on modification of finance lease was recognized in 2018 (see Note 29).

Details of the finance lease receivable as at December 31, 2018 and 2017 are as follows:

	2018		2017	
	Minimum lease payments	**Present value of minimum lease payments**	Minimum lease payments	Present value of minimum lease payments
Within one year	**₱–**	**₱–**	₱77,214	₱73,812
After one year but not more than five years	**–**	**–**	88,940	86,858
Total minimum lease payments	**–**	**–**	166,154	160,670
Less amount representing finance costs	**–**	**–**	5,484	–
Present value of minimum lease payments	**₱–**	**₱–**	₱160,670	₱160,670

Interest income related to the finance lease receivable amounted to nil, ₱4.9 million and ₱5.2 million in 2018, 2017 and 2016, respectively.

Finance Lease Liabilities
In 2016, the Group entered into finance lease agreements with BDO Leasing and Finance, Inc. amounting to ₱2.2 million. These are included as part of "Machineries and other equipment" category under "Property and equipment" as at December 31, 2018 and 2017, respectively.

In 2018, the Group and Caterpillar Financial Services Philippines Inc. executed a lease agreement with a lease term of two years, in which the Group has determined that the lease transfers substantially all the risks and rewards incidental to the ownership of the contractor's equipment upon final payment at the end of the lease term.

Future annual minimum lease payments under the lease agreements, together with the present value of the minimum lease payments as at December 31, 2018 and 2017 are as follows:

	2018		2017	
	Minimum lease payments	**Present value of minimum lease payments**	Minimum lease payments	Present value of minimum lease payments
Within one year	**₱6,004**	**₱5,777**	₱2,577	₱2,350
After one year but not more than five years	**4,767**	**4,293**	804	787
Total minimum lease payments	**10,771**	**10,070**	3,381	3,137
Less amount representing finance costs	**701**	**–**	244	–
Present value of minimum lease payments	**₱10,070**	**₱10,070**	₱3,137	₱3,137

Interest expense related to finance lease liabilities amounting to ₱0.7 million, ₱0.3 million and ₱1.0 million in 2018, 2017 and 2016, respectively, is reported under "Finance costs" (see Note 28).

19. **Other Noncurrent Liabilities**

	2018	2017
Previous stockholders of CNMEC	**₱366,463**	₱366,463
BNVI	**165,566**	165,566
Others	**1,663**	1,598
	₱533,692	₱533,627

Payable to Previous Stockholders of CNMEC and BNVI
In 2016, the Parent Company, SPNVI and the stockholders of SPNVI executed a Deed of Assignment wherein SPNVI assigned its payable to the previous stockholders of CNMEC and BNVI to the Parent Company amounting to ₱532.0 million. This is pursuant to the Contract to Sell executed on August 6, 2015 (see Note 1).

Others
Others pertain to the rent payable of the Group for the lease of its Makati office premises (see Note 34).

20. **Equity**

Capital Stock
The Parent Company's authorized and issued capital stock as at December 31, 2018 and 2017 are as follows:

	2018	2017
Par value	**₱1.05**	₱1.05
Authorized shares	**11,957,161,906**	11,957,161,906
Total authorized capital stock	**₱12,555,020,001.30**	₱12,555,020,001.30
Issued shares	**6,072,357,151**	5,822,357,151
Total capital stock (amounts in thousand)	**₱6,375,975**	₱6,113,475

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

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

As discussed in Note 1, the BOD and stockholders of the Parent Company approved a capital restructuring through a reserve 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 ₱20,000.40 divided into 19,048 common shares at a par value of ₱1.05.

Follow-on Offering
On July 20, 2018, the Parent Company has completed its follow-on offering of 250,000,000 common shares which resulted to an increase in capital stock amounting to ₱262.5 million. On the same date, all the 6,072,357,151 issued shares of the Parent Company, including the common shares issued in accordance with the Share Swap transaction approved by the SEC on December 22, 2014, private placement and follow-on offer shares, are listed in the PSE.

The following table summarizes the track record of registrations of securities under the SRC:

Transaction	Subscribers	Registration Date	Issue/Offer Price	Number of Shares
Initial registration	Various	October 1994	₱1.50	5,000,000,000
Additional registration	Various	September 1996	–	1,150,000,000
Exempt from registration	Various	December 1998	–	305,810,000
Exempt from registration	Two individuals	June 2013	0.35	554,000,000
Additional registration	Various	July 2018	2.07	250,000,000
				7,259,810,000

APIC
The completion of the Parent Company's follow-on offering of 250,000,0000 common shares resulted to the recognition of APIC amounting to ₱255.0 million. The offer price and par value per share amounted to ₱2.07 and ₱1.05, respectively. The transaction costs directly attributable to the issuance of new common shares from the follow-on offering amounting to ₱16.0 million were deducted from the APIC.

Employee Stock Option Plan (ESOP)

On June 29, 2016, the BOD and stockholders of the Parent Company approved the establishment of an ESOP (which covers the qualified employees of the subsidiaries of the Parent Company), 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 First Tranche which comprised the 20,000,000 option grants to be vested over three years at a strike price of ₱2.00 and 20,000,000 share/stock grants to be vested over two years (i.e., 10,000,000 share/stock grants each year). As at March 21, 2019, the Group has not yet recognized compensation expense in relation to the stock option grant as this has not yet been communicated to the qualified employees.

Special Stock Grant

The stock grant agreement in relation to the Employee Stock Option Master Plan was executed on December 28, 2018 and December 27, 2017, the grant dates, between the Parent Company and the grantees. The fair value of the shares on December 28, 2018 and December 27, 2017 was ₱1.67 and ₱2.62, respectively, taking into consideration the terms and conditions of the stock grant. A total of 20,000,000 treasury shares of the Parent Company consisting of 9,900,000 and 10,100,000 treasury shares was granted to PGMC in 2018 and 2017, respectively. The treasury shares granted were subsequently issued by PGMC to its employees as recognition for their past services. The basic terms and conditions of the stock grant are as follows:

- The participants of the special stock grant are the officers and employees of its significantly owned subsidiaries as selected and approved by the Compensation Committee;
- The shares granted under the 2017 Plan will be registered in the employee's name and will have a lock-in period of two years from the date of grant;
- As the owner of record, the employee will have the right to vote shares and receive dividends; and
- During the lock-in period, such shares of stocks granted may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of. Pursuant to this, the certificate covering the shares of stock will be held in escrow by the designated escrow agent and will be released at the end of the lock-in period.

Stock grant expense recognized by PGMC amounted to ₱16.5 million, ₱26.5 million and nil in 2018, 2017 and 2016, respectively (see Note 26).

Retained Earnings

On December 16, 2017, PGMC's stockholders and BOD declared a cash dividend of ₱480.00 per share to stockholders of record as at December 31, 2017 and stock dividend amounting to ₱1,200.0 million divided into 12,000,000 shares at the par value of ₱100.00 per share to be issued out of the increase in the authorized capital stock of PGMC on December 29, 2017. The cash and stock dividends declared by PGMC were taken out of its unrestricted retained earnings as at December 31, 2016. Portion of the cash dividends payable was settled on December 29, 2017 by offsetting the cash advances to stockholders classified under "Advances to related parties". As at December 31, 2018, the cash dividends payable was fully settled.

As at January 1, 2018, an increase in retained earnings amounting to ₱4.4 million has been recognized as a result of the change in classification of the Group's AFS financial asset (see Note 13). The cumulative impairment lossess previously recognized under PAS 39 and presented under "Retained earnings" were reclassified to "Fair value reserve of financial asset at FVOCI" under "Other comprehensive income".

On March 14, 2018, the BOD of the Parent Company approved the declaration of property dividends consisting of the treasury shares of the Parent Company at the ratio of 0.06 share for every GFHI share held by the stockholders of record as at April 2, 2018. The property dividends amounting to ₱850.4 million was taken out of the unrestricted earnings of the Parent Company as at December 31, 2017. There was also a decrease in retained earnings amounting to ₱9.6 million which was recognized based on the difference between the fair value of treasury shares fixed by the BOD at ₱2.61 per share and the cost of treasury shares upon reacquisition. The property dividends were fully settled on November 22, 2018.

Retained earnings include the accumulated equity in undistributed net earnings of subsidiaries and associates amounting to ₱2,019.5 million which is not available for dividend declaration by the Parent Company until declared by the investee companies.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of treasury shares.

In accordance with SRC Rule 68, as Amended (2011), Annex 68-C, the Parent Company's retained earnings available for dividend declaration amounted to ₱3,254.9 million as at December 31, 2018.

Treasury Shares

For the period ended December 31, 2018 and 2017, the Parent Company purchased a total of 306,058,144 common shares amounting to ₱636.9 million and 362,584,000 common shares amounting to ₱964.5 million, respectively. This is pursuant to the Share Buyback Program which was approved by the BOD on June 29, 2016 and May 15, 2018. The estimated number of shares for re-purchase, approved and authorized by the BOD is up to 10% and an additional 5% of the total outstanding shares of the Parent Company, respectively. As at December 31, 2018 and 2017, the Parent Company repurchased about 6% and 7% of its total outstanding shares, respectively.

The cost of treasury shares issued in relation to the property dividends on November 22, 2018 amounted to ₱850.4 million based on the market prices upon declaration. A total number of 325,836,713 treasury shares was declared and distributed by the Parent Company. A decrease in retained earnings amounting to ₱9.6 million was recognized in 2018 based on the difference between the fair value of treasury shares fixed by the BOD at ₱2.61 per share and the cost of treasury shares upon reacquisition. In addition, the Parent Company withheld the total of 32,099,503 treasury shares, amounting to ₱83.8 million, representing the applicable final withholding taxes and fractional shares.

On December 7, 2018, the Parent Company reacquired and received from certain stockholders the total of 186,150,699 shares, amounting to ₱331.3 million, representing partial settlement of the stockholders cash advances from the Parent Company (see Note 30).

The cost of treasury shares issued in relation to the special stock grant on December 28, 2018 and December 27, 2017 amounted to ₱29.8 million and ₱28.2 million, respectively. A decrease in retained earnings amounting to ₱13.3 million and ₱1.8 million was recognized in 2018 and 2017, respectively, based on the difference between the fair value of the treasury shares at the date of grant and the cost of treasury shares upon reacquisition.

The Parent Company has 547,391,385 shares amounting to ₱1,116.3 million and 358,819,752 shares amounting to ₱954.1 million in treasury shares as at December 31, 2018 and 2017, respectively.

Equity Reserve

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

Below is the summary of the movements of the "Equity reserve" account:

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

21. EPS

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

	2018	2017	2016
Net income attributable to common sharesholders (amounts in thousands)	**₱509,528**	₱779,689	₱37,494
Weighted average number of common shares outstanding for basic EPS	**5,459,946,222**	5,700,801,394	5,820,685,847
Basic/diluted EPS	**₱0.09**	₱0.14	₱0.01

As at December 31, 2018, 2017 and 2016, there are no potentially dilutive common shares.

22. Cost of Sales

	2018	2017	2016
Contract hire (see Notes 6 and 34)	**₱1,836,680**	₱1,962,517	₱1,548,355
Depreciation, depletion and amortization (see Note 27)	**413,595**	425,648	370,407
Personnel costs (see Note 26)	**158,539**	150,065	153,762
Environmental protection costs	**56,232**	42,405	41,685
Repairs and maintenance	**37,105**	20,430	11,752
Community relations	**34,345**	41,588	47,162
Fuel, oil and lubricants	**29,619**	20,785	10,950
Assaying and laboratory	**22,019**	28,394	23,432
Manning services	**21,017**	22,155	20,772
Operations overhead	**13,176**	21,044	15,752
Rentals (see Note 34)	**7,611**	9,414	35,208
Other charges	**26,593**	24,126	28,983
	₱2,656,531	₱2,768,571	₱2,308,220

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

Operations overhead includes, but are not limited to, materials and supplies, travel and transportation expense and other miscellaneous charges.

Other charges related to operations include, but are not limited to, power and utilities, insurance, dry docking, materials, supplies and spare parts, agency fees, health and safety expenses in the mine site, Philippine ports authority usage fees, license fees and taxes, and service fees.

23. General and Administrative

	2018	2017	2016
Personnel costs (see Note 26)	**₱260,745**	₱237,308	₱189,332
Taxes and licenses	**181,633**	140,763	47,938
Provision for impairment losses on:			
Trade and other receivables (see Note 5)	**79,707**	208,805	–
Other noncurrent assets (see Note 13)	**1,030**	20,798	–
Prepayments and other current assets (see Note 7)	**–**	3,684	–
Consultancy fees	**57,074**	38,106	65,285
Outside services	**52,515**	45,495	26,614
Marketing and entertainment	**28,464**	24,596	22,157
Rentals (see Note 34)	**26,625**	26,030	25,133
Depreciation (see Note 27)	**24,140**	18,719	17,701
Repairs and maintenance	**14,836**	12,325	11,142
Travel and transportation	**14,829**	15,106	19,925
Office supplies	**7,784**	5,440	4,135
Fuel, oil and lubricants	**7,621**	5,275	4,287
SEC and listing fees	**6,895**	683	560
Communication	**5,154**	6,057	5,295
Membership and subscription	**4,332**	3,001	2,438
Insurance	**2,441**	1,499	2,084
Power and utilities	**1,837**	1,552	1,477
Trainings, seminars and meetings	**823**	663	565
Other charges	**17,259**	17,253	14,846
	₱795,744	₱833,158	₱460,914

Other charges include, but are not limited to, sponsorship, freight and delivery charges, and other miscellaneous expenses.

24. Excise Taxes and Royalties

	2018	2017	2016
Royalties to:			
Government	**₱267,480**	₱255,896	₱183,197
Claim-owners (see Note 34)	**191,947**	296,571	204,290
ICC	**53,855**	59,381	42,510
Excise taxes	**214,253**	102,358	73,278
	₱727,535	₱714,206	₱503,275

The Group is paying royalty fees to CMDC equivalent to 2% to 5% of gross receipts in 2018, and 3% to 7% of gross receipts in 2017 and 2016. The decrease in royalty base rates resulted from the Amended Royalty Agreement executed by and between CMDC and the Group on April 17, 2018 (see Note 34). The Group is also paying royalty fees to ICC equivalent to a minimum of 1% of the gross output from the mining operations.

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 5% of the market value of the gross output of the minerals/mineral products extracted or produced from its Surigao mines to DENR-MGB
- An excise tax of 4% in 2018 and 2% in 2017 and 2016 of the market value of the gross output of the minerals/mineral products extracted or produced from its Surigao mines to the BIR

As at December 31, 2018 and 2017, excise taxes and royalties payable amounted to ₱36.4 million and ₱39.4 million, respectively (see Note 14).

25. **Shipping and Distribution**

	2018	2017	2016
Barging charges	**₱316,338**	₱280,881	₱207,161
Stevedoring charges and shipping expenses	**40,288**	61,072	35,137
Government fees	**31,504**	35	35
Personnel costs (see Note 26)	**23,544**	27,728	29,369
Fuel, oil and lubricants	**18,975**	15,503	17,082
Supplies	**1,379**	3,331	1,274
Repairs and maintenance and others	**875**	293	347
	₱432,903	₱388,843	₱290,405

Barging charges pertain to expenses incurred from services provided by external shipping companies to transport nickel ore from the Group's causeway (barge) to the foreign vessels.

26. **Personnel Costs**

	2018	2017	2016
Salaries and wages	**₱363,760**	₱340,663	₱325,014
Retirement benefits costs (see Note 17)	**18,334**	10,828	10,383
Stock grant (see Note 20)	**16,533**	26,462	–
Other employee benefits	**44,201**	37,148	37,066
	₱442,828	₱415,101	₱372,463

Other employee benefits pertain to various benefits given to employees which are individually immaterial.

Personnel costs were distributed as follows:

	2018	2017	2016
General and administrative (see Note 23)	**₱260,745**	₱237,308	₱189,332
Cost of sales (see Note 22)	**158,539**	150,065	153,762
Shipping and distribution (see Note 25)	**23,544**	27,728	29,369
	₱442,828	₱415,101	₱372,463

27. Depreciation, Depletion and Amortization

The amounts of depreciation, depletion and amortization expense are distributed as follows:

	2018	2017	2016
Cost of sales (see Notes 8, 10 and 22)	**₱413,595**	₱425,648	₱370,407
General and administrative (see Notes 8 and 23)	**24,140**	18,719	17,701
	₱437,735	₱444,367	₱388,108

28. Finance Costs

	2018	2017	2016
Interest expense (see Notes 15, 17 and 18)	**₱56,350**	₱56,586	₱60,387
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 16)	**14,064**	4,077	1,401
Bank charges	**6,524**	8,078	5,908
	₱76,938	₱68,741	₱67,696

29. Other Income (Charges) - net

	2018	2017	2016
Foreign exchange gains (losses) - net	**(₱40,044)**	₱28,235	₱1,276
Net despatch	**24,874**	–	–
Loss on:			
Disposals of property and equipment (see Note 8)	**–**	(8)	(24,282)
Acquisition of a subsidiary (see Note 30)	**–**	–	(7,356)
Modification of finance lease receivable (see Notes 8 and 18)	**–**	–	(1,037)
Impairment loss on AFS financial asset (see Note 13)	**–**	–	(1,433)
Others	**–**	142	459
	(₱15,170)	₱28,369	(₱32,373)

Breakdown of net foreign exchange gains (losses) is as follows:

	2018	2017	2016
Net realized foreign exchange gains (losses)	**(₱52,635)**	₱32,753	(₱48,299)
Unrealized foreign exchange gains (losses) on:			
Cash	**(12,772)**	4,473	19,734
Trade and other receivables	**(2,480)**	(3,658)	27,018
Advances to related parties	**28**	(2,199)	–
Prepayments and other current assets	**–**	10	(196)
Other noncurrent assets	**271**	–	7
Trade and other payables	**2,902**	1,156	58,853
Bank loans (see Note 15)	**24,642**	(4,300)	(55,841)
	(₱40,044)	₱28,235	₱1,276

Net despatch represents the amount received by the Group from the buyer when shipment loading is completed ahead of the allowable laytime.

30. **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.

Set out on the next page are the Group's transactions with related parties in 2018, 2017 and 2016, including the corresponding assets and liabilities arising from the said transactions as at December 31, 2018 and 2017. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Category	Amount/ Volume	Advances to related parties	Advances from related parties	Terms	Conditions
Stockholders					
2018	**382,226**	**₱1,812,415**	**₱59,070**	**(A), (B)**	**(C)**
2017	44,304	₱1,846,549	₱59,070	(A), (B)	(C)
Affiliates with common officers, directors and stockholders					
2018	**106,657**	**181,203**	**228,124**	**(A), (B)**	**(C)**
2017	419,512	72,569	268,523	(A), (B)	(C)
Associate					
2018	**–**	**91,799**	**–**	**(A)**	**(C)**
2017	–	93,776	–	(A)	(C)
Total		**₱2,085,417**	**₱287,194**		
Total		₱2,012,894	₱327,593		

Intercompany transactions below are eliminated in the consolidated financial statements.

Category	Amount/ Volume	Trade and other payables	Barging charges	Sale of nickel ore	Trade and other receivables	Advances to related parties	Advances from related parties	Terms	Conditions
Subsidiaries									
PGMC									
2018	**739,699**	**₱–**	**₱–**	**₱–**	**₱–**	**₱739,699**	**₱–**	**(A)**	**(C)**
2017	1,175,506	₱–	₱–	₱–	₱21,737	₱–	₱–	(A)	(C)
PCSSC									
2018	**95,431**	**64,697**	**95,431**	**–**	**–**	**–**	**–**	**(B)**	**(C)**
2017	211,732	114,692	89,926	–	–	–	–	(B)	(C)
SIRC									
2018	**–**	**–**	**–**	**–**	**–**	**–**	**3,320**	**(B)**	**(C)**
2017	–	–	–	–	–	–	3,719	(B)	(C)
PIL									
2018	**1,509,428**	**18,824**	**–**	**1,136,501**	**18,872**	**–**	**–**	**(A)**	**(C)**
2017	2,743,512	21,737	–	2,340,652	–	–	–	(A)	(C)
Total		**₱83,521**	**₱95,431**	**₱1,136,501**	**₱18,872**	**₱739,699**	**₱3,320**		
Total		₱136,429	₱89,926	₱2,340,652	₱21,737	₱–	₱3,719		

(A) On demand; noninterest-bearing; collectible in cash
(B) On demand; noninterest-bearing; payable in cash
(C) Unsecured; with guarantee

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 mostly consist of financial instruments with a net liability amounting to ₱7.3 million. A loss on acquisition amounting to ₱7.4 million was recognized based on the difference between the consideration paid and the fair values of the assets acquired and liabilities assumed.

   PIL entered into several ore supply sales agreement with PGMC for the purchase of nickel ore amounting to ₱1,136.5 million, ₱2,340.7 million and ₱530.2 million in 2018, 2017 and 2016, respectively.

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 ₱589.3 million.

   As at December 31, 2018 and 2017, 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" (see Note 1).

c. In the first quarter of 2018, PGMC entered into a Time Charter Agreement with PCSSC for the use of five LCTs at ₱2.6 million each per month. This Agreement covers a period of seven months on/about April 1, 2018 to October 31, 2018, subject to renewal upon mutual agreement of the parties. The charter fee incurred amounted to ₱95.4 million, ₱89.9 million and ₱95.0 million in 2018, 2017, and 2016, respectively.

d. On March 1, 2017, PGMC entered into a Deed of Absolute Sale agreement with JLI for the sale of the Aseana Property located in Parañaque City amounting to ₱319.9 million. The related payment was offset against the outstanding amounts owed to JLI. No gain or loss was recognized related to the transaction (see Note 11).

e. On November 22, 2018, the Parent Company reacquired the total of 32,099,503 treasury shares, amounting to ₱83.8 million, representing the applicable final withholding taxes and fractional shares related to the property dividends (see Note 20).

   On December 7, 2018, the Parent Company reacquired and received from certain stockholders the total of 186,150,699 shares, which amounted to ₱331.3 million, representing partial settlement of the stockholders' cash advances from the Parent Company (see Note 20).

f. 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 short-term benefits of key management personnel of the Group in 2018, 2017 and 2016 amounted to ₱81.7 million, ₱61.3 million and ₱57.8 million, respectively, exclusive of cost of share-based payment amounting to ₱11.4 million, ₱17.9 million and nil, respectively. The post-employment benefits of key management personnel of the Group amounted to ₱32.2 million, ₱19.0 million and ₱15.7 million in 2018, 2017 and 2016, respectively.

31. **Income Taxes**

The current provision for income tax represents RCIT in 2018 and 2017 and MCIT in 2016. It also represents amounts which are expected to be paid to different taxation authorities, the BIR and the Inland Revenue Department (IRD) in HK.

For the BIR, the reconciliation between income before income tax computed at the statutory income tax rate and the provision for income tax at the effective income tax rate as shown in the consolidated statements of comprehensive income is as follows:

	2018	2017	2016
Income before tax computed at statutory income tax rate	**₱220,937**	₱132,730	₱38,711
Add (deduct) tax effects of:			
Expiration of deferred tax asset on NOLCO	**57,625**	4,132	65
Change in unrecognized deferred tax assets	**(28,169)**	36,484	36,006
Nondeductible expenses:			
Nondeductible taxes	**10,696**	18,004	–
Marketing and entertainment	**5,264**	4,820	5,491
Interest	**283**	185	134
Loss on modification of finance lease receivable	**–**	–	311
Others	**2,926**	393	825
Interest income already subjected to final tax	**(874)**	(488)	(360)
Application of excess MCIT	**–**	2,787	–
Nontaxable interest income	**–**	(1,480)	(1,570)
	₱268,688	₱197,567	₱79,613

For the IRD, the reconciliation between income before income tax computed at HK profit tax rate and the provision for income tax at the effective income tax rate as shown in the consolidated statements of comprehensive income is as follows:

	2018	2017
Income before tax computed at HK profits tax rates* of:		
8.25% (First HK$ 2.0 million)	**₱1,108**	₱–
16.5% (Over HK$ 2.0 million)	**6,026**	104,737
Add (deduct) tax effects of:		
Nondeductible expenses	**1,479**	887
Depreciation allowances	**(385)**	(2,062)
Nontaxable income	**(37)**	(20)
Used tax losses	**–**	(3,591)
	₱8,191	₱99,951

**The two-tiered profits tax rates regime was implemented by the IRD commencing from the year of assessment 2018/19. Under the regime, the first HK$ 2.0 million of profits has been taxed at 8.25% while the remaining profits continued to be taxed at the existing 16.5% tax rate.*

The components of the Group's net deferred tax assets are as follows:

	2018	2017
Deferred tax assets:		
Allowance for impairment losses on trade and other receivables	**₱91,761**	₱67,849
Provision for mine rehabilitation and decommissioning	**70,349**	73,622
Unrealized foreign exchange losses - net	**16,677**	20,419
Retirement obligation recognized in profit or loss	**16,423**	20,743
Accrued taxes	**8,719**	8,719
Rent payable	**499**	480
Cumulative translation adjustment directly recognized in OCI	**–**	2,036
	₱204,428	₱193,868
Deferred tax liabilities:		
Undepleted asset retirement obligation	**₱44,077**	₱61,010
Cumulative translation adjustment directly recognized in OCI	**5,439**	–
Retirement obligation directly recognized in OCI	**1,209**	5,382
	50,725	66,392
Deferred tax assets - net	**₱153,703**	₱127,476

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

Year Incurred	Year of Expiration	NOLCO
2018	2021	₱97,153
2017	2020	110,947
2016	2019	119,837
		₱327,937

NOLCO	**2018**	2017	2016
Beginning balance	**₱325,313**	₱214,366	₱613,126
Addition	**97,153**	110,947	119,837
Expiration	**(94,529)**	–	–
Application	**–**	–	(144,970)
NOLCO incurred during the income tax holiday period	**–**	–	(373,627)
Ending balance	**₱327,937**	₱325,313	₱214,366

MCIT	**2018**	2017	2016
Beginning balance	**₱–**	₱2,787	₱2,262
Addition	**–**	–	886
Application	**–**	(2,787)	–
Expiration	**–**	–	(361)
Ending balance	**₱–**	₱–	₱2,787

The Group has availed of the itemized deductions method in claiming its deductions in 2018, 2017 and 2016.

32. Financial Risk Management Objectives and Policies and Capital Management

The Group's financial instruments mainly consist of cash and cash equivalents, advances to related parties, AFS financial asset currently classified as "Financial asset at FVOCI" under "Other noncurrent assets", bank loans and payable to previous stockholders of CNMEC and BNVI under "Other noncurrent liabilities". The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Group. The Group has other financial assets and liabilities such as trade receivables and interest receivable under "Trade and other receivables", restricted cash previously under "Prepayments and other current assets" and currently under "Other noncurrent assets", trade and other payables and advances from related parties, which directly arise from its operations.

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

Market Risk

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

Foreign Exchange Risk

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

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

To mitigate the effects of foreign currency risk, the Group seeks to accelerate the collection of foreign currency-denominated receivables and the settlement of foreign currency-denominated payables, whenever practicable. Also, foreign exchange movements are monitored on a daily basis via Bankers Association of the Philippines for US$-denominated accounts and Bangko Sentral ng Pilipinas for HK$-denominated accounts.

The Group's foreign currency-denominated financial assets and liabilities and their Philippine Peso equivalents as at December 31, 2018 and 2017 are as follows:

	2018			2017		
	US$ Amount	**HK$ Amount**	**Peso Equivalent**	US$ Amount	HK$ Amount	Peso Equivalent
Financial Assets:						
Cash in banks	**US$3,954**	**HK$22,448**	**₱358,527**	US$16,090	HK$290	₱805,227
Short-term cash investments	**8,000**	**–**	**420,640**	–	–	
Trade receivables	**5,301**	**2,083**	**292,704**	9,738	–	486,218
Restricted cash previously under "Prepayment and other current assets" and currently under "Other noncurrent assets"	**1**	**45,066**	**302,445**	3,755	–	187,487
Advances to related parties	**–**	**15,659**	**105,072**	–	–	–
	17,256	**85,256**	**1,479,388**	29,583	290	1,478,932
Financial Liabilities:						
Trade and other payables	**2,878**	**2,810**	**170,180**	6,619	39	330,736
Bank loans	**15,000**	**–**	**788,700**	15,000	–	748,950
	17,878	**2,810**	**958,880**	21,619	39	1,079,686
Net Financial Assets (Liabilities)	**(US$622)**	**HK$82,446**	**₱520,508**	US$7,964	HK$251	₱399,246

The exchange rates used for the conversion of US$1.00 to peso equivalent were ₱52.58 and ₱49.93 as at December 31, 2018 and 2017, respectively. The exchange rates used for the conversion of HK$1.00 to peso equivalent were ₱6.71 and ₱6.39 as at December 31, 2018 and 2017, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US$ and HK$ exchange rates, with all other variables held constant, of the Group's income before income tax (due to changes in revaluation of financial assets and liabilities) for the years ended December 31, 2018, 2017 and 2016.

	Foreign Currency Appreciates/ Depreciates by	Effect on Income Before Income Tax US$	Effect on Income Before Income Tax HK$
December 31, 2018	**+2**	**(₱65,410)**	**₱1,106,772**
	-2	**65,410**	**(1,106,772)**
December 31, 2017	+2	₱795,220	₱6,938
	-2	(795,220)	(6,938)
December 31, 2016	+2	₱283,503	(₱77,798)
	-2	(283,503)	77,798

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

Interest Rate Risk

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

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

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

The terms and maturity profile of the interest-bearing financial assets and liabilities as at December 31, 2018 and 2017, together with their corresponding nominal interest rate and carrying values are shown in the following table:

2018	**Nominal Interest Rate**	**Less than 6 Months**	**6 to 12 Months**	**1 to 2 Years**	**More than 2 Years**	**Total**
Cash in banks	**Various**	**₱556,727**	**₱–**	**₱–**	**₱–**	**₱556,727**
Short-term cash investments	**1.5%-6%**	**491,213**	**–**	**–**	**–**	**491,213**
Bank loans	**10.50%-14.00%; LIBOR plus 3.50%**	**–**	**98,588**	**98,588**	**591,524**	**788,700**

2017	Nominal Interest Rate	Less than 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash in banks	Various	₱885,768	₱–	₱–	₱–	₱885,768
Bank loans	10.50%-14.00%; LIBOR plus 9.00%	591	749,078	–	–	749,669

The following table sets forth, for the year indicated, the impact of a reasonably possible change in interest rate for the years ended December 31, 2018, 2017 and 2016 in the consolidated statements of comprehensive income (through the impact of floating rate borrowings):

	Increase/Decrease in Basis Points	Effect on Income Before Income Tax
December 31, 2018	**+100**	**(₱7,887)**
	-100	**7,887**
December 31, 2017	+100	(₱7,490)
	-100	7,490
December 31, 2016	+100	(₱9,944)
	-100	9,944

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

Equity Price Risk
Equity price risk is the risk to earnings or capital arising from changes in stock prices relating to the Group's quoted equity instrument in OPRGI which is traded in the PSE and previously classified as "AFS financial asset" and currently classified as "Financial asset at FVOCI" under "Other noncurrent assets".

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

The table below shows the sensitivity to a reasonably possible change in equity prices on quoted equity instrument as at December 31, 2018 and 2017. The equity impact is arrived using the reasonably possible change of the relevant market indices and the specific adjusted beta of each stock the Group holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

	Average Change in Market Indices	Sensitivity to Equity
2018	**-4.23%**	**(₱67)**
	4.23%	**67**
2017	-0.41%	(₱14)
	0.41%	14

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

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

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

	Notes	2018	2017
Cash and cash equivalents:			
Cash in banks	4	**₱556,727**	₱885,768
Short-term cash investments	4	**491,213**	–
Trade and other receivables:			
Trade receivables	5	**261,234**	463,698
Advances to contractors	5	**79,707**	79,707
Interest receivable	5	**494**	–
Advances to related parties:	30		
Stockholders		**1,812,415**	1,846,549
Affiliates with common officers, directors and stockholders		**181,203**	72,569
Associate		**91,799**	93,776
Restricted cash previously under "Prepayments and other current assets" and currently under "Other noncurrent assets"	7, 13	**301,902**	187,418
Financial asset at FVOCI previously classified as "AFS financial asset" under "Other noncurrent assets"	13	**3,964**	4,006
		₱3,780,658	₱3,633,491

Aging Analyses of Financial Assets
The aging analyses of the Group's financial assets as at December 31, 2018 and 2017 are summarized in the following tables:

2018	Neither past due nor impaired	Past due but not impaired: 90 days or less	91-120 days	More than 120 days	Impaired	Total
Cash and cash equivalents:						
Cash in banks	**₱556,727**	**₱–**	**₱–**	**₱–**	**₱–**	**₱556,727**
Short-term cash investments	**491,213**	**–**	**–**	**–**	**–**	**491,213**
Trade and other receivable:						
Trade receivables	**–**	**39,370**	**–**	**–**	**221,864**	**261,234**
Advances to contractors	**–**	**–**	**–**	**–**	**79,707**	**79,707**
Interest receivable	**494**	**–**	**–**	**–**	**–**	**494**
Advances to related parties:						
Stockholders	**1,812,415**	**–**	**–**	**–**	**–**	**1,812,415**
Affiliates with common officers, directors and stockholders	**181,203**	**–**	**–**	**–**	**–**	**181,203**
Associate	**91,799**	**–**	**–**	**–**	**–**	**91,799**
Restricted cash under "Other noncurrent assets"	**301,902**	**–**	**–**	**–**	**–**	**301,902**
Financial asset at FVOCI under "Other noncurrent assets"	**3,964**	**–**	**–**	**–**	**–**	**3,964**
Total	**₱3,439,717**	**₱39,370**	**₱–**	**₱–**	**₱301,571**	**₱3,780,658**

2017	Neither past due nor impaired	Past due but not impaired: 90 days or less	91-120 days	More than 120 days	Impaired	Total
Cash in banks	₱885,768	₱–	₱–	₱–	₱–	₱885,768
Trade and other receivables:						
Trade receivables	–	241,834	–	–	221,864	463,698
Advances to contractors	79,707	–	–	–	–	79,707
Restricted cash under "Prepayments and other current assets"	187,418	–	–	–	–	187,418
Advances to related parties:						
Stockholders	1,846,549	–	–	–	–	1,846,549
Affiliates with common officers, directors and stockholders	72,569	–	–	–	–	72,569
Associate	93,776	–	–	–	–	93,776
AFS financial asset under "Other noncurrent assets"	4,006	–	–	–	–	4,006
Total	₱3,169,793	₱241,834	₱–	₱–	₱221,864	₱3,633,491

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

Accordingly, the Group has assessed the credit quality of the following financial assets:

- Cash in banks, short-term cash investments, interest receivable and restricted cash are considered high grade since these are deposited in/or to be received from local and foreign banks.
- Trade receivables, which mainly pertain from sale of nickel ore, are assessed as high grade since the customers have good financial capacity. Trade receivables which are not foreseen to be collected have already been impaired and are classified as substandard grade.
- Advances to contractors are currently assessed as substandard grade since these have no repayment dates and these have already been impaired.
- Advances to related parties are assessed as substandard grade since these have no repayment dates.
- Financial asset at FVOCI previously classified as "AFS financial asset" under "Other noncurrent assets" is an investment that can be traded to and from companies with good financial capacity, making the investment secured and realizable. Management assessed the quality of this asset as high grade.

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

Liquidity Risk
Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.

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

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2018 and 2017 based on contractual undiscounted payments.

2018	**On Demand**	**Less than 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**1 to 2 Years**	**More than 2 Years**	**Total**
Bank loans	**₱–**	**₱–**	**₱–**	**₱98,588**	**₱98,588**	**₱591,524**	**₱788,700**
Trade and other payables:							
Trade*	**186,747**	**–**	**–**	**–**	**–**	**–**	**186,747**
Advances from customers	**79,775**	**–**	**–**	**–**	**–**	**–**	**79,775**
Accrued expenses*	**27,655**	**–**	**–**	**–**	**–**	**–**	**27,655**
Nontrade	**5,280**	**–**	**–**	**–**	**–**	**–**	**5,280**
Dividends payable	**20,260**	**–**	**–**	**–**	**–**	**–**	**20,260**
Interest payable	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Advances from related parties	**287,194**	**–**	**–**	**–**	**–**	**–**	**287,194**
Other noncurrent liabilities:							
Payable to stockholders of CNMEC	**–**	**–**	**–**	**–**	**–**	**366,463**	**366,463**
Payable to BNVI	**–**	**–**	**–**	**–**	**–**	**165,566**	**165,566**
Total	**₱606,911**	**₱–**	**₱–**	**₱98,588**	**₱98,588**	**₱1,123,553**	**₱1,927,640**

**Excluding payables to government*

2017	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Bank loans	₱–	₱434	₱185	₱749,080	₱–	₱–	₱749,699
Trade and other payables:							
Trade*	254,788	–	–	–	–	–	254,788
Accrued expenses*	21,380	–	–	–	–	–	21,380
Advances from customers	170,410	–	–	–	–	–	170,410
Nontrade	9,718	–	–	–	–	–	9,718
Dividends payable	20,287	–	–	–	–	–	20,287
Interest payable	4,520	–	–	–	–	–	4,520
Advances from related parties	327,593	–	–	–	–	–	327,593
Other noncurrent liabilities:							
Payable to stockholders of CNMEC	–	–	–	–	–	366,463	366,463
Payable to BNVI	–	–	–	–	–	165,566	165,566
Total	₱808,696	₱434	₱185	₱749,080	₱–	₱532,029	₱2,090,424

**Excluding payables to government*

The tables below summarize the maturity profile of the financial assets used by the Group to manage its liquidity risk as at Decemer 31, 2018 and 2017.

2018	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash and cash equivalents:							
Cash on hand	**₱743**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱743**
Cash in banks	**556,727**	**–**	**–**	**–**	**–**	**–**	**556,727**
Short-term cash investments	**491,213**	**–**	**–**	**–**	**–**	**–**	**491,213**
Trade and other receivables:							
Trade receivable	**261,234**	**–**	**–**	**–**	**–**	**–**	**261,234**
Advances to contractors	**79,707**	**–**	**–**	**–**	**–**	**–**	**79,707**
Interest receivable	**494**	**–**	**–**	**–**	**–**	**–**	**494**
Advances to related parties:							
Stockholders	**1,812,415**	**–**	**–**	**–**	**–**	**–**	**1,812,415**
Affiliates with common officers, directors and stockholders	**181,203**	**–**	**–**	**–**	**–**	**–**	**181,203**
Associate	**91,799**	**–**	**–**	**–**	**–**	**–**	**91,799**
Restricted cash under Other noncurrent asset”	**–**	**–**	**–**	**–**	**301,902**	**–**	**301,902**
Financial asset at FVOCI under “Other noncurrent assets”	**3,964**	**–**	**–**	**–**	**–**	**–**	**3,964**
Total	**₱3,479,499**	**₱–**	**₱–**	**₱–**	**₱301,902**	**₱–**	**₱3,781,401**

2017	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash:							
Cash on hand	₱798	₱–	₱–	₱–	₱–	₱–	₱798
Cash in banks	885,768	–	–	–	–	–	885,768
Trade receivables:							
Trade receivable	221,864	241,834	–	–	–	–	463,698
Advances to contractors	79,707	–	–	–	–	–	79,707
Restricted cash under “Prepayments and other current assets”	187,418	–	–	–	–	–	187,418
Advances to related parties:							
Stockholders	1,846,549	–	–	–	–	–	1,846,549
Affiliates with common officers, directors and stockholders	72,569	–	–	–	–	–	72,569
Associate	93,776	–	–	–	–	–	93,776
AFS financial asset under “Other noncurrent assets”	4,006	–	–	–	–	–	4,006
Total	₱3,392,455	₱241,834	₱–	₱–	₱–	₱–	₱3,634,289

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains sufficient cash balances and strong credit rating to support its business and to maximize stockholders' value.

The Group manages its capital structure and makes adjustments to it after carefully considering changes in the economic environment. To maintain or adjust the capital structure, the Group may utilize the following: (a) obtain additional stockholders' advances to augment capital, (b) issue new shares, and (c) return capital to stockholders if and when feasible. No changes were made in the objectives, policies or processes in 2018 and 2017.

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

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

33. Fair Value Measurement

The following table shows the carrying values and fair values of the Group's asset and liabilities, whose carrying values do not approximate their fair values as at December 31, 2018 and 2017:

	Carrying Values		Fair Values	
	2018	2017	**2018**	2017
Bank loans	**₱788,700**	₱749,669	**₱788,700**	₱749,683
Finance leases liabilities	**10,070**	3,137	**10,771**	3,381

Cash and cash equivalents, Trade receivables, Advances to contractors and Interest receivables under "Trade and other receivables" and Trade and other payables
The carrying amounts of cash and cash equivalents, trade receivables, advances to contractors and interest receivable under "Trade and other receivables" and trade and other payables approximate their fair values due to the short-term nature of these accounts.

Restricted cash previously under "Prepayments and other current assets" and currently under "Other noncurrent assets"
The carrying amounts approximate their fair values since these are restricted cash in banks which earn interest based on prevailing market rates repriced monthly.

Financial asset at FVOCI previously classified as AFS financial asset under "Other noncurrent assets"
The fair value of quoted equity instrument is determined by reference to the market closing quotes at the end of the reporting period.

Advances to and from related parties and Payable to previous stockholders of CNMEC and BNVI under "Other noncurrent liabilities"
Advances to and from related parties and payable to previous stockholders of CNMEC and BNVI do not have fixed repayment terms. As such, their carrying amounts approximate their fair values.

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

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

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

2018	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Asset measured at fair value:					
Financial asset at FVOCI	**₱3,964**	**₱3,964**	**₱–**	**₱–**	**₱3,964**
Liabilities for which fair values are disclosed:					
Bank loans	**₱788,700**	**₱–**	**₱–**	**₱788,700**	**₱788,700**
Finance lease liabilities	**10,070**	**–**	**–**	**10,070**	**10,070**
	₱798,770	**₱–**	**₱–**	**₱798,770**	**₱798,770**

2017	Carrying Amount	Level 1	Level 2	Level 3	Total
Asset measured at fair value:					
AFS financial asset	₱4,006	₱4,006	₱–	₱–	₱4,006
Liabilities for which fair values are disclosed:					
Bank loans	₱749,669	₱–	₱–	₱749,669	₱749,669
Finance lease liabilities	3,137	–	–	3,137	3,137
	₱752,806	₱–	₱–	₱752,806	₱752,806

There were no transfers between levels of fair value measurement as at December 31, 2018 and 2017.

34. Significant Agreements

Deed of Guarantee
On November 9, 2016, the Parent Company entered into a Deed of Guarantee with Baiyin International Investment Ltd. (BIIL) to serve as a guarantor for the loan availed by INC, a subsidiary of SPNVI, with BIIL. As guarantor, the Parent Company, irrevocably and conditionally, jointly and severally guarantees to BIIL the due and punctual payment and performance of INC in all secured obligations. Also, the Parent Company, undertakes to pay principal obligation of INC, if INC fails to pay its principal obligation and any of the secured obligations, as if it was the principal obligor.

Ore Supply Agreements

Prior to January 1, 2018

The Group has ore supply agreements with Chinese customers, each for a fixed tonnage at specific nickel grades and iron content. The fixed tonnage of ore is generally the volume expected delivery within a few months. Revenue from Chinese customers amounted to ₱5,815.6 million and ₱3,773.7 million in 2017 and 2016, respectively.

Beginning January 1, 2018

Revenue from contracts with customers is recognized when the Group satisfies an identified performance obligation by transferring the promised goods to a customer. The performance obligation is satisfied at point in time when the beneficiated nickel ore passes the rail of the vessel since all risk of loss, damage and/or destruction to the ore delivered is borne by the customer upon loading. Sales contracts indicate an incentive and deduction related to despatch and demurrage, respectively. Despatch pertains to the amount collected from the customer in respect of the time saved against the allowable loading laytime while the demurrage pertains to the amount reimbursed to the buyer in respect of the time in excess of the allowable loading laytime. Net despatch amounted to ₱24.9 million in 2018. Revenue from contracts with Chinese customers excluding the net despatch amounted to ₱5,486.6 million in 2018.

Operating Agreements

SIRC

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

On April 17, 2018, the BOD approved the renegotiation of royalty fees as agreed under the Royalty Agreement dated November 17, 2010, executed by and between CMDC and the Group, with conformity of SIRC. This resulted into an Amended Royalty Agreement, by mutual consent of both parties, containing the lower royalty base rates equivalent to 2% to 5%.

Total royalty fees incurred to CMDC amounted to ₱191.9 million, ₱296.6 million and ₱204.3 million in 2018, 2017 and 2016, respectively (see Note 24).

Service Contract - CAGA 2

On February 26, 2015 and March 7, 2014, the Group entered into a service contract agreement with JLEC and FVC, mining contractors, respectively, to operate the mining activities within CAGA 1 upon start of commercial operations and CAGA 2 in Surigao, wherein the Group will pay the contractor on a per metric ton based on the grade of the ore shipped. In 2016, the Group ended its service contract with FVC wherein previously leased assets were returned and included as part of total additions to property and equipment.

In 2016, the Group entered into service contracts with Skaff Mineworks, Inc. and MRMJ Movers Corporation, and, in 2017, with NI, Primerock Trucking Services, Cagdianao Konstruct Development, Incorporated, mining contractors, to operate the mining activities within CAGA 2 in Surigao wherein the Group will pay the contractor on a per metric ton based on the grade of the ore shipped. In 2017, the Group ended its mining contract with Skaff Mineworks, Inc. and Primerock Trucking Services. In 2018, the Group did not enter into new service contract agreements with other contractors.

Service Contract - CAGA 4

In 2016, the Group entered into service contracts with Best Trucking & Transport Phil. Inc., IPM Construction & Dev't Corporation, Landstar Earthmoving Corporation, Loufran Minerals and Dev't Corp., Anseca Dev't Corporation and CTB Engineering Construction, in 2017, with Aguilo Builders and Pazifik Ventures Trucking Services, Incorporated, and, in 2018, with Queen Minerals Transport and Trading Corporation, mining contractors, to operate the mining activities within CAGA 4 in Surigao, wherein the Group will pay the contractors on a per metric ton based on the grade of the ore shipped. In 2018, the Group ended its mining contract with Loufran Minerals and Dev't Corp.

Total contract hire incurred for both CAGAs 2 and 4 amounted to ₱1,836.7 million, ₱1,962.5 million and ₱1,548.4 million in 2018, 2017 and 2016, respectively (see Note 22).

Lease Agreements

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

Future minimum lease payments are as follows:

Category	2018	2017
Within one year	**₱5.5 million**	₱5.1 million
After one year but not more than five years	**11.1 million**	18.9 million

Rent payable reported under "Other noncurrent liabilities" amounted to ₱1.7 million and ₱1.6 million as at December 31, 2018 and 2017, respectively (see Note 19).

Total rent expense incurred amounted to ₱34.2 million, ₱35.4 million, and ₱60.3 million in 2018, 2017 and 2016, respectively (see Notes 22 and 23). Prepaid rent reported under "Prepayments and other current assets" in relation to these lease agreements amounted to ₱14.8 million and ₱14.4 million as at December 31, 2018 and 2017, respectively (see Note 7).

35. **Other Matters**

Tax Reform for Acceleration and Inclusion Act (TRAIN)
RA No.10963 or the TRAIN was signed into law on December 19, 2017 and took effect on January 1, 2018, making it the new tax law enacted as of the reporting period. Although the TRAIN changes the existing tax law and includes several provisions that will generally affect businesses on a prospective basis, management assessed that the same will not have any significant impact on the financial statement balances as of the reporting period.

Mercantile Insurance Co., Inc. (MIC)
On November 6, 2017, the Regional Trial Court of Makati ordered MIC to pay ₱183.3 million in relation to the insurance policy covering PGMC's property and equipment which were destroyed and deemed totally lost on October 3, 2011 due to an armed group which simultaneously raided and seized control of PGMC's mining complex. On December 11, 2017, PGMC and MIC filed a Motion for Partial Reconsideration and a Motion for Reconsideration, respectively. On December 18, 2017, MIC filed a Motion to Inhibit which was granted on January 11, 2018. As at March 21, 2019, the case is still pending with the Court of Appeals.

In a Resolution dated May 9, 2018, the trial court: (a) affirmed the Decision dated November 6, 2017, which ordered Mercantile to pay PGMC the amount of ₱183.3 million; (b) denied Mercantile's Motion for Reconsideration; and (c) granted PGMC's Motion for Partial Reconsideration, ordering Mercantile to pay the following additional amounts: (i) interest at 6% per annum from the date of filing of the case on 30 August 2013 until the obligation is fully paid; (ii) Php18,000,000.00 by way of attorney's fees; and (iii) Php4,470,766.05 as costs of suit. Mercantile has filed a Notice of Appeal, which was approved by the lower court. On August 8, 2018, Mercantile filed its Appellant's Brief. On October 30, 2018, PGMC filed its Appellee's Brief. On January 7, 2019, PGMC's counsel received defendant's Reply-Brief dated December 27, 2018. No further briefing exchanges are scheduled.

Tax Assessment and Case
On March 17, 2017, a Petition for Review against PGMC was filed by the Municipal Treasurer of Claver, Surigao del Norte before the Court of Tax Appeals. The petitioner sought for the reversal of the decision of the Regional Trial Court of Surigao City on February 14, 2017 declaring as void the assessed local business taxes of PGMC for the years 2014 and 2015 amounting to ₱84.0 million and ₱61.8 million, respectively. PGMC filed its comment to the said petition on May 5, 2017. The petitioner and PGMC filed their memoranda as directed by the Court of Tax Appeals on June 28, 2017 and July 5, 2017, respectively. The case was deemed submitted for resolution as at December 31, 2018.

36. Events After the End of the Reporting Period

Buyback Transactions

From January 1 to March 21, 2019, the Parent Company purchased from the market, a total of 8,305,977 common shares at the average price of ₱1.51 per share, pursuant to the approved buy-back program. The cumulative number of shares purchased from the date when the share buy-back program commenced is 683,281,454 shares with a total amount of shares repurchased of ₱1,631.7 million.

Registration with the BOI

On January 28, 2019, the BOI issued to PGMC the certification granting the renewal of its VAT zero-rated status. The certification is valid from January 1 up to December 31, 2019 unless sooner revoked by the BOI Governing Board.

37. Supplemental Disclosure to Consolidated Statements of Cash Flows

Noncash financing and investing activities as at December 31, 2018 pertain to the following:

a. Net increase in property and equipment as a result of the following transactions:

- Procurement of equipment made by NI in relation to the settlement of finance lease receivable amounting to ₱57.8 million
- Change in estimated capitalized cost of mine rehabilitation amounting to ₱24.5 million
- Purchases made on account amounting to ₱20.0 million
- Acquisition of equipment through finance lease agreement with CFSPI amounting to ₱9.7 million

b. Advances from related parties decreased due to the following transactions:

- Assignment of liabilities effected among PGMC, JLI and Sohoton Synergy Inc. (SSI), in which the liability of PGMC to JLI amounting to ₱41.3 million has been transferred to SSI as consideration of SSI's financial obligation to PGMC
- Issuance of treasury shares in relation to the special stock grant on December 28, 2018 which amounted to ₱16.5 million, resulting to a decrease in retained earnings amounting to ₱13.3 million which pertains to the difference between the fair value of the treasury shares at the date of grant and the cost of treasury shares upon reacquisition

c. Advances to related parties reduced due to the following transactions:

- Reacquisition of treasury shares distributed as property dividends amounting to ₱331.3 million to the stockholders on December 7, 2018, to partially settle the cash advances obtained by the stockholders from the Parent Company
- Reacquisition of treasury shares on November 22, 2018 representing the applicable final withholding taxes and fractional shares related to the property dividends amounting to ₱83.8 million,
- Assumption of liability by a PGMC stockholder of PGMC's obligations to its various creditors amounting to ₱39.8 million

d. Reclassification of restricted cash from "Prepayments and other current assets" to "Other noncurrent assets" amounting to ₱187.4 million

Noncash financing and investing activities as at December 31, 2017 pertain to the following:

a. Additions to property and equipment as a result of purchases on account amounting to ₱5.4 million and change in estimated capitalized cost of mine rehabilitation amounting to ₱174.2 million
b. Issuance of treasury shares in relation to the special stock grant on December 27, 2017 which amounted to ₱28.2 million, resulting to a decrease in retained earnings amounting to ₱1.8 million which pertains to the difference between the fair value of the treasury shares at the date of grant and the cost of treasury shares upon reacquisition
c. Sale of investment property to a related party amounting to ₱319.9 million which was offset against the outstanding advances from a related party

Noncash financing and investing activities as at December 31, 2016 pertain to the following:

a. Increase in property and equipment as a result of:

   - Return of property and equipment arising from finance lease termination amounting to ₱138.3 million
   - Acquisition of PIL and purchases on account amounting to ₱20.5 million and ₱0.8 million, respectively
   - Addition to property and equipment acquired through finance lease agreement with BLFI amounting to ₱3.5 million

b. The acquisition of PIL has effects on the following:

   - Increase in trade and other receivables amounting to ₱38.2 million
   - Decrease in prepayments and other current assets amounting to ₱13.6 million
   - Decrease in advances to related parties amounting to ₱16.6 million
   - Increase in amounts owed to related parties amounting to ₱22.5 million

c. Increase in interest received as a result of recognition of the remaining interest income on finance lease receivable amounting to ₱5.2 million
d. Decrease in receivable arising from termination of finance lease amounting to ₱106.8 million
e. Decrease in trade in other payables arising from the finance lease adjustments amounting ₱13.6 million, respectively
f. Accrual of interest on trade and other payable, finance lease liabilities, bank loans, retirement obligation and provision for mine rehabilitation and decommissioning amounting to ₱7.5 million, ₱1.0 million, ₱60.4 million, ₱2.2 million and ₱1.4 million, respectively
g. Reclassification of deposits for future acquisition to advances to related parties and investment in a subsidiary amounting to ₱23.1 million and ₱0.1 million, respectively
h. Increase in deposits for future acquisition due to the Deed of Assignments among the Parent Company, SPNVI and the stockholders of SPNVI, wherein SPNVI assigned its payable to BNVI and to the previous stockholders of CNMEC to the Parent Company amounting to ₱532.0 million
i. Increase in advances to related parties amounting to ₱57.1 millon and ₱0.3 millon as a result of the various Deed of Assignments among the Parent Company, PGMC, SPNVI and the stockholders of SPNVI which became part of the deposits for future acquisition, and investment in an associate, respectively

38. **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; and
- 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 mainly operates in one reportable business which include two geographical segments, Philippines and Hong Kong. Noncurrent assets of the Group comprising property and equipment, deposits for future acquisition, mine exploration costs, mining rights, finance lease receivable, and other noncurrent assets are located in the Philippines and Hong Kong.

The Group has revenues from external customers in China amounting to ₱5,486.6 million, ₱5,815.6 million and ₱3,773.7 million in 2018, 2017 and 2016, respectively.

Financial information on the operation of the various business segments for the years ended December 31, 2018, 2017 and 2016 are as follows:

	2018			
	Mining	Service	Elimination	Total
External customers	₱5,486,619	₱–	₱–	₱5,486,619
Intersegment revenues	1,136,501	95,431	(1,231,932)	–
Total revenues	6,623,120	95,431	(1,231,932)	5,486,619
Cost of sales	3,721,248	74,712	(1,139,429)	2,656,531
Excise taxes and royalties	727,535	–	–	727,535
Shipping and distribution	528,334	–	(95,431)	432,903
Segment operating earnings	1,646,003	20,719	2,928	1,669,650
General and administrative	(784,045)	(11,699)	–	(795,744)
Finance costs	(76,933)	(5)	–	(76,938)
Finance income	4,491	118	–	4,609
Other charges - net	(12,242)	–	(2,928)	(15,170)
Provision for income tax	(274,174)	(2,705)	–	(276,879)
Net income	₱503,100	₱6,428	₱–	₱509,528
Segment assets	₱19,678,856	₱365,665	(₱11,336,143)	₱8,708,378
Deferred tax assets - net	153,703	–	–	153,703
Total assets	₱19,832,559	₱365,665	(₱11,336,143)	₱8,862,081
Segment liabilities	₱3,462,316	₱1,545	(₱989,286)	₱2,474,575
Capital expenditures	₱154,749	₱895	₱–	₱155,644
Depreciation, depletion and amortization	₱403,072	₱34,663	₱–	₱437,735

	2017			
	Mining	Service	Elimination	Total
External customers	₱5,815,596	₱–	₱–	₱5,815,596
Intersegment revenues	2,340,652	89,926	(2,430,578)	–
Total revenues	8,156,248	89,926	(2,430,578)	5,815,596
Cost of sales	5,029,059	71,778	(2,332,266)	2,768,571
Excise taxes and royalties	714,206	–	–	714,206
Shipping and distribution	478,769	–	(89,926)	388,843
Segment operating earnings	1,934,214	18,148	(8,386)	1,943,976
General and administrative	(823,527)	(9,631)	–	(833,158)
Finance costs	(68,732)	(9)	–	(68,741)
Finance income	6,869	8	–	6,877
Share in net loss of an associate	(116)	–	–	(116)
Other income - net	19,983	–	8,386	28,369
Provision for income tax	(294,775)	(2,743)	–	(297,518)
Net income	₱773,916	₱5,773	₱–	₱779,689
Segment assets	₱18,757,920	₱361,180	(₱10,205,719)	₱8,913,381
Deferred tax assets - net	127,476	–	–	127,476
Total assets	₱18,885,396	₱361,180	(₱10,205,719)	₱9,040,857
Segment liabilities	₱2,980,047	₱3,488	(₱346,982)	₱2,636,553
Capital expenditures	₱106,631	₱16,553	₱–	₱123,184
Depreciation, depletion and amortization	₱410,693	₱33,674	₱–	₱444,367

	2016			
	Mining	Service	Elimination	Total
External customers	₱3,773,669	₱–	₱–	₱3,773,669
Intersegment revenues	532,895	95,489	(628,384)	–
Total revenues	4,306,564	95,489	(628,384)	3,773,669
Cost of sales	2,850,352	71,938	(614,070)	2,308,220
Excise taxes and royalties	503,275	–	–	503,275
Shipping and distribution	385,424	–	(95,019)	290,405
Segment operating earnings	567,513	23,551	80,705	671,769
General and administrative	(451,797)	(9,117)	–	(460,914)
Finance costs	(67,696)	–	–	(67,696)
Finance income	6,496	9	–	6,505
Share in net loss of an associate	(184)	–	–	(184)
Other income (charges) - net	55,709	449	(88,531)	(32,373)
Provision for income tax	(75,184)	(4,429)	–	(79,613)
Net income	₱34,857	₱10,463	(₱7,826)	₱37,494
Segment assets	₱21,572,812	₱353,812	(₱12,558,240)	₱9,368,384
Deferred tax assets - net	52,265	–	6,045	58,310
Total assets	₱21,625,077	₱353,812	(₱12,552,195)	₱9,426,694
Segment liabilities	₱7,147,046	₱1,894	(₱4,268,805)	₱2,880,135
Capital expenditures	₱35,990	₱146	₱–	₱36,136
Depreciation, depletion and amortization	₱355,272	₱32,836	₱–	₱388,108

SGV
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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Global Ferronickel Holdings, Inc. and Subsidiaries (the Group) as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, included in this Form 17-A, and have issued our report thereon dated March 21, 2019. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, as Amended (2011), and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-AR-2 (Group A),
February 28, 2019, valid until February 27, 2022
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 7332561, January 3, 2019, Makati City

March 21, 2019

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ANNUAL AUDITED FINANCIAL REPORT
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SUPPLEMENTARY SCHEDULES

SCHEDULE I
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
PURSUANT TO SRC RULE 68, AS AMENDED AND SEC MEMORANDUM CIRCULAR NO. 11
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands)

Unappropriated Retained Earnings, beginning		**₱5,261,422**
Share in net loss from investment in an associate		116
Adjustment of Retained Earnings due to stock grant		1,770
Treasury shares		(954,090)
Unappropriated Retained Earnings, as adjusted, beginning		**4,309,218**
Add: Net income during the period closed to retained earnings	(64,483)	
Less: Non-actual/unrealized income net of tax		
Recognized DTA	–	
Unrealized actuarial gain	–	
Unrealized foreign exchange loss - net except attributable to cash	–	
Fair value adjustment of investment property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP - gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	22,817	
Subtotal	22,817	
Add: Non-actual losses		
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	–	
Recognized DTA	–	
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP-loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Share in net loss from investment in an associate	–	
Subtotal	–	
Net Income Actual/Realized		(41,666)
Add (Less):		
Dividend declarations during the period	(850,434)	
Appropriations of retained earnings	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	(162,249)	(1,012,683)
Unappropriated Retained Earnings, as adjusted, ending		₱3,254,869

SCHEDULE II
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
TABULAR SCHEDULE OF EFFECTIVE STANDARDS
AND INTERPRETATIONS UNDER THE PFRS
PURSUANT TO SRC RULE 68, AS AMENDED
AS AT DECEMBER 31, 2018

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] issued and effective for December 31, 2018 period-end:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	*First-time Adoption of Philippine Financial Reporting Standards*			✓
PFRS 2	*Share-based Payment*	✓		
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	*Business Combinations*			✓
PFRS 4	*Insurance Contracts*			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*			✓
PFRS 6	*Exploration for and Evaluation of Mineral Resources*	✓		
PFRS 7	*Financial Instruments: Disclosures*	✓		
PFRS 8	*Operating Segments*	✓		
PFRS 9	*Financial Instruments*	✓		
PFRS 10	*Consolidated Financial Statements*	✓		
PFRS 11	*Joint Arrangements*			✓
PFRS 12	*Disclosure of Interests in Other Entities*	✓		
PFRS 13	*Fair Value Measurement*	✓		
PFRS 14	*Regulatory Deferral Accounts*			✓
PFRS 15	*Revenue from Contracts with Customers*	✓		
Philippine Accounting Standards				
PAS 1	*Presentation of Financial Statements*	✓		
PAS 2	*Inventories*	✓		
PAS 7	*Statement of Cash Flows*	✓		
PAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 10	*Events after the Reporting Period*	✓		
PAS 12	*Income Taxes*	✓		
PAS 16	*Property, Plant and Equipment*	✓		
PAS 17	*Leases*	✓		
PAS 19	*Employee Benefits*	✓		
PAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*			✓
PAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓		
PAS 23	*Borrowing Costs*			✓
PAS 24	*Related Party Disclosures*	✓		
PAS 26	*Accounting and Reporting by Retirement Benefit Plans*	✓		
PAS 27	*Separate Financial Statements*			✓
PAS 28	*Investments in Associates and Joint Ventures*	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	*Financial Reporting in Hyperinflationary Economies*			✓
PAS 32	*Financial Instruments: Presentation*	✓		
PAS 33	*Earnings per Share*	✓		
PAS 34	*Interim Financial Reporting*			✓
PAS 36	*Impairment of Assets*	✓		
PAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	✓		
PAS 38	*Intangible Assets*	✓		
PAS 39	*Financial Instruments: Recognition and Measurement*	✓		
PAS 40	*Investment Property*	✓		
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	*Agriculture*			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-2	*Members' Shares in Co-operative Entities and Similar Instruments*			✓
Philippine Interpretation IFRIC-4	*Determining whether an Arrangement contains a Lease*	✓		
Philippine Interpretation IFRIC-5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	✓		
Philippine Interpretation IFRIC-6	*Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment*			✓
Philippine Interpretation IFRIC-7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
Philippine Interpretation IFRIC-10	*Interim Financial Reporting and Impairment*			✓
Philippine Interpretation IFRIC-12	*Service Concession Arrangements*			✓
Philippine Interpretation IFRIC-14	*PAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*			✓
Philippine Interpretation IFRIC-16	*Hedges of a Net Investment in a Foreign Operation*			✓
Philippine Interpretation IFRIC-17	*Distributions of Non-cash Assets to Owners*	✓		
Philippine Interpretation IFRIC-19	*Extinguishing Financial Liabilities with Equity Instruments*			✓
Philippine Interpretation IFRIC-20	*Stripping Costs in the Production Phase of a Surface Mine*			✓
Philippine Interpretation IFRIC-21	*Levies*			✓
Philippine Interpretation IFRIC-22	*Foreign Currency Transactions and Advance Consideration*	✓		
Philippine Interpretation SIC-7	*Introduction of the Euro*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-10	*Government Assistance-No Specific Relation to Operating Activities*			✓
Philippine Interpretation SIC-15	*Operating Leases-Incentives*			✓
Philippine Interpretation SIC-25	*Income Taxes-Changes in the Tax Status of an Entity or its Shareholders*			✓
Philippine Interpretation SIC-27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*			✓
Philippine Interpretation SIC-29	*Service Concession Arrangements: Disclosures*			✓
Philippine Interpretation SIC-32	*Intangible Assets-Web Site Costs*			✓

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

SCHEDULE III
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
AS AT DECEMBER 31, 2018
(Amounts in Thousands; Except Number of Shares)

Schedule A. Financial Assets

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Income Received and Accrued
Cash on hand and in banks	N/A	₱557,470	₱2,195
Short-term cash investments	N/A	491,213	735
Trade and other receivables:			
Trade receivables	N/A	261,234	–
Interest receivable	N/A	494	–
Advances to contractors	N/A	79,707	–
Restricted cash under "Other noncurrent assets"	N/A	301,902	50
Financial asset at FVOCI under "Other noncurrent assets"	4,216,100 shares	3,964	–
Advances to related parties	N/A	2,085,417	–
		₱3,781,401	₱2,980

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected/ assigned	Amounts written-off/ reclassed	Current	Not current	Balance at end of period
Various stockholders	₱1,846,549	₱382,296	₱416,430	₱–	₱1,812,415	₱–	₱1,812,415
Southeast Palawan Nickel Ventures, Inc.	93,776	–	1,977	–	91,799	–	91,799
Swift Glory Int'l Holdings, Inc.	70,118	–	–	–	70,118	–	70,118
Ipilan Nickel Corporation	2,443	12,644	15,052	–	35	–	35
Celestial Nickel Mining Exploration Corporation	7	–	7	–	–	–	–
Ferrochrome Resources, Inc.	1	2	–	–	3		3
GHGC Holdings Ltd.	–	104,893	–	–	104,893	–	104,893
Bravo Cement, Inc.	–	5,549	–	–	5,549	–	5,549
Sohoton Eco-tourism Development, Inc.	–	599	–	–	599	–	599
Cagdianao Lateritic Nickel Mining, Inc.	–	6	–	–	6	–	6
	₱2,012,894	₱505,989	₱433,466	₱–	₱2,085,417	₱–	₱2,085,417

Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts reclassed	Current	Not current	Amount eliminated
Platinum Group Metals Corporation	₱–	₱799,362	₱59,663	₱–	₱739,699	₱–	₱739,699
PGMC-CNEP Shipping Services Corp.	114,692	104,503	154,498	–	64,697	–	64,697
Surigao Integrated Resources Corporation	3,719	–	399	–	3,320	–	3,320
PGMC International Limited	21,737	1,406,268	1,409,133	–	18,872	–	18,872
	₱140,148	₱2,310,133	₱1,623,693	₱–	₱826,588	₱–	₱826,588

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Mining rights	₱220,209	₱–	₱38,802	₱–	₱–	₱181,407

Schedule E. Long-Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown as Current	Amount shown as Noncurrent
Taiwan Cooperative Bank	₱–	₱98,588	₱690,112

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Beginning balance	Ending balance

Not Applicable

Schedule G. Guarantees of Securities of Other Issuers

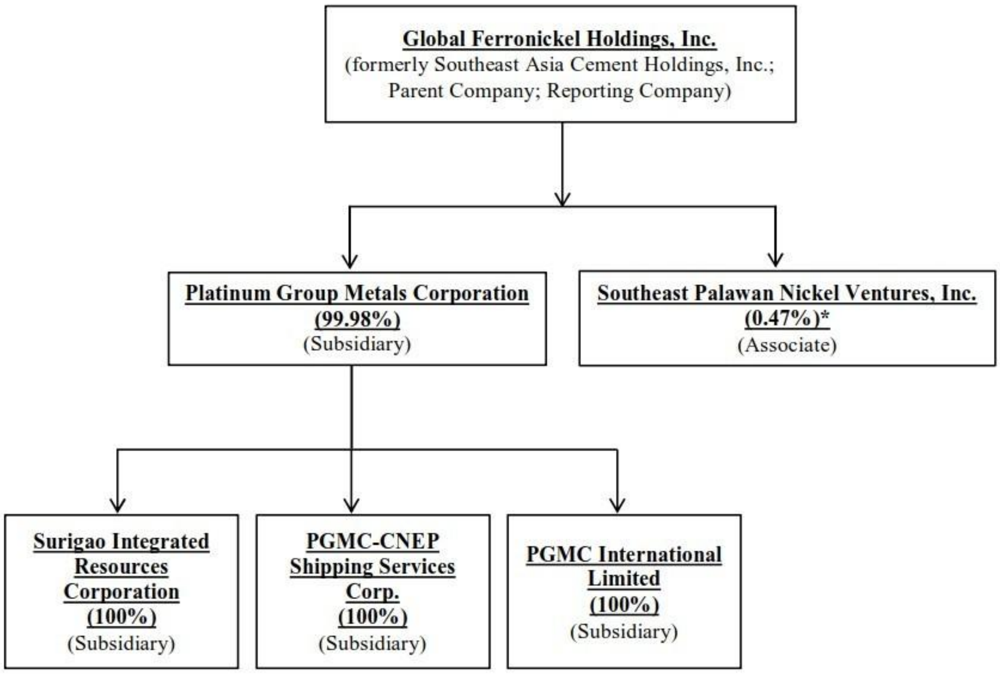
Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by a person for which statement is filed	Nature of guarantee

Not Applicable

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for options, warrants, conversion and other rights	No of shares held by Affiliates	Directors and Officers	Others
Common shares	11,957,161,906	5,524,965,766	–	–	148,931,967	5,376,033,799

SCHEDULE IV
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES
WITHIN THE GROUP
PURSUANT TO SRC RULE 68, AS AMENDED
AS AT DECEFMBER 31, 2018



*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.

SCHEDULE V
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS
PURSUANT TO SRC RULE 68, AS AMENDED
FOR THE YEAR ENDED DECEMBER 31, 2018

	Years Ended December 31		
	2018	2017	2016
Profitability ratios:			
Return on assets	**5.69%**	8.44%	0.41%
Return on equity	**7.97%**	12.04%	0.57%
Net profit margin	**9.29%**	13.41%	0.99%
Solvency and liquidity ratios:			
Current ratio	**3.61:1**	2.12:1	1.63:1
Debt to equity ratio	**0.39:1**	0.41:1	0.44:1
Quick ratio	**3.31:1**	1.84:1	1.39:1
Asset to equity ratio	**1.39:1**	1.41:1	1.44:1

A	S	0	9	4	0	3	9	9	2		

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

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended - **MARCH 31, 2019**

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 Centre, 151 Paseo de Roxas corner Arnaiz Street, 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	6,072,357,151
Amount of Debt Outstanding	Not applicable

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

    Yes [X] 6,072,357,151 Common Shares No [ ]

12. Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [X] No [ ]

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

    Yes [X] No [ ]

Global Ferronickel Holdings, Inc.

17-Q QUARTERLY REPORT
MARCH 31, 2019

Table of Contents **Page Number**

PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

The Unaudited Interim Consolidated Financial Statements as at March 31, 2019 and for the three-month period ended March 31, 2019 and 2018 (with Comparative Audited Consolidated Statement of Financial Position as at December 31, 2018) are hereto attached.

The following tables set forth the summary financial information for the three-month period ended March 31, 2019 and 2018 and as at March 31, 2019 and December 31, 2018:

1.a. Summary Consolidated Statements of Financial Position

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)	Increase/ (Decrease)	Percent Inc. (Dec.)
	(In Thousand Pesos)			
ASSETS				
Current Assets	3,122,424	3,474,416	(351,992)	-10.1%
Noncurrent Assets	5,401,250	5,387,665	13,585	0.3%
TOTAL ASSETS	8,523,674	8,862,081	(338,407)	-3.8%
LIABILITIES AND EQUITY				
Current Liabilities	775,151	961,271	(186,120)	-19.4%
Noncurrent Liabilities	1,513,432	1,513,304	128	0.0%
Total Liabilities	2,288,583	2,474,575	(185,992)	-7.5%
Equity				
Attributable to Equity Holders				
of the Parent Company	6,235,091	6,387,506	(152,415)	-2.4%
TOTAL LIABILITIES AND EQUITY	8,523,674	8,862,081	(338,407)	-3.8%

1.b. Summary Consolidated Statements of Comprehensive Income

	For the Quarter Ended March 31		Increase	Percent
	2019	2018	(Decrease)	Inc. (Dec.)
	(In Thousand Pesos)			
Revenues	63,337	-	63,337	100.0%
Cost and Expenses	(232,159)	(176,677)	(55,482)	31.4%
Finance Costs	(18,316)	(16,625)	(1,691)	10.2%
Other Income (Charges) - net	2,858	(17,791)	20,649	-116.1%
Loss Before Income Tax	(184,280)	(211,093)	26,813	-12.7%
Benefit from Income Tax - net	(48,567)	(46,327)	(2,240)	4.8%
Net Loss	**(135,713)**	**(164,766)**	29,053	-17.6%
Other Comprehensive Income	342	11,357	(11,015)	-97.0%
Total Comprehensive Loss	**(135,371)**	**(153,409)**	18,038	-11.8%
Basic and Diluted Income Per Share	(0.0246)	(0.0302)	0.0056	-18.7%

1.c. Summary Consolidated Statements of Changes in Equity

	For the Quarter Ended March 31		For the Year Ended December 31
	2019	2018	2018
	(In Thousand Pesos)		
Capital Stock	6,375,975	6,113,475	6,375,975
Additional Paid-in Capital	239,012	-	239,012
Fair Value Reserve of Financial Asset at Fair Value through Other Comprehensive Income	(5,017)	-	(4,891)
Valuation Loss on Available-for-sale Financial Asset	-	(464)	-
Remeasurement Gain on Retirement Obligation	2,824	12,561	2,824
Cumulative Translation Adjustment	13,159	6,606	12,691
Retained Earnings	742,522	1,072,807	878,235
Treasury Shares - at cost	(1,133,384)	(1,034,274)	(1,116,340)
Total Equity	**6,235,091**	**6,170,711**	**6,387,506**

1.d. Summary Consolidated Statements of Cash Flows

	For the Quarter Ended March 31	
	2019	2018
	(In Thousand Pesos)	
NET CASH FLOWS FROM (USED IN):		
Operating Activities	(441,024)	(222,451)
Investing Activities	(103,161)	(74,685)
Financing Activities	(18,553)	(80,968)
NET DECREASE IN CASH	(562,738)	(378,104)
Effect of Exchange Rate Changes on Cash	3,193	21,984
CASH AT BEGINNING OF PERIOD	1,048,683	886,566
CASH AT END OF PERIOD	**489,138**	**530,446**

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 March 31, 2019 and December 31, 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the periods ended March 31, 2019 and 2018 were prepared in accordance with generally accepted accounting principles in the Philippines. All significant inter-company balances and transactions have been eliminated in the consolidated financial statements.

The accounting principles followed in the preparation of the Group's most recent annual consolidated financial statements were similarly applied in the preparation of the interim consolidated financial statements. There were no significant changes in the Group's accounting policies, practices and methods of estimates from the Group's last annual consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Statement of Financial Condition

As at March 31, 2019, total assets of the Group stood at ₱8,523.7 million, a decrease of ₱338.4 million or 3.8%, from ₱8,862.1 million as at December 31, 2018. The decrease was due to the net effect of the decrease in current assets by ₱352.0 million or 10.1% and increase in noncurrent assets by ₱13.6 million or 0.3%. The decrease in current assets was mainly attributable to the decrease in cash by ₱559.5 million for the operating expenses of the Group for the first quarter. This was offset by the increase of the following: (a) inventories by ₱78.4 million attributable to the production costs incurred in the first quarter in preparation for the 2019 mining season; (b) advances to related parties by ₱72.0 million; (c) trade and other receivables by ₱42.4 million due to the first shipment completed by the Group in the first quarter; and (d) prepayments and other current assets by ₱14.7 million. The net increase in noncurrent assets was mainly due to the following: (a) increase in net deferred tax assets by ₱48.4 million mainly attributable to the net loss carryover (NOLCO) for the first quarter; (b) net increase in property and equipment by ₱37.6 million due to the acquisitions during the period amounted to ₱28.3 million, increase in mining properties amounted to ₱75.0 million (with a corresponding decrease in the mine exploration costs as a result of the reclassification pertaining to the development of CAGA 3); and depreciation and depletion during the period amounted to ₱65.8 million.

Total liabilities of the Group stood at ₱2,288.6 million as at March 31, 2019, a decrease of ₱186.0 million or 7.5%, from ₱2,474.6 million as at December 31, 2018. The decrease was mainly due to the decrease in trade and other payables by ₱184.3 million from ₱405.4 million to ₱221.1 million as a result of settlement of obligations with the suppliers/contractors during the first quarter.

Results of Operations

The Group's operational Surigao mine performs nickel ore production and shipment during the dry months of each year between April to October, and hence the net loss of ₱135.7 million for the quarter ended March 31, 2019 mainly represents the recurring general and administrative expenses of the Group.

Sale of Ore

The Group completed its first shipment in March as a result of early mine preparation and better weather conditions compared to the first quarter of 2018. The Group's first shipment sold to Chinese customer consists of 0.056 million wet metric ton (WMT) medium grade at an average realized price of United States Dollar (US$)21.70/WMT. In the first quarter of 2018, there was no reported gross profit because there was no shipment.

During the first quarter of 2019, Platinum Group Metals Corporation (PGMC), a subsidiary, has signed a supply contract with Baosteel Resources International Co., Ltd. (Baosteel) for the delivery of 1.0 million WMT. The contract covers low-grade nickel with high iron (Ni = 0.9%; Fe = 49%) and medium-grade nickel with low iron (1.5% = Ni = 1.8%; 15% = Fe = 25%) at prevailing market prices. This volume is approximately 20% of PGMC's annual nickel ore shipment. PGMC has been supplying Baosteel with nickel ore since 2014. Target shipment for 2019 amounted to 5.7 million WMT subject to weather conditions and prevailing market prices.

Cost of Sales and Excise Taxes and Royalties

Cost of sales and excise taxes and royalties for the period ended March 31, 2019 amounted to ₱49.0 million and ₱7.8 million, respectively, represent the contract hire fee and allocated cost, and corresponding excise taxes and royalties for the Group's first shipment in March.

General and Administrative

General and administrative expenses were ₱173.3 million in the first three months of 2019 compared to ₱173.8 million in the first quarter of 2018, a decrease of ₱0.5 million, or 0.3%. The decrease was mainly due to the following: (a) Personnel costs decreased by ₱10.0 million attributable to the bonus given to employees in the first quarter of 2018 in relation to its 2017 performance, salary adjustments to eligible employees and minimum salary wage increase effective February 14, 2018 compared to none during the current period; and (b) Depreciation decreased by ₱1.1 million (from ₱15.3 million in 2018 to ₱14.2 million in 2019). This was offset by the increase in marketing and entertainment, and taxes and licenses amounted to ₱9.2 million and ₱3.8 million, respectively.

Other Income (Charges) - net
Net other income amounted to ₱0.2 million in the first three months of 2019 compared to net other charges of (₱18.1 million) in the first three months of 2018, a decrease of ₱18.3 million, or 101.1%. The difference pertains mainly to unrealized foreign exchange gain during the period as a result of rebooking of US$ denominated loan and payables at conversion rate of ₱52.50/USD1 as of March 31, 2019 as against ₱52.16/USD1 as of March 31, 2018.

Total Comprehensive Income – net of tax

Cumulative Translation Adjustment
The Group had recognized cumulative translation adjustment amounting to ₱0.5 million and ₱11.4 million for the periods ended March 31, 2019 and 2018, 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.

Statement of Cash Flows

The net cash flows used in operating activities resulted to ₱441.0 million for the first quarter ended March 31, 2019 compared to cash flows from operating activities of ₱222.4 million of the same period last year. Basically, the increase in trade and other receivables pertain to the first shipment completed by the Group during the quarter. In addition, inventories increased as at March 31, 2019 was due to the cost incurred related to operations in preparation for the 2019 mining season. Moreover, prepayments and other current assets increased due to advanced payments of taxes and licenses related to the April 2019 shipments that will be realized within the second quarter. On the other hand, trade and other payables decreased due to settlement of obligations during the first quarter. Net cash flows used in investing activities for the three months ended March 31, 2019 and 2018 amounted to ₱103.2 million and ₱74.7 million, respectively. For the three months ended March 31, 2019 and 2018, the net cash flows used in financing activities amounted to ₱18.6 million and ₱81.0 million, respectively.

Material Off-balance Sheet Transactions

The Group is not aware of any material off-balance sheet transaction, arrangement, obligation (including contingent obligation), and other relationship of the Group with unconsolidated entities or other persons created during the reported period other than those discussed in this report and in disclosures under Form 17-C.

Material Commitments for Capital Expenditures

The Group does not have any outstanding commitment for capital expenditures as at March 31, 2019.

Known Trends, Events and Uncertainties

In support of the Group's initiative to grow and diversify the business, the Company will invest in new subsidiaries namely FNI Steel Corporation and FNI Steel Landholdings Corporation. Other than this, 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 March 31, 2019 and 2018:

Indicators	Formula	2019	2018
Earnings (Loss) Per Share	Profit for the Period/Weighted Average Number of Shares Outstanding	(0.0246)	(0.0302)
Debt-to-Equity Ratio	Total Liabilities/Total Equity	0.37:1	0.39:1
Asset-to-Equity Ratio	Total Assets/Total Equity	1.37:1	1.39:1
Current Ratio	Current Assets/Current Liabilities	4.03:1	2.02:1

PART III - OTHER INFORMATION

The disclosures made under Form 17-C are as follows:

Date	Description
January 17, 2019	Press Release on annual target of 5.7mn tonnes of nickel ore shipment for 2019 and on signing of purchase contract with Baosteel Resources International Co., Ltd.
January 31, 2019	Disbursement of Proceeds and Progress Report on follow-on offering
March 13, 2019	Board approval on setting date of annual stockholders' meeting on June 26, 2019 and record date of May 30, 2019
March 22, 2019	Press Release on FNI's operating results for 2018
March 28, 2019	Board approval on partnership with Huarong Asia Limited to build a Rebar Steel Rolling Plant and to incorporate FNI Steel Corporation and FNI Steel Landholdings Corporation;FNI will have a 51% share of FNI Steel Corporation and 60% share of FNI Steel Landholdings Corporation.
March 29, 2019	Receipt of the order of dismissal of NPS No IV-08-INV-18J-0559 and the DOJ resolution re: NPS No. XVI-INV-13E-00173

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: May 15, 2019

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

Date: May 14, 2019

Annex A

Aging of Trade and Other Receivables
As at March 31, 2019
(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	3,938	-	-	-	305,871	309,809
Advances to Contractors	-	-	-	-	79,707	79,707
Advances to Officers, Employees and Others	8,202	-	-	-	-	8,202
Interest receivable	49	-	-	-	-	49
Total	**12,189**	-	-	-	**385,578**	**397,767**
Less: Allowance for Doubtful Accounts						305,871
NET RECEIVABES						**91,896**

GLOBAL FERRONICKEL HOLDINGS, INC.
SEC FORM 17-Q
INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱489,138**	₱1,048,683
Trade and other receivables (Note 5)	**91,896**	49,479
Advances to related parties (Note 25)	**2,157,464**	2,085,417
Inventories - at cost (Note 6)	**347,039**	268,687
Prepayments and other current assets (Note 7)	**36,887**	22,150
Total Current Assets	**3,122,424**	3,474,416
Noncurrent Assets		
Property and equipment (Note 8)	**1,774,127**	1,736,567
Deposits for future acquisition (Note 25)	**2,217,354**	2,217,354
Mining rights (Note 9)	**180,669**	181,407
Mine exploration costs (Note 10)	**167,145**	242,163
Deferred tax assets - net (Note 26)	**202,069**	153,703
Other noncurrent assets (Note 11)	**859,886**	856,471
Total Noncurrent Assets	**5,401,250**	5,387,665
TOTAL ASSETS	**₱8,523,674**	₱8,862,081
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	**₱221,104**	₱405,437
Current portion of bank loans (Note 13)	**98,438**	98,588
Advances from related parties (Note 25)	**287,420**	287,194
Current portion of finance lease liabilities (Note 17)	**5,239**	5,777
Income tax payable	**162,950**	164,275
Total Current Liabilities	**775,151**	961,271
Noncurrent Liabilities		
Bank loans - net of current portion (Note 13)	**689,062**	690,112
Provision for mine rehabilitation and decommissioning (Note 14)	**238,578**	234,496
Retirement obligation (Note 15)	**49,112**	50,711
Finance lease liabilities - net of current portion (Note 17)	**3,096**	4,293
Other noncurrent liabilities (Note 16)	**533,584**	533,692
Total Noncurrent Liabilities	**1,513,432**	1,513,304
Total Liabilities	**2,288,583**	2,474,575
Equity		
Capital stock (Note 18)	**6,375,975**	6,375,975
Additional paid-in capital	**239,012**	239,012
Remeasurement gain on retirement obligation	**2,824**	2,824
Cumulative translation adjustment	**13,159**	12,691
Fair value reserve of financial asset at fair value through other comprehensive income (Note 11)	**(5,017)**	(4,891)
Retained earnings	**742,522**	878,235
Treasury shares (Note 18)	**(1,133,384)**	(1,116,340)
Total Equity	**6,235,091**	6,387,506
TOTAL LIABILITIES AND EQUITY	**₱8,523,674**	₱8,862,081

See accompanying Notes to Unaudited Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2019 AND 2018
(Amounts in Thousands, Except Earnings per Share)

	2019	2018
	(Unaudited)	
SALE OF ORE	₱63,337	₱–
COST OF SALES (Note 20)	49,041	–
GROSS PROFIT	14,296	–
OPERATING EXPENSES		
Excise taxes and royalties	7,787	30
General and administrative (Note 21)	173,303	173,768
Shipping and distribution (Note 22)	2,028	2,879
	183,118	176,677
FINANCE COSTS (Note 24)	(18,316)	(16,625)
FINANCE INCOME	2,671	352
OTHER INCOME (CHARGES) - net	187	(18,143)
LOSS BEFORE INCOME TAX	(184,280)	(211,093)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)		
Current	–	164
Deferred	(48,567)	(46,491)
	(48,567)	(46,327)
NET LOSS	(135,713)	(164,766)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may be reclassified to profit or loss in subsequent periods:		
Currency translation adjustment	669	16,224
Income tax effect	(201)	(4,867)
	468	11,357
Items that will not be reclassified to profit or loss in subsequent periods:		
Fair value reserve of financial asset at fair value through other comprehensive income (Note 11)	(126)	–
TOTAL COMPREHENSIVE LOSS	₱135,371	₱153,409
Basic/Diluted Earnings (Loss) per Share (Note 19)	(₱0.0246)	(₱0.0302)

See accompanying Notes to Unaudited Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2019 AND 2018
(Amounts in Thousands)

	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Treasury Shares (Note 18)	Fair Value Reserve of Financial Asset at Fair Value through Other Comprehensive Income (Note 11)	Remeasurement Gain on Retirement Obligation	Cumulative Translation Adjustment	Retained Earnings	Total Equity
Balances at December 31, 2018 (Audited)	₱ 6,375,975	₱ 239,012	₱ (1,116,340)	₱ (4,891)	₱ 2,824	₱ 12,691	₱ 878,235	₱ 6,387,506
Net income for the period	-	-	-	-	-	-	(135,713)	(135,713)
Other comprehensive income - net of tax	-	-	-	(126)	-	468	-	342
Total comprehensive income - net of tax	-	-	-	(126)	-	468	(135,713)	(135,371)
Purchase of treasury shares	-	-	(17,044)	-	-	-	-	(17,044)
Balances at March 31, 2019 (Unaudited)	₱ 6,375,975	₱ 239,012	₱ (1,133,384)	₱ (5,017)	₱ 2,824	₱ 13,159	₱ 742,522	₱ 6,235,091
Balances at December 31, 2017 (Audited)	₱ 6,113,475	₱ -	₱ (954,090)	₱ (464)	₱ 12,561	₱ (4,751)	₱ 1,237,573	₱ 6,404,304
Net income for the period	-	-	-	-	-	-	(164,766)	(164,766)
Other comprehensive income (loss) - net of tax	-	-	-	-	-	11,357		11,357
Total comprehensive income (loss) - net of tax	-	-	-	-	-	11,357	(164,766)	(153,409)
Purchase of treasury shares	-	-	(80,184)	-	-	-	-	(80,184)
Balances at March 31, 2018 (Unaudited)	₱ 6,113,475	₱ -	₱ (1,034,274)	₱ (464)	₱ 12,561	₱ 6,606	₱ 1,072,807	₱ 6,170,711

See accompanying Notes to Unaudited Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2019 AND 2018
(Amounts in Thousands)

	2019	2018
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱184,280)**	(₱211,093)
Adjustments for:		
Depreciation, depletion and amortization	**34,474**	15,277
Interest expense (Note 24)	**14,134**	13,178
Unrealized foreign exchange losses (gains) - net	**(5,797)**	23,278
Accretion interest on provision for mine rehabilitation and decommissioning (Note 24)	**4,082**	3,202
Interest income	**(2,671)**	(352)
Retirement benefits costs (Note 15)	**848**	2,707
Levelization of rental expense	**(108)**	24
Operating loss before changes in working capital	**(139,318)**	(153,779)
Decrease (increase) in:		
Trade and other receivables	**(42,368)**	261,028
Inventories - at cost	**(44,676)**	(32,050)
Prepayments and other current assets	**(14,737)**	(12,475)
Decrease in trade and other payables	**(184,333)**	(277,510)
Net cash used in operations	**(425,432)**	(214,786)
Interest paid	**(12,487)**	(8,017)
Contributions (Note 15)	**(5,727)**	–
Interest received	**2,622**	352
Net cash flows used in operating activities	**(441,024)**	(222,451)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment	**(28,327)**	(7,695)
Mine exploration costs	**–**	(7,142)
Decrease (increase) in:		
Advances to related parties	**(72,047)**	(3,970)
Other noncurrent assets	**(2,787)**	(55,878)
Cash flows used in investing activities	**(103,161)**	(74,685)
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of treasury shares (Note 18)	**(17,044)**	(80,184)
Payments of bank loans	**–**	(589)
Increase (decrease) in:		
Finance lease liabilities	**(1,735)**	(442)
Advances from related parties	**226**	247
Net cash flows used in financing activities	**(18,553)**	(80,968)
NET DECREASE IN CASH	**(562,738)**	(378,104)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**3,193**	21,984
CASH AT BEGINNING OF PERIOD	**1,048,683**	886,566
CASH AT END OF PERIOD	**₱489,138**	₱530,446

See accompanying Notes to Unaudited Consolidated Financial Statements.

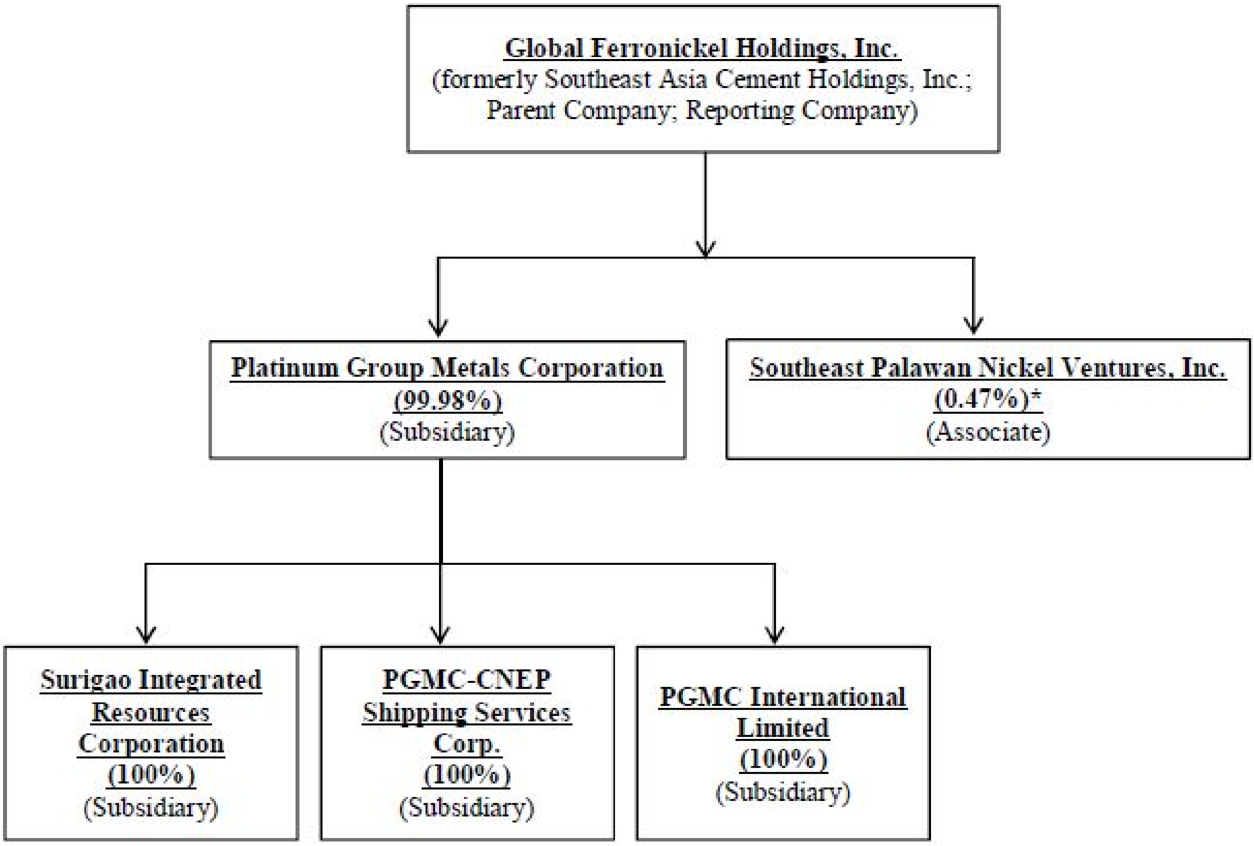
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Global Ferronickel Holdings, Inc. (formerly Southeast Asia Cement Holdings, Inc.; GFHI; Parent Company') 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 Centre, 151 Paseo De Roxas, corner Arnaiz Street, 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 March 31, 2019 are as follows:

List of Top 20 Stockholders

Name	Citizenship	Holdings	Percentage
PCD NOMINEE CORP. - FILIPINO	Filipino	2,952,968,022	53.56%
HUATAI INVESTMENT PTY. LTD	Australian	1,015,404,734	18.42%
PCD NOMINEE CORP. - NON-FILIPINO	Foreign	856,382,627	15.53%
REGULUS BEST NICKEL HOLDINGS INC.	Filipino	523,154,668	09.49%
BLUE EAGLE ELITE VENTURE INC.	Filipino	348,769,779	06.33%
SOHOTON SYNERGY, INC.	Filipino	233,156,767	04.23%
RED LION FORTUNE GROUP INC.	Filipino	348,769,779	01.04%
JOSEPH C. SY	Filipino	5,000,000	00.09%
DANTE R BRAVO	Filipino	3,261,053	00.06%
ORION-SQUIRE CAPITAL, INC. A/C-0459	Filipino	2,283 106	00.01%
CARLO A. MATILAC	Filipino	1,733,226	00.01%
MARY BELLE D. BITUIN	Filipino	1,630,523	00.01%
SQUIRE SECURITIES, INC	Filipino	867,338	00.01%
CORSINO L. ODTOJAN	Filipino	785,860	00.01%
GEARY L. BARIAS	Filipino	785,860	00.01%
MARIO A. NEVADO	Filipino	705,852	00.01%
AMOR A. QUINTERO	Filipino	678,479	00.01%
MARILOU C. CELZO	Filipino	678,479	00.01%
EMMANUEL FELIPE E. FANG	Filipino	575,779	00.01%
HILARIO A. SALE JR.	Filipino	575,779	00.01%
GO GEORGE L.	Filipino	539,153	00.01%
KUOK PHILIPPINES PROPERTIES INC.	Filipino	463,953	00.01%
RICHARD C. GIMENEZ	Filipino	430,738	00.01%

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

The Cagdianao Mine produces and exports nickel ores from April to October of each year, typically the dry and minimal sea swell season at the mine site. During the rainy season, mining operations in the mine site are suspended and there are no loading of ore onto ships. This seasonality results in quarter-to-quarter volatility in the operating results with more revenue being earned and more expenses being incurred during 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 the Board of Investment (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 28, 2019, 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, 2019 unless sooner revoked by the BOI Governing Board.

SURIGAO INTEGRATED RESOURCES CORPORATION (SIRC)

SIRC is a wholly-owned subsidiary of the Parent Company through PGMC and was 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. The said MPSA was last renewed on June 21, 2016 for another 25 years from its initial term ending in 2017, or until February 14, 2042.

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. (PCSSC)
PCSSC is a wholly-owned subsidiary of the Parent Company through PGMC and was registered with the Philippine SEC on June 4, 2013. Its primary purpose is 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 tank (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)
PIL is a wholly-owned subsidiary of the Parent Company through PGMC and was incorporated on July 22, 2015 as a limited company under the Companies Ordinance of Hong Kong. Its primary purpose is to trade mineral products. It was established to facilitate relations with Chinese customers, to promote marketing, to collect accounts, to avail of offshore banking services such as loans, credit/discounting lines and other financing arrangements, and to do other services for PGMC.

PGMC, SIRC, PCSSC 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.

<u>The Associate</u>
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 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 37.50% of the common shares with voting rights and 0.47% of the total shares. 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 March 31, 2019, SPNVI directly owns 99.76% 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 the financial asset at fair value through other comprehensive income (FVOCI), 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, 2018.

Statement of Compliance

The accompanying consolidated financial statements of the Group have been prepared in compliance with PFRS. PFRS includes statements named PFRS, Philippine Accounting Standards (PAS), and Standard Interpretation Committee/ Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC, including SEC pronouncements.

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, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*
- *PFRS 16, Leases*
- *Amendments to PAS 19, Employee Benefits, Plan Amendment, Curtailment or Settlement*
- *Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures*
- *Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments*
- *Annual Improvements to PFRSs 2015-2017 Cycle*
  - *Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*
  - *Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - *Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization*

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 will 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, 2020

- Amendments to PFRS 3, *Definition of a Business*
  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  The new accounting standard is not expected to have any impact on the Group's consolidated financial statements.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, 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. 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 FRSC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes 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 PFRSs requires the Group to make judgments, 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.

Accounting 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:

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency 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 represent the economic substance of the Group's underlying transactions, events and conditions.

Assessing Existence of Significant Influence
As at March 31, 2019 and December 31, 2018, the Group assessed that it has significant influence over SPNVI and has accounted for the investment as an associate.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

4. Cash

Amount in thousands	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash on hand	₱827	₱743
Cash with banks	417,182	556,727
Short-term cash investments	71,129	491,213
	₱489,138	₱1,048,683

5. Trade and Other Receivables

Amount in thousands	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade	₱309,809	₱261,234
Advances to:		
Contractors	79,707	79,707
Officers, employees and others	8,202	13,915
Interest receivable	49	494
	397,767	355,350
Less allowance for impairment losses	305,871	305,871
	₱91,896	₱49,479

There was no provision for impairment losses for the periods ended March 31, 2019 and 2018.

6. Inventories - at cost

Amount in thousands	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Beneficiated nickel ore	₱278,282	₱202,949
Materials and supplies	68,757	65,738
	₱347,039	₱268,687

The amount of inventoriable cost charged to cost of sales in the consolidated statements of comprehensive income amounted to ₱19.8 million and nil for the three months ended March 31, 2019 and 2018, respectively.

7. Prepayments and Other Current Assets

Amount in thousands	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Prepaid taxes and licenses	₱15,039	₱1,145
Prepaid rent	11,124	14,818
Prepaid insurance	5,744	4,732
Others	8,664	5,139
	40,571	25,834
Less allowance for impairment losses	3,684	3,684
	₱36,887	₱22,150

No provision for impairment losses on other current assets was recognized in 2019 and 2018.

8. Property and Equipment

As at March 31, 2019 and December 31, 2018, property and equipment amounted to ₱1,774.1 million and ₱1,736.6 million, respectively. During the three-month period ended March 31, 2019 and 2018, the Group acquired assets with a cost of ₱28.3 million and ₱7.7 million, respectively, including construction in-progress.

Depreciation and depletion expense for the three-month period March 31, 2019 and 2018 amounted to ₱65.8 million and ₱62.7 million, respectively. As of March 31, 2019 and December 31, 2018, total accumulated depreciation and depletion amounted to ₱1,999.0 million and ₱1,933.2 million, respectively. Depreciation and depletion expenses directly attributable to production amounting to ₱32.0 million and ₱48.5 million for the three months ended March 31, 2019 and 2018, respectively, were charged to beneficial nickel ore inventory.

9. Mining Rights

Amount in thousands	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Cost	₱396,500	₱396,500
Accumulated amortization:		
Beginning balance	215,093	176,291
Amortization	738	38,802
Ending balance	215,831	215,093
Net book value	₱180,669	₱181,407

There was no provision for impairment loss on mining rights recognized for the three months period ended March 31, 2019 and 2018.

10. Mine Exploration Costs

Amount in thousands	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Beginning balance	₱242,163	₱241,729
Exploration expenditures incurred	(75,018)	434
Ending balance	₱167,145	₱242,163

The decrease in mine exploration costs pertains to the portion applicable to CAGA 3 which has moved from exploration stage to development stage in the first quarter of 2019. The same amount of ₱75.0 million is now part of the Mining Properties under "Property and equipment". The remaining mine exploration costs as of March 31, 2019 pertain to CAGAs 1, 5, 6 and 7 which are all under exploration stage.

11. Other Noncurrent Assets

Amount in thousands	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Restricted cash	₱302,698	₱301,902
Mine rehabilitation fund (MRF)	236,316	235,836
Input VAT	188,866	186,722
Advances to suppliers	143,480	143,358
Financial asset at FVOCI	3,838	3,964
Others	25,997	25,998
	901,195	897,780
Less allowance for impairment losses	41,309	41,309
	₱859,886	₱856,471

Movements in fair value of the financial asset at FVOCI are as follows:

Amount in thousands	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Beginning balance	₱3,964	₱4,006
Fair value reserve	(126)	(42)
Ending balance	₱3,838	₱3,964

Movements in the “Fair value reserve of the financial asset at FVOCI” are as follows:

Amount in thousands	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Beginning balance	₱4,891	₱464
Effect of adoption of PFRS 9	–	4,385
Fair value reserve	126	42
Ending balance	₱5,017	₱4,891

There was no dividend income earned from the quoted equity instrument for the periods ended March 31, 2019 and 2018.

12. Trade and Other Payables

Amount in thousands	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade	₱86,580	₱186,747
Accrued expenses and taxes	17,221	84,221
Advances from customers	75,411	79,755
Nontrade	21,717	34,454
Dividends payable	20,175	20,260
	₱221,104	₱405,437

Details of the accrued expenses and taxes are summarized below:

Amount in thousands	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Excise taxes and royalties payable	₱2,183	₱36,415
Business and other taxes	6,424	20,151
Provision for Social Development and Management Program (SDMP) and Indigenous Cultural Communities (ICC)	5,760	22,318
Others	2,854	5,337
	₱17,221	₱84,221

13. Bank Loans

Amount in thousands	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
TCB	₱787,500	₱788,700
Banco de Oro (BDO)	–	–
	787,500	788,700
Less current portion		
TCB	98,438	98,588
BDO	–	–
Current portion	98,438	98,588
Noncurrent portion	₱689,062	₱690,112

Movements in the carrying value of bank loans are as follows:

Amount in thousands	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Beginning balance	₱788,700	₱749,669
Availments	–	1,559,090
Payments	–	(1,495,417)
Effect of changes in foreign currency exchange rates	(1,200)	(24,642)
Ending balance	₱787,500	₱788,700

TCB

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

On May 17, 2017, the Group repaid the US$20.0 million loan extended by TCB. The Group was re-granted by TCB a one-year loan facility with a reduced amount of US$15.0 million for the same general corporate purposes, with the same terms and conditions (see Note 32).

On June 28, 2018, the Group was granted by TCB a loan facility in the aggregate principal amount not exceeding US$15.0 million for the same general corporate purposes, with the same terms and conditions.

a) Tranche A: loan facility of US$10.0 million

- Available for lump sum drawdown before December 31, 2018
- Maturity date on December 31, 2018

b) Tranche B: loan facility of US$15.0 million

- Available for drawing before May 25, 2019
- Maturity date on 36 months after the first drawdown date for payment as follows:

Months from the first drawdown date	Repayment installment from outstanding principal at the end of availability period (%)
18	12.50%
24	12.50%
30	12.50%
36	62.50%

The interest shall be payable quarterly in arrears. The interest rate for the loan is the aggregate of the reference rate plus spread of 3.50% per annum. The reference rate is the applicable London Interbank Offered Rate (LIBOR) displayed on the Bloomberg and Reuters' page for the three month yield as of approximately 11:15 am on the interest rate setting date. In the event that the LIBOR will be replaced by a new benchmark as determined by the Banker's Association of the Philippines or the Banko Sentral ng Pilipinas, the new benchmark may be adopted as the new reference rate upon mutual agreement of the parties.

The other conditions of the agreement are as follows:

a. The Group shall maintain a waterfall account with TCB wherein all amounts collected by TCB from the buyers of nickel ore shall be deposited.
b. The security by TCB shall consist of only three kinds, as follows:
   i. Accounts receivables from PGMC's customers or clients.
   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 amounting to at least 25% of the drawdown.
   iv. Guarantee issued by any individual, juridical person or any combination thereof acceptable to TCB.
c. TCB is irrevocably appointed as the collecting agent for the account receivables from the Group's export orders of nickel ore and as a collecting and advising bank for the import LC opened by the buyers of the nickel ore of the Group. The amount collected shall be deposited in the waterfall account of the Group.
d. The Group may, at its option, prepay the loan in part or in full, together with accrued interest thereon.
e. 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 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.
f. A DSRA shall be opened by the Group which shall have a deposit amounting 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.

The Group has complied with the terms of the loan as at March 31, 2019 and December 31, 2018.

BDO
The Group annually avails a US$20.0 million Export Packing Credit Line for working capital purposes. As at March 31, 2019 and December 31, 2018, the remaining balance is nil.

The Group has complied with the terms of the loan as at March 31, 2019 and December 31, 2018.

14. Provision for Mine Rehabilitation and Decommissioning

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and demolition of infrastructures, removal of residual materials and remediation of disturbed areas.

Amount in thousands	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Beginning balance	₱234,496	₱245,407
Accretion interest	4,082	14,064
Effect of change in estimate	–	(24,975)
Ending balance	₱238,578	₱234,496

15. Retirement Obligation

The GFHI Group of Companies Multiemployer Retirement Plan (the Retirement Plan) is jointly established by PGMC, PCSSC, INC and the Parent Company, and other affiliate companies that may adopt the said plan. The Retirement Plan is a non-contributory defined benefit retirement plan covering all of the Group's regular employees effective January 1, 2018.

The funding of the Retirement Plan shall be determined by the actuarial advisor and payment of the benefits thereunder shall be provided through the medium of a fund held by the Trustee Bank under the Trust Agreement.

There was no plan termination, curtailment or settlement as at March 31, 2019 and December 31, 2018.

The latest actuarial valuation report of the retirement plan is as at December 31, 2018.

As at March 31, 2019, the Group's contribution to the pension fund amounted to ₱5.7 million. The Group does not currently employ any asset-liability matching.

As at March 31, 2019 and December 31, 2018, retirement obligation, net of fair value of plan assets, amounted to ₱49.1 million and ₱50.7 million, respectively. The retirement benefits costs amounted to ₱2.5 million and ₱2.7 million for the three months period ended March 31, 2019 and 2018, respectively. The interest cost on retirement obligation amounted to ₱1.6 million and ₱0.7 million for the three months period ended March 31, 2019 and 2018, respectively.

16. Other Noncurrent Liabilities

Amount in thousands	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Previous stockholders of Celestial Nickel Mining Exploration Corporation (CNMEC	₱366,463	₱366,463
Brookes Nickel Ventures, Inc. (BNVI)	165,566	165,566
Others	1,555	1,663
	₱533,584	₱533,692

17. Finance Lease

Finance Lease Liabilities
In 2016, the Group entered into a finance lease agreements with BDO Leasing and Finance, Inc. amounting to ₱2.2 million. These are included as part of "Machineries and other equipment" category under "Property and equipment" as at March 31, 2019 and December 31, 2018.

In 2018, the Group and Caterpillar Financial Services Philippines Inc. executed a lease agreement with a lease term of two years, in which the Group has determined that the lease transfers substantially all the risks and rewards incidental to the ownership of the contractor's equipment upon final payment at the end of the lease term.

Future annual minimum lease payments under the lease agreements, together with the present value of the minimum lease payments as at March 31, 2019 and December 31, 2018 are as follows:

	March 31, 2019 (Unaudited)		December 31, 2018 (Audited)	
Amount in thousands	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one year	₱5,537	₱5,239	₱6,004	₱5,777
After one year but not more than five years	3,467	3,096	4,767	4,293
Total minimum lease payments	9,004	8,335	10,771	10,070
Less amount representing finance charge	669	–	701	–
Present value of minimum lease payments	₱8,335	₱8,335	₱10,070	₱10,070

18. Equity

Capital Stock
The Parent Company has 11,957,161,906 authorized shares at ₱1.05 par value as at March 31, 2019 and December 31, 2018. Out of the total authorized shares of the Parent Company, 6,072,357,151 shares are issued amounting to ₱6,375,975 as at March 31, 2019 and December 31, 2018.

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.

Employee Stock Option Plan (ESOP)

On June 29, 2016, the BOD and stockholders of the Parent Company approved the establishment of an ESOP (which covers the qualified employees of the subsidiaries of the Parent Company), 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 First Tranche which comprised the 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 vested over two (2) years (i.e., 10,000,000 share/stock grants each year). As at March 31, 2019, the Group has not yet recognized compensation expense in relation to the stock option grant as this has not yet been communicated to the qualified employees.

Treasury Stock

The Parent Company has 558,604,339 shares amounting to ₱1,133.4 million and 547,391,385 shares amounting to ₱1,116.3 million in treasury as at March 31, 2019 and December 31, 2018, respectively.

For the periods ended March 31, 2019 and 2018, the Parent Company purchased a total of 11,212,954 common shares and 32,925,000 common shares at an average price of ₱1.51 per share and ₱2.44 per share, respectively.

19. Earnings (Loss) Per Share

The following reflects the income and share data used in the earnings (loss) per share computation for the three months period ended March 31:

	2019	2018
	(Unaudited)	
Net loss attributable to equity holders of the Parent Company (amounts in thousands)	(₱135,713)	(₱164,766)
Number of shares:		
Common shares outstanding at beginning of the year	5,524,965,765	5,463,537,399
Effect of buyback during the period	(5,615,876)	(12,688,180)
Adjusted weighted average number of common shares outstanding	5,519,349,889	5,450,849,219
Basic/Diluted Earnings (Loss) per Share	(₱0.0246)	(₱0.0302)

As at March 31, 2019 and 2018, there are no potentially dilutive common shares.

20. Cost of Sales

	For the three months period ended March 31	
Amount in thousands	2019	2018
	(Unaudited)	
Contract hire	₱19,791	₱–
Depreciation and depletion	20,260	–
Personnel costs (see Note 23)	4,635	–
Repairs and maintenance	1,763	–
Fuel, oil and lubricants	1,503	–
Assaying and laboratory	275	–
Others	814	–
	₱49,041	₱–

21. General and Administrative

Amount in thousands	For the three months period ended March 31 2019	2018
	(Unaudited)	
Personnel costs (see Note 23)	₱52,431	₱62,429
Taxes and licenses	40,326	36,567
Marketing and entertainment	16,876	7,690
Depreciation	14,214	15,277
Outside services	11,217	11,032
Consultancy fees	9,693	10,121
Rentals	6,424	6,450
Repairs and maintenance	5,279	4,177
Office supplies	4,189	4,869
Travel and transportation	3,924	4,730
Fuel, oil and lubricants	1,413	1,152
Membership and subscription	1,962	1,577
Communication	1,351	1,347
Other charges	4,004	6,350
	₱173,303	₱173,768

22. Shipping and Distribution

Amount in thousands	For the three months period ended March 31 2019	2018
	(Unaudited)	
Repairs and maintenance and others	₱1,012	₱307
Fuel, oil and lubricants	537	1,052
Personnel costs (see Note 23)	383	580
Supplies	59	906
Government fees	37	34
	₱2,028	₱2,879

23. Personnel Costs

Amount in thousands	For the three months period ended March 31 2019	2018
	(Unaudited)	
Salaries and wages	₱52,241	₱54,018
Retirement benefits costs (see Note 15)	848	2,707
Other employee benefits	4,360	6,284
	₱57,449	₱63,009

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 three months period ended March 31 2019	2018
	(Unaudited)	
Cost of sales (see Note 20)	₱4,635	₱–
General and administrative (see Note 21)	52,431	62,429
Shipping and distribution (see Note 22)	383	580
	₱57,449	₱63,009

24. Finance Costs

Amount in thousands	For the three months period ended March 31 2019	2018
	(Unaudited)	
Interest expense	₱14,134	₱13,178
Accretion interest on provision for mine rehabilitation and decommissioning	4,082	3,202
Bank charges	100	245
	₱18,316	₱16,625

25. 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	Advances from related parties	Terms	Conditions
Stockholders					
March 31, 2019	₱150,639	₱1,963,054	₱59,070	On demand; noninterest-bearing; collectible or payable in cash	Unsecured; with guarantee
December 31, 2018	₱382,226	₱1,812,415	₱59,070		
Affiliates with common officers, directors and stockholders					
March 31, 2019	(78,592)	102,611	228,350	On demand; noninterest-bearing; collectible or payable in cash	Unsecured; with guarantee
December 31, 2018	106,657	181,203	228,124		
Associate					
March 31, 2019	–	91,799	–	On demand; noninterest-bearing; payable in cash	Unsecured; with guarantee
December 31, 2018	–	91,799	–		
Total		₱2,157,464	₱287,420		
Total		₱2,085,417	₱287,194		

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

a. 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 ₱589.3 million.

   As at March 31, 2019 and December 31, 2018, 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".

b. In the first quarter of 2019, 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 eight (8) months on/about March 1, 2019 to October 31, 2019, subject to renewal upon mutual agreement of the parties. Charter hire fee incurred amounted to ₱4.1 million and nil for the three months ended March 31, 2019 and 2018.

c. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The compensation of the key management personnel of the Group for the three months period ended March 31, 2019 and 2018 amounted to ₱17.9 million and ₱19.1 million, respectively.

26. Income Taxes

The current provision for income tax represents minimum corporate income tax (MCIT) for the three months ended March 31, 2018.

The components of the Group's net deferred income tax assets as at March 31, 2019 and December 31, 2018 follow:

Amount in thousands	2019	2018
	(Unaudited)	Audited
Deferred tax assets:		
Allowance for impairment losses on trade and other receivables	₱91,761	₱91,761
Provision for mine rehabilitation and decommissioning	71,573	70,349
NOLCO	51,732	–
Retirement obligation recognized in profit or loss	15,944	16,423
Unrealized foreign exchange losses - net	15,258	16,677
Accrued taxes	6,082	8,719
Rent payable	466	499
	252,816	204,428
Deferred tax liabilities:		
Undepleted asset retirement obligation	43,898	44,077
Retirement obligation recognized directly in OCI	1,209	1,209
Currency translation adjustment recognized directly in OCI	5,640	5,439
	50,747	50,725
Deferred tax assets - net	₱202,069	₱153,703

The Group has availed of the itemized deductions method in claiming its deductions for the three months ended March 31, 2019 and 2018.

27. Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values:

Cash and cash equivalents, Trade receivables, Advances to contractors and Interest receivables under "Trade and other receivables" and Trade and other payables
The carrying amounts of cash and cash equivalents, trade receivables, advances to contractors and interest receivable under "Trade and other receivables", and trade and other payables approximate their fair values due to the short-term nature of these accounts.

Restricted cash under "Other noncurrent assets"
The carrying amounts approximate their fair values since these are restricted cash in banks which earn interest based on prevailing market rates repriced monthly.

Financial asset at FVOCI under "Other noncurrent assets"
The fair value of quoted equity instrument is determined by reference to the market closing quotes at the end of the reporting period.

Advances to and from related parties and Payable to previous stockholders of CNMEC and BNVI under "Other noncurrent liabilities"
Advances to and from related parties and payable to previous stockholders of CNMEC and BNVI do not have fixed repayment terms. As such, their carrying amounts approximate their fair values.

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

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

As at March 31, 2019 and December 31, 2018, the Group's financial asset at FVOCI is classified under Level 1 and its bank loans and finance lease liabilities are classified under Level 3.

There were no transfers between levels of fair value measurement as at March 31, 2019 and December 31, 2018.

28. Events After the End of the Reporting Period

Buyback Transactions
From April 1 to May 7, 2019, the Parent Company purchased from the market, a total of 1,937,983 common shares at the average price of ₱1.63 per share, pursuant to the approved buy-back program. The cumulative number of shares purchased from the date when the share buy-back program commenced is 688,126,414 shares with a total amount of shares repurchased of ₱1,639.4 million.

29. 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 the 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; and
- 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 mainly operates in one reportable business which include two geographical segments, Philippines and Hong Kong. Noncurrent assets of the Group comprising property and equipment, deposits for future acquisition, mine exploration costs, mining rights, and other noncurrent assets are located in the Philippines and Hong Kong.

The Group has revenues from external customers in China amounting to ₱63.3 million and nil, respectively.

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

	March 31, 2019 (Unaudited)			
Amount in thousands	Mining	Service	Elimination	Total
External customers	₱63,337	₱–	₱–	₱63,337
Intersegment revenues	55,606	4,055	(59,661)	–
Total revenues	118,943	4,055	(59,661)	63,337
Cost of sales	104,498	–	(55,457)	49,041
Excise taxes and royalties	7,787	–	–	7,787
Shipping and distribution	6,083	–	(4,055)	2,028
Segment operating earnings (loss)	575	4,055	(149)	4,481
General and administrative	(146,898)	(26,405)	–	(173,303)
Finance income	2,197	474	–	2,671
Finance costs	(18,315)	(1)	–	(18,316)
Other income - net	38	–	149	187
Benefit from income tax - net	(41,862)	(6,705)	–	(48,567)
Net loss attributable to equity holders of GFHI	(₱120,541)	(₱15,172)	₱–	(₱135,713)
Segment assets	₱19,378,819	₱350,796	(₱11,408,010)	₱8,321,605
Deferred tax assets - net	202,069	–	–	202,069
Total assets	₱19,580,888	₱350,796	(₱11,408,010)	₱8,523,674
Segment liabilities	₱3,348,126	₱1,847	(₱1,061,390)	₱2,288,583
Capital expenditures	₱103,316	₱29	₱–	₱103,345
Depreciation and depletion	₱57,836	₱8,681	₱–	₱66,517

	March 31, 2018 (Unaudited)			
Amount in thousands	Mining	Service	Elimination	Total
External customers	₱–	₱–	₱–	₱–
Intersegment revenues	(3,690)	–	3,690	–
Total revenues	(3,690)	–	3,690	–
Cost of sales	(3,847)	–	3,847	–
Excise taxes and royalties	30	–	–	30
Shipping and distribution	2,879	–	–	2,879
Segment operating earnings (loss)	(2,752)	–	(157)	(2,909)
General and administrative	(145,510)	(28,258)	–	(173,768)
Finance income	348	4	–	352
Finance costs	(16,624)	(1)	–	(16,625)
Other income (charges) - net	(18,300)	–	157	(18,143)
Provision for (benefit from) income tax	(46,327)	–	–	(46,327)
Net income (loss) attributable to equity holders of GFHI	(₱136,511)	(₱28,255)	₱–	(₱164,766)
Segment assets	₱18,260,834	₱332,209	(₱10,185,156)	₱8,407,887
Deferred tax assets - net	169,099	–	–	169,099
Total assets	₱18,429,933	₱332,209	(₱10,185,156)	₱8,576,986
Segment liabilities	₱2,720,952	₱2,772	(₱317,499)	₱2,406,275
Capital expenditures	₱6,825	₱870	₱–	₱7,695
Depreciation and depletion	₱6,640	₱8,637	₱–	₱15,277

	December 31, 2018 (Audited)			
Amount in thousands	Mining	Service	Elimination	Total
Segment assets	₱19,678,856	₱365,655	(₱11,336,143)	₱8,708,378
Deferred tax assets - net	153,703	–	–	153,703
Total assets	₱19,832,559	₱365,655	(₱11,336,143)	₱8,862,081
Segment liabilities	₱3,462,316	₱1,545	(₱989,286)	₱2,474,575
Capital expenditures	₱154,749	₱895	₱–	₱155,644

EXPORT DEVELOPMENT COUNCIL

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CERTIFICATION

This is to certify that the private sector members of the Export Development Council (EDC) are on hold-over status since there has been no new appointment of private sector representatives after 09 February 2009, the end of tenure of their office. Presently, PHILEXPORT has nominated Mr. Roberto C. Amores to be reappointed as a Member of the EDC. Secretary Ramon M. Lopez, has endorsed his reappointment to the Office of the President.

This certification is issued for whatever legal purpose it may serve.

EMMARITA Z. MIJARES
Deputy Executive Director