

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

SEC Registration Number

G	L	O	B	A	L		F	E	R	R	O	N	I	C	K	E	L		H	O	L	D	I	N	G	S		I	N	C		
---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	--	---	---	---	--	--

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

f	o	r	m	e	r	l	y	:																							
---	---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

S	O	U	T	H	E	A	S	T		A	S	I	A		C	E	M	E	N	T		H	O	L	D	I	N	G	S		
---	---	---	---	---	---	---	---	---	--	---	---	---	---	--	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	--	--

I	N	C																													
---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

(Company's Full Name)

7	F		C	O	R	P	O	R	A	T	E		B	U	S	I	N	E	S	S		C	E	N	T	E	R		1	5	1	
---	---	--	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	--	---	---	---	--

P	A	S	E	O		D	E		R	O	X	A	S		C	O	R		A	R	N	A	I	Z		S	T				
---	---	---	---	---	--	---	---	--	---	---	---	---	---	--	---	---	---	--	---	---	---	---	---	---	--	---	---	--	--	--	--

M	A	K	A	T	I																										
---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

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

Atty. Noel Lazaro																			
-------------------	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

(Contact Person)

(632) 5118229									
---------------	--	--	--	--	--	--	--	--	--

(Company Telephone Number)

--	--	--	--

Month Day
(Fiscal Year)

1	7	-	A		
---	---	---	---	--	--

(Form Type)

--	--	--	--

Month Day
(Annual Meeting)

--	--	--	--	--	--	--	--	--	--

(Secondary License Type, If Applicable)

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Dept. Requiring this Doc.

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Amended Articles Number/Section

--	--	--	--	--	--	--	--	--	--

Total No. of Stockholders

Total Amount of Borrowings									
Domestic									
Foreign									

To be accomplished by SEC Personnel concerned

--	--	--	--	--	--	--	--	--	--

File Number

LCU

--	--	--	--	--	--	--	--	--	--

Document ID

Cashier

STAMPS																			
--------	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Remarks: Please use BLACK ink for scanning purposes.

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A**

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the calendar year ended **December 31, 2016**

2. SEC Identification Number **ASO94-003992**

3. BIR Tax Identification No. **003-871-592**

4. Exact name of issuer as specified in its charter

**GLOBAL FERRONICKEL HOLDINGS, INC. (formerly known as SOUTHEAST ASIA CEMENT
HOLDINGS, INC.)**

5. **Metro Manila, Philippines**

6. (SEC Use Only)

Province, Country or other jurisdiction of
incorporation or organization

Industry Classification Code:

7. **7th Floor Corporate Business Centre, 151 Paseo de Roxas corner Arnaiz Street,
Makati City, Metro Manila, Philippines**

1228
Postal Code

Address of principal office

8. **(632) 519 7888**

Issuer's telephone number, including area code

9. **Not Applicable**

Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class

Number of Shares of Common Stock
Outstanding or Amount of Debt Outstanding

Common Shares

5,822,357,151

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes [☒] 2,334,640,312 Common Shares No [☐]

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

The Philippine Stock Exchange, Inc.

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 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 that the registrant was required to file such reports);

Yes [☒] No [☐]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [☒] No [☐]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

The aggregate market value of the voting stock held by non-affiliates of the registrant (i.e., excluding shareholders having at least 10% of the issued capital of the Company and officers, directors and affiliates of the Company), consisting of 1,801,392,578 shares as of December 31, 2016, is ₱5,151,982,773.08, computed by reference to the closing price on December 29, 2016 of ₱2.86 per share.



Global Ferronickel Holdings, Inc.

GLOBAL FERRONICKEL HOLDINGS, INC.
17-A ANNUAL REPORT 2016

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Corporate Information

Global Ferronickel Holdings, Inc. (formerly known as Southeast Asia Cement Holdings, Inc.) (the “Company” or “Corporation”) was established on May 3, 1994 as a holding company.

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 Philippine Securities and Exchange Commission (SEC) and Philippine Stock Exchange (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 Platinum Group Metals Corporation (“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 September 4, 2014. The total par value of the 10,463,093,371 common shares to be issued by the Company to the Thirteen Stockholders amounted to ₱3,662.1 million.

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

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

On December 22, 2014, the Philippine SEC approved the Company's application to increase in the authorized capital stock of the Company to ₱12,555,000,000.20 divided into 35,871,428,572 common shares with a par value of ₱0.35 per share, and the issuance of 10,463,093,371 to the stockholders of PGMCO who transferred their shares in PGMCO 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 PGMCO'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 PGMCO.

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; and
- 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).

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 ₱12,555,000,000.20 divided into 35,871,428,572 common shares with par value of ₱0.35 per share to ₱12,555,020,001.30 divided into 11,957,161,906 common shares with a par value of ₱1.05 per share, or an increase of ₱20,001.10; and
- 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, video conference, or the internet or any combination of those methods.

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

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 nor sale of a significant amount of assets not in the ordinary course of business from 2014 to 2016, except as disclosed and mentioned herein, and in the Company and Subsidiaries Audited Financial Statements.

Corporate Objective

The Company's objective is to deliver value by carrying out our activities in an environmentally, socially and financially responsible manner for the benefit of the nation, the communities where we operate, our employees, customers and other stakeholders.

Subsidiaries

1. Platinum Group Metals Corporation (PGMC)

PGMC was registered with the SEC on February 10, 1983. PGMC's primary purpose is "to prospect, explore, locate, acquire, hold, work, develop, lease, operate and exploit mineral lands for chromite, copper, manganese, magnesite, silver, gold, and other precious and non-precious minerals; to acquire and dispose of mining claims and rights, and to conduct and carry on the business of preparing, milling, concentrating, smelting, treating or preparing for market; and to market, sell, exchange or otherwise deal in chromite, copper, manganese, magnesite, silver, gold and other mineral products". Pursuant to this purpose, PGMC acquired control and currently operates the mining tenement containing nickel ore located in Surigao del Norte. PGMC was registered with the BOI as a new producer of beneficiated nickel ore on a non-pioneer status on its Surigao registered nickel project on November 16, 2007 with fiscal incentives such as Income Tax Holiday for a period of six (6) years from November 2007 plus a two-year bonus. PGMC's Income Tax Holiday incentive expired on November 15, 2015.

PGMC is the second largest nickel ore producer in the Philippines by volume and nickel shipped, one of the largest single-mine laterite exporters and one of the largest global suppliers of nickel ore, accounting for 11% of the country's nickel ore production in 2015, according to MGB. It currently operates two (2) open pit deposit sites known as CAGA 2 and CAGA 4 within our lateritic nickel mine in Cagdianao, Claver, Surigao del Norte, Philippines, herein thereafter referred to as the "Cagdianao Mine". Five additional identified deposit sites at Cagdianao have yet to be developed and exploited. PGMC sells nearly all of the low, medium and high grade ore that are mined to the Asia-Pacific region for the production of stainless steel products, NPI and nickel cathodes.

2. Surigao Integrated Resources Corporation (SIRC)

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

SIRC is the holder of rights to mining tenements located in Surigao del Norte, Mineral Production Sharing Agreement (MPSA) No. 007-92-X for a period of twenty-five (25) years. On September 15, 2006, PGMC entered into an Operating Agreement with SIRC that grants PGMC the exclusive privilege and right to occupy, explore, develop, utilize, mine, mill, beneficiate and undertake activities within the areas covered by MPSA. On November 16, 2015, SIRC applied for the renewal of its MPSA and was approved for another twenty-five (25) year term on June 21, 2016. The renewed MPSA is valid for another twenty-five (25) years or until June 20, 2041.

SIRC and Cagdianao Lateritic Nickel Mining, Inc. (CLNMI) on June 15, 2016, 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.

3. PGMC-CNEP Shipping Services Corp. (PCSSC)

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

4. PGMC International Limited (PIL)

On July 22, 2015, PIL, a 99.98%-owned subsidiary of the Company through PGMC, was incorporated under the Companies Ordinance of Hong Kong. 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. PIL's registered address is at Unit 4101-02, 41/F, Office Tower, Convention Plaza, 1 Harbour Road Wanchai, Hongkong.

Products

Based on historical shipment records, product specifications are generally categorized in the table below:

Historical Product Categories

<u>Product Categories</u>	<u>Grade Specifications</u>
Low Grade Nickel-High Iron Ore	Ni $\geq 0.9\%$ < 1.2%; Fe $\geq 48.0\%$
Low Grade Nickel-Medium Iron Ore	Ni $\geq 1.2\%$ < 1.3%; 45% \leq Fe < 49.0%
Low Grade Nickel Ore	Ni $\geq 1.3\%$; Fe $\geq 40\%$ or Fe < 30%
Medium Grade Nickel-High Iron Ore	Ni $\geq 1.5\%$; Fe $\geq 30\%$
Medium Grade Nickel-Low Iron Ore	Ni $\geq 1.5\%$; Fe $\leq 25\%$
High Grade Nickel Ore	Ni $\geq 1.8\%$; regardless %Fe

Though there is a category for waste that falls outside of the saleable grade ranges, the Company stockpiles waste for future blending purposes or for future sale when they become marketable.

In general, low grade nickel products have the greatest volumes sold, which represented approximately 60.0% by mass of total ore shipped followed by medium grade nickel products at approximately 33.0% and high grade products at approximately 7.0% from 2007 to 2016. A high proportion of low nickel grade nickel materials have been sold as these are closest to the surface, they are the easiest to be mined and most abundant at Cagdianao, Surigao mine site.

Key Strengths

The Group believes that its key strengths include the following:

1. Leading nickel producer with significant resources and reserves with high exploration potential

PGMC is the third largest nickel producer in the Philippines by volume and nickel shipped, and one of the largest global suppliers of nickel ore, accounting for 10.0% of the country's nickel ore production in 2014, according to CRU Consulting. On June 30, 2016, the Group received the latest Philippine Mining Reporting Code Competent Person's (PMRC-CP) Technical Report on Mineral Resource Evaluation for CAGAs 1 to 5 of the Cagdianao mining property which reported a measured and indicated mineral resources of 50.3 million DMT and an additional inferred mineral resources of 18.1 million dry metric tonnes (DMT). The Group's proven and probable reserves are at 35.5 million wet metric tonnes (WMT) at 1.23% Ni and 31.98% Fe, as estimated in accordance with the PMRC-CP Technical Report on Economic Assessment and Ore Reserve Estimation dated September 15, 2016.

Also, PGMC has yet to conduct exploration works in CAGA 6 and 7 areas, which have similarities to the CAGA 3 and 5 deposits, and there is further resource potential from extension drilling in existing mining areas. PGMC has a defined drilling program in place which it believes will over time add to the overall mineral resource and ore reserve inventory at Cagdianao and significantly extend the mine life of the project.

2. Flexible ore supply to optimize profitability while serving customer base

PGMC believes that its ore supply is highly flexible in terms of the quality and nickel content it can mine, giving it a natural competitive advantage compared to other mining companies with more uniform ore resources. It is able to mine a range of low grade ore (with high iron and low nickel content), which accounted for a majority of its sales by volume in the past three years. At the same time, the Cagdianao mine produces a significant supply of high and medium grade ore, which accounted for 40% of ore sales volume since the Company started its Cagdianao mining operation. The flexibility in the ore that PGMC

can supply is important for its core customers in China, many of whom require a range of nickel grades and iron contents in their specific products.

3. Cost efficient operations with relatively low operational risk

PGMC benefits from favorable geologic conditions at the Cagdianao mine. Its lateritic nickel deposits are near-surface, blanket-like layered deposits with minimal overburden and generally 5 to 30 meters thick. This allows it to conduct simple open pit mining using trucks and excavators without blasting, the use of chemicals or complex waste handling. The nickel deposits at the Cagdianao mine are located within 2 to 8 kilometers from the applicable tidewater loading area, enabling easy hauling and transportation by barges and LCTs to its customers' ships. The short hauling distance from its mining operations to its loading facilities substantially contributes to its favorable cost position. CRU has calculated that the average cost across its CAGA operations to be US\$15.79/DMT of ore shipped, or US\$1,295/tonne of contained nickel. This places it near the center of the global nickel mining cost curve. The bottom half of the curve is fairly flat, according to CRU, while the costs in the upper half of the curve escalate sharply, suggesting that the CAGA operations are very competitive in terms of cost compared to a large number of global peers. Because its lateritic nickel deposits are relatively shallow, it also expects the progressive rehabilitation of its mining areas to be relatively low cost.

Key Strategies

The Company's strategy is designed to maximize the profitability of its existing base of operations while driving growth through the acquisition of the Ipilan Mine and potentially other suitable properties, continued exploration and development of the Cagdianao mine, expansion of its customer base, and ongoing monitoring of value-added opportunities, particularly in downstream processing. The key elements of the Company's strategy are:

- Complete the acquisition of Ipilan Mine and commence production

In November 2014, the Company entered into a Memorandum of Agreement for the acquisition of SPNVI. SPNVI owns Ipilan Nickel Corporation, which operates the Ipilan Mine under an Operating Agreement with Celestial Nickel Mining Exploration Corporation (CNMEC), holder of MPSA of the Ipilan Mine in south-eastern Palawan. As of December 31, 2014, the Ipilan Mine has JORC-compliant measured and indicated mineral resources of 54.1 million DMT with an average grade of 1.2% nickel, which includes JORC proven and probable reserves of 13.8 million DMT with an average grade of 1.5% nickel. The Company already embarked in the development of the Ipilan Mine (including acquisition of land and the required infrastructure) and expecting to commence production by 2018.

The Company plans to operate the Ipilan Mine using the same open pit mining method at the Cagdianao Mine during the mining season in Palawan, which is between November and July. The mining season of the Ipilan Mine will complement the mining season of the Cagdianao Mine, i.e. Ipilan Mine is expected to produce when the Cagdianao Mine is in off-season. This will provide the Company with a steady supply of nickel ore all year round, which is expected to increase and stabilize its revenue streams throughout the year.

- Develop and upgrade existing resources and reserves within the Cagdianao Mine. The Company's existing mine site in Cagdianao has several additional areas with mine deposits, from which it can efficiently extract a steady supply of low, medium and high grade ore. Although each of these additional deposits is in varying stages of development, the Company intends to commence production of these deposits in 2017, more specifically Caga 3, subject to market conditions.

- Strengthen and expand the Company's customer base. The Company intends to strengthen existing relationships with key clients and develop new relationships in China and other countries. The Company also intends to increase its proportion of direct sales to end users, most notably smelters in China, as the Company believes this will generate consistent demand for its products while minimizing overall credit risk.
- Evaluate and selectively pursue value-added opportunities. The Company will continue to evaluate opportunities for value-added processes, including but not limited to acquiring or entering into mining agreements or joint ventures, as well as downstream processing / vertical integration opportunities. The longer term objective is to increase the scale and scope of our operations, and to potentially further expand the variety of ore.
- Diversify into other minerals. The Company will continue to look for opportunities to acquire additional mines in the Philippines containing other minerals, such as chromite and other metals, which it continues to examine as part of its future expansion strategy.

Competition

The Company competes with foreign nickel ore suppliers (primarily from Indonesia, New Caledonia and Australia) in world nickel ore markets, as well as other Philippine players. Notable domestic competitors include Nickel Asia Corporation, Marcventures Mining and Development Corporation, CTP Construction and Mining Corporation, Carrascal Nickel Corporation and Oriental Peninsula Resources Group, Inc. The Company competes with other nickel ore suppliers primarily on the basis of ore quality, price, transportation cost and reliability of supply.

Source of Supplies

PGMC's supply requirements include diesel fuel, tires and spare parts for mining equipment. The Company buys diesel fuel from Petron Corporation and Phoenix Petroleum Philippines, Inc. and heavy mining equipment such as trucks and excavators from three manufacturers, Komatsu, Caterpillar and Volvo, through their Philippine distributors Maxima Machineries, Monark and Civic Merchandising. In addition, PGMC has its own fleet of barges, heavy mining equipment. PGMC's contractors provide their own equipment and supply necessary for the mining operations.

Exploration and Development of Nickel Resources

The potential for further resources is within our current MPSA area as we have yet to conduct exploration for the CAGA 6 and 7 areas. These areas consist of outcropping ultramafic lithologies with laterite development similar in topographic features and size to the CAGA 3 and 5 deposits. There may also be other areas of smaller, isolated laterite profiles that may become feasible if mined in conjunction with the existing deposits.

Our current resources include measured and indicated resources for all deposits that have undergone resource definition drilling programs (CAGA 1 to CAGA 5). Further resource potential exists in limited extensions at the periphery of these deposits and additional resources at CAGA 6, CAGA 7 and expansion area.

Based on the original proposed exploration plan and budget for the CAGA mine dated October 3, 2014, PGMC conducted exploration drilling at CAGA-2 and CAGA-4 areas from October 2015 to May 2016 covering some 1,791 drill holes and 18,405.30 meters. This exploration program was used as basis for update on mineral resource estimates herein presented.

Our updated proposed exploration plan and budget for the CAGA mine and expansion area dated August 19, 2016 considers priority drilling based on deposit/prospect potential as presented in the Proposed PGMC Exploration/Drilling Program 2016-2017. Drilling on each priority area includes drilling schemes as applicable:

- Scheme 1: Infill drilling at resource blocks to upgrade inferred resources to measured resources.
- Scheme 2: Peripheral drilling at resource blocks to define extensions of current resources.
- Scheme 3: Reconnaissance drilling at unexplored CAGA 6, CAGA 7, and expansion areas.

Prior to commencement of the drilling program, each prospective area will be evaluated by geological mapping to determine the occurrence and thickness of the laterite profile. The proposed drilling program will be modified based on this evaluation.

The Company has identified exploration target ranges for each area as shown in the summary of the updated proposed exploration program in the table below. The current estimated additional cost of this exploration program is approximately ₱101.12 to 121.38 million (US\$2.2 to 2.6 million). It is expected to take approximately 24-29 months to complete, including the sample preparation, analysis and PMRC reporting. Implementation of the exploration program commenced on October 2015 with the drilling at CAGA 4 and CAGA 2 areas and drilling is currently on-going at CAGA 3 based on the updated program presented in this report.

EXPLORATION TARGETS/PROPOSED DRILL HOLES

DEPOSIT AREA	SIZE (HAS)	DHs/METERAGE	EXPLORATION TARGET (DMT)
1.0 CAGA-3 Deposit			
Caga-3 North	23.80	103/1,545	850,000 - 1,700,000
Caga-3 South	18.27	74/1,110	650,000 - 1,300,000
Dev't. Caga-3 Sap	<50	504/7,560	2,500,000 - 5,000,000
Sub-total	92.07	681/10,215	4,000,000 - 8,000,000
2.0 CLNMI (Higdon) Deposit			
Area-1 (WEST)	174.6	300/4,500	6,300,000 - 12,600,000
Area-2 (EAST)	106.1	235/3,525	3,800,000 - 7,600,000
Sub-total	280.7	535/8,025	10,100,000 - 20,200,000
3.0 CAGA-7 Deposit			
Area-1	20.25	67/1,005	725,000 - 1,450,000
Area-2	61.66	183/2,745	2,200,000 - 4,400,000
Area-3	55.49	165/2,475	2,000,000 - 4,000,000
Area-4	29.82	87/1,305	1,100,000 - 2,200,000
Sub-total	167.22	502/7,530	6,025,000 - 12,050,000
4.0 CAGA- 1 Deposit			
In-fill	10.28	50/750	370,000 - 740,000
Peripheral	49.99	220/3,300	2,700,000 - 5,400,000

Sub-total	60.27	270/4,050	3,070,000 – 6,140,000
5.0 CAGA- 5 Deposit			
In-fill	63.68	207/3,105	1,115,000 - 2,230,000
Peripheral	64.19	329/4,935	2,900,000 - 5,800,000
Sub-total	127.87	536/8,040	4,015,000 – 8,030,000
6.0 CAGA- 6 Deposit			
Area-1	53.57	222/3,330	
Area-2	86.05	359/5,385	
Sub-total	139.62	581/8,715	5,000,000 – 10,000,000
TOTAL	867.75	3,105/46,575	32,210,000 – 64,420,000

Notes:

- 1. The above table is part of the over-all exploration/drilling program for the whole PGMC- CAGA Project wherein CAGA-2 and CAGA-4 is a part of. Drilling at CAGA-2 and CAGA-4 have been prioritized and completed which paved the way for the mineral resource update for the Project.*
- 2. With the interesting results for CAGA- 2 and CAGA-4 where substantial inferred mineral resources were estimated, it is anticipated that further drilling may be undertaken at these two areas again.*

As reviewed by the PMRC competent person, our proposed exploration program is sufficient to adequately increase the Mineral Resource and Ore Reserve inventory and extend the mine life of the CAGA mine site.

Employees / Collective Bargaining Agreements

The Group has one hundred fifty-nine (159) regular employees, three (3) employees on probationary and project status and three hundred nine (309) employees on a fixed term basis as at December 31, 2016.

There are no labor unions within the Company and its subsidiaries.

Transactions with Related Parties

Please refer to Note 30 of the audited consolidated financial statements as of December 31, 2016.

Risks Related to our Business and Industry

1. Nickel price volatility

The Company's business is sensitive to the volatility of nickel prices, which can affect not only its earnings but also the plans and programs of the Company. The Company's revenue on sale of nickel ore is dependent on the world market price of nickel ore, the market price of nickel ore in China in particular, as China will continue to be a large buyer of ore in the future. The nickel ore price is affected by numerous factors that are beyond the Company's control. These factors include global supply and demand; regulatory policies of other nickel ore producing countries; expectations for the future rate of inflation; the level of interest rates; the strength of, and confidence in, the U.S. dollar; market speculative activities; and global or regional political and economic events, including changes in the global economy.

2. Inherent risks that are beyond the Company's control.

The occurrence of any of following risks could result in disruptions in the Company's production, which may have an adverse impact on its business, results of operations and financial condition:

- prices for fuel and other supplies and
- inclement weather conditions, including a prolonged monsoon season;
- equipment failures and unexpected maintenance problems;
- interruption of critical supplies, including spare parts and fuel;
- earthquakes or landslides;
- environmental hazards;
- industrial accidents;
- increased or unexpected rehabilitation costs;
- work stoppages or other labor difficulties; and
- changes in laws or regulations, including permitting requirements, the imposition of additional taxes and fees and changes in the manner of enforcement of existing laws and regulations.

Government Regulations and Approvals

The Company relies on regulatory approvals, permits, licenses (including MPSAs), operating agreements with third-party claim owners and land access agreements to conduct its mining operations.

Under the MPSAs for the Cagdianao Mine and Ipilan Mine, the renewal of the MPSA shall be under such terms and conditions as may be mutually agreed by the parties. On the other hand, under Section 32 of the Philippine Mining Act of 1995, the term of an MPSA is renewable under the same terms and conditions thereof but without prejudice to changes mutually agreed upon by the parties. Further, according to section 9 of DENR Administrative Order No. 2012-07 and the Implementing Rules of Executive Order No. 79, in case the mining agreement is renewed, it shall be subject to new terms and conditions pursuant to the laws, and rules and regulations that are existing at the time of renewal.

In 2013, the DENR imposed a ₱100 million minimum authorized capital stock and a ₱6.25 million minimum paid-in capital requirement for applicants for mineral agreements such as an MPSA and renewal of existing MPSAs. In renewing existing MPSAs, the Company needs to comply with such minimum authorized capital stock and paid-in capital requirement.

The Company holds, or has applied for most of, the necessary regulatory approvals, licenses, permits, operating agreements and land access agreements to carry on the activities that it is conducting under applicable laws and regulations, approvals, licenses, permits, operating agreements and land access agreements.

Item 2. Property

Cagdianao Mine

The Cagdianao Mine is located in Sitio Kinalablaban, Barangay Cagdianao, Municipality of Claver, in the province of Surigao del Norte in the northeast corner of Mindanao island. The Cagdianao mine is located within an area known as the Surigao Laterite Geological Domain, characterized by substantial deposits of both limonite and saprolite. It is accessible via domestic flights from Manila, Cebu and other domestic locations, which can land either in Surigao City or Butuan City.

The Cagdianao Mine has a total area of 4,376 hectares and is currently operating deposits CAGA 2 and 4. Our rights to the property are governed by the MPSA and the ECC allows PGMC to produce 5.0 million DMT or 7.7 million WMT of ore each year. The current outlook of the mine's life, based on current probable reserves and current production levels, is expected to last approximately five years from 2015, with possible extension after further exploration of CAGA 6 and 7. Exploration plans through core drilling are focused on the upgrading of inferred resources to measured resources, peripheral extensions on the CAGA 1 to 5 deposit areas as well as in new areas, CAGA 6 and 7. Proposed exploration at these sites covering approximately 700 hectares could delineate additional mineral resources.

Mineral resources at the Cagdianao Nickel Project per PMRC-Competent Person's Report on Mineral Resource Evaluation are shown in the table below.

Statement of Mineral Resources as at 30 June, 2016

Pit Area	PMRC Classification	Quantity (Tonnes)	Ni %	Fe%	Co%	Dry Bulk Density
CAGA4	Measured	10,456,000	1.1	43.8	0.1	1.0
	Indicated	8,042,000	1.3	21.9	0.1	1.1
	Inferred	12,042,000	1.3	16.2	0.1	1.1
	Subtotal	30,540,000	1.2	27.2	0.1	1.1
CAGA2	Measured	8,354,000	1.2	26.9	0.1	1.3
	Indicated	5,393,000	1.1	22.3	0.1	1.3
	Inferred	2,077,000	1.1	20.0	0.1	1.3
	Subtotal	15,824,000	1.2	24.4	0.1	1.3
CAGA1 (unmined)*	Measured	4,349,000	0.9	45.3	0.1	1.2
	Indicated	3,470,000	1.0	28.5	0.1	1.2
	Inferred	740,000	1.1	17.2	0.1	1.1
	Subtotal	8,559,000	1.0	36.1	0.1	1.2
CAGA3 (unmined)*	Measured	3,199,000	1.1	44.9	0.1	1.1
	Indicated	3,986,000	1.3	19.2	0.1	1.1
	Inferred	992,000	1.2	13.9	0.1	1.1
	Subtotal	8,177,000	1.2	28.6	0.1	1.1
CAGA5 (unmined)*	Measured	1,409,000	1.0	46.0	0.1	1.2
	Indicated	1,656,000	1.0	23.5	0.1	1.2
	Inferred	2,230,000	1.0	30.6	0.1	1.2
	Subtotal	5,295,000	1.0	32.5	0.1	1.2
Total	Measured	27,767,000	1.1	39.2	0.1	1.2
	Indicated	22,547,000	1.2	22.6	0.1	1.2
	Inferred	18,081,000	1.2	18.3	0.1	1.2
	Total	68,395,000	1.2	28.2	0.1	1.2

Statement of Ore Reserves of CAGA1 to CAGA5 as of ending 30 June 30 2016 per PMRC-CP EM Technical Report-PGMC Economic Assessment and Ore Reserve Estimation

Classification	Proven			Probable			Total		
Type	WMT	Ni%	Fe	WMT	Ni	Fe	WMT	Ni	Fe
LGHG	11,795,185	0.92	49.31	2,305,028	0.91	49.33	14,100,213	0.92	49.32
LGMF	3,007,338	1.23	46.47	515,146	1.23	46.26	3,522,484	1.23	46.44
LGLF	2,158,355	1.26	16.94	4,470,585	1.26	14.04	6,628,940	1.26	14.98
MGMF	860,251	1.44	42.87	114,178	1.43	42.73	974,430	1.44	42.85
MGLF	2,449,765	1.48	12.25	4,224,897	1.48	13.40	6,674,662	1.48	12.98
HG	1,065,277	1.83	13.99	2,531,697	1.84	13.26	3,598,973	1.84	13.48
Total	21,338,172	1.13	39.36	14,161,5313	1.37	20.86	35,499,703	1.23	31.98

Property and Equipment, Investment Property and Mining Rights

Please refer to Notes 8, 10 and 11 of the audited consolidated financial statements.

Liens and Encumbrances

None of the Group's real properties are subject to any liens, encumbrances or other security interests.

Item 3. Legal Proceedings

To the knowledge and information of the Company, there is no material pending legal proceeding (wherein the amount involved, exclusive of interest and costs, exceeds ten percent (10%) of the current assets of the Company), to which the Company is a party or of which its property is the subject before any court of law in the Philippines, and which if adversely determined, will have material adverse effect on the financial condition of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters covered under this item submitted in the fourth quarter of 2016 to the security holders for a vote.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer’s Common Equity and Related Stockholder Matters

Market Information

The PSE is the principal market for the Company’s shares. The closing price of the shares as of December 29, 2016 is at ₱2.86 per share.

The high and low sale prices of the shares of stock of the Company for each quarter within the period January 1, 2016 to December 31, 2016 and the last two (2) fiscal years are as follows:

YEAR	Q1		Q2		Q3		Q4	
	High	Low	High	Low	High	Low	High	Low
2016	2.76	1.36	3.42	2.40	2.85	0.82	4.29	2.82
2015	3.68	1.73	2.36	1.17	1.68	0.92	1.34	0.67
2014	1.40	0.96	3.10	1.07	3.00	1.82	2.80	1.83

Holders

The Company has approximately 1,711 shareholders owning as of December 31, 2016. Based on the records, the following are the top 20 stockholders with their respective shareholdings and percentage to total shares outstanding as of said date:

Stockholder Name	Nationality	No. of Shares	%
PCD Nominee Corp – Filipino	Filipino	1,597,934,891	27.44
Huatai Investment Pty. Ltd. –Australian	Australian	974,476,713	16.74
Sohoton Synergy, Inc.	Filipino	761,037,313	13.07
PCD Nominee Corp – Non-Filipino	Foreign	622,682,079	10.69
Regulus Best Nickel Holdings, Inc.	Filipino	523,154,668	08.99
Blue Eagle Elite Venture, Inc.	Filipino	348,769,779	05.99
Ultimate Horizon Capital, Inc.	Filipino	348,769,779	05.99
Bellatrix Star, Inc.	Filipino	187,952,034	03.23
Alpha Centauri Fortune Group Inc	Filipino	187,952,034	3.23
Antares Nickel Capital Inc.	Filipino	91,342,805	1.57
Red Lion Fortune Group, Inc.	Filipino	57,588,866	0.99
Wei Ting	Chinese	49,595,062	00.85
Great South Group Ventures, Inc.	Filipino	32,664,851	00.56
Dante R. Bravo	Filipino	13,950,791	00.24
Seng Gay Chan	Singaporean	10,463,093	00.18
Orion-Squire Capital, Inc. A/C-0459	Filipino	2,153,874	00.04
Squire Securities, Inc.	Filipino	818,244	00.01
George L. Go	Filipino	511,531	00.01
Kuok Philippines Properties Inc.	Filipino	437,692	00.01
Gabriel Tong	Filipino	396,400	00.01

Dividends

Below is the history of the recent dividend declarations made by the Company and PGMC for the three (3) most recent fiscal years.

	For years ended December 31		
	2016	2015	2014
	(P in millions)		
The Company (cash dividend)	-		-
(property dividend)	-	-	
<i>Subsidiaries</i>			
PGMC (cash dividend)	-	6,153	6,153
Total	-	-	6,153 ⁽¹⁾

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

On December 22, 2014, SEC approved the change in fiscal year from June 30 to calendar year December 31.

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

Description of Registrant's Securities

As of December 31, 2016, the Company has a total issued capital stock of 5,822,357,151 common shares. 5,816,021,398 common shares of the Company are outstanding and 6,335,753 shares are treasury stock.

Item 6. Management's Discussion and Analysis of Financial Position and Results of Operations

The following discussions and analyses are based on the audited consolidated financial statements as at December 31, 2016 and 2015 and for the years ended December 31, 2016 and 2015, and for the six months ended December 31, 2014, prepared in conformity with Philippine Financial Reporting Standards (PFRS) and accompanying Notes to the Consolidated Financial Statements and should be read in conjunction with those audited consolidated financial statements.

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

The consolidated financial statements as at December 31, 2016 and 2015 and for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014 are hereto attached.

The following tables set forth the summary financial information for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014 and as at December 31, 2016 and 2015:.

Summary Consolidated Statements of Comprehensive Income

	For the Years Ended		For the Six	Horizontal Analysis	
	December 31		Months Ended	Increase (Decrease)	
	2016	2015	2014	2016 vs. 2015	%
<i>In Thousand Pesos</i>					
Sale of Nickel Ore	3,773,669	6,533,218	9,047,476	(2,759,549)	-42%
Cost of Sales	(2,308,220)	(3,509,917)	(2,463,831)	(1,201,697)	34%
Operating Expenses	(1,254,594)	(1,767,289)	(1,652,620)	(512,695)	29%
Finance Costs	(67,696)	(88,891)	(73,323)	(21,195)	24%
Finance Income	6,505	9,431	3,465	(2,926)	-31%
Share in Net Loss of An Associate	(184)	-	-	184	0%
Other Charges - net	(32,373)	(115,500)	(77,424)	(83,127)	72%
Benefit from (Provision for) Income Tax	(79,613)	50,698	33,304	130,311	257%
Net Income	37,494	1,111,750	4,817,047	(1,074,256)	-97%

	For the Years Ended		For the Six	Vertical Analysis	
	December 31		Months Ended	Increase (Decrease)	
	2016	2015	2014	2016 vs. 2015	%
<i>In Thousand Pesos</i>					
Sale of Nickel Ore	3,773,669	6,533,218	9,047,476	(2,759,549)	-257%
Cost of Sales	(2,308,220)	(3,509,917)	(2,463,831)	(1,201,697)	112%
Operating Expenses	(1,254,594)	(1,767,289)	(1,652,620)	(512,695)	48%
Finance Costs	(67,696)	(88,891)	(73,323)	(21,195)	2%
Finance Income	6,505	9,431	3,465	(2,926)	0%
Share in Net Loss of An Associate	(184)	-	-	184	0%
Other Charges - net	(32,373)	(115,500)	(77,424)	(83,127)	8%
Benefit from (Provision for) Income Tax	(79,613)	50,698	33,304	130,311	-12%
Net Income	37,494	1,111,750	4,817,047	(1,074,256)	-100%

Note: Horizontal analysis for 2015 versus 2014 was not presented as figures are not comparable. In 2014, the Company changed its reporting period from June 30 fiscal year to December 31.

Summary Consolidated Statements of Financial Position

				Horizontal Analysis			
	2016	2015	2014	Increase (Decrease)		Increase (Decrease)	
				2016 vs. 2015	%	2015 vs. 2014	%
<i>In Thousand Pesos</i>							
Current Assets	3,383,713	3,670,086	3,181,492	(286,373)	-8%	488,594	15%
Noncurrent Assets	6,042,981	5,414,927	4,473,379	628,054	12%	941,548	21%
Total Assets	9,426,694	9,085,013	7,654,871	341,681	4%	1,430,142	19%
Current Liabilities	2,227,747	2,440,566	2,076,816	(212,819)	-9%	363,750	18%
Noncurrent Liabilities	652,388	106,573	152,025	545,815	512%	(45,452)	-30%
Non-controlling interests	-	-	7,378	-	0%	(7,378)	-100%
Equity attributable to equity holders of the Parent	6,546,559	6,537,874	5,418,652	8,685	0%	1,119,222	21%
Total Liabilities and Equity	9,426,694	9,085,013	7,654,871	341,681	4%	1,430,142	19%

Summary Consolidated Statements of Financial Position

	2016	2015	2014	Vertical Analysis			
				Increase (Decrease)		Increase (Decrease)	
				2016 vs. 2015	%	2015 vs. 2014	%
				In Thousand Pesos			
Current Assets	3,383,713	3,670,086	3,181,492	(286,373)	-84%	488,594	34%
Noncurrent Assets	6,042,981	5,414,927	4,473,379	628,054	184%	941,548	66%
Total Assets	9,426,694	9,085,013	7,654,871	341,681	100%	1,430,142	100%
Current Liabilities	2,227,747	2,440,566	2,076,816	(212,819)	-62%	363,750	25%
Noncurrent Liabilities	652,388	106,573	152,025	545,815	160%	(45,452)	-3%
Non-controlling interests	-	-	7,378	-	0%	(7,378)	-1%
Equity attributable to equity holders of the Parent	6,546,559	6,537,874	5,418,652	8,685	3%	1,119,222	78%
Total Liabilities and Equity	9,426,694	9,085,013	7,654,871	341,681	100%	1,430,142	100%

Summary Consolidated Statements of Cash Flows

	For the Years Ended		For the Six Months Ended
	December 31		
	2016	2015	2014
	<i>In Thousand Pesos</i>		
Net Cash Flows From (Used in):			
Operating Activities	603,946	776,154	3,308,321
Investing Activities	(531,309)	(1,593,944)	(2,103,286)
Financing Activities	(43,305)	602,883	(757,923)
Net Increase (Decrease) in Cash	29,332	(214,907)	447,112
Effect of Exchange Rate Changes on Cash	19,734	25,914	11,593
Cash at Beginning of Year	502,876	691,869	233,164
Cash at End of Year	551,942	502,876	691,869

RESULTS OF OPERATIONS

Calendar year ended December 31, 2016 compared with calendar year ended December 31, 2015

Sale of Nickel Ore

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%. 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%, 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 last year. 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 0.056 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 last year's average of

US\$26.69/WMT to only US\$17.93/WMT average for the year ended December 31, 2016 lower by US\$8.76/WMT or 33%.

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 this year, a decrease by ₱1,201.7 million, or 34%. The decrease in cost of sales was due to decline in the volume shipped, change in product mix as more low grade ores were shipped in 2016 as compared to the same period in 2015 and as the result of cost rationalizations and greater operational efficiencies.

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%. Moreover, there was a decrease in equipment rentals by ₱35.6 million or 50%, 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 Philippine Mining Reporting Code Competent Person's (PMRC-CP 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% 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%.

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 27%. 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.

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%. 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.

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%. 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 24%. 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 31%. 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 72%. The increase 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 the prior year.

Provision for (Benefit from) Income Tax

Current

The current provision for income tax represents minimum corporate income tax (MCIT) for the year ended December 31, 2016 and 2015. Effective November 2007, the Company was entitled to income tax holiday as one of the incentives granted by the Board of Investments as a non-pioneer enterprise. The Company'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 last year, an increase of the provision amounting to ₱99.0 million, or 181%. 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 97%.

Other Comprehensive Income – net of tax

Cumulative Translation Adjustment

The Company 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 Company had a net valuation loss on AFS financial assets of nil and ₱0.5 million in the year 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.

Calendar year ended December 31, 2015 compared with six months ended December 31, 2014 compared with fiscal year ended June 30, 2014

The Company's fiscal year began on July 1 and ended on June 30 prior to the acquisition of PGM by the Company on December 22, 2014. SGV has audited and rendered an unqualified audit report on the Company's consolidated financial statements as of December 31, 2015 and 2014 and for the year ended December 31, 2015, for the six months ended December 31, 2014 and for the fiscal year ended June 30, 2014. On December 22, 2014, the Philippine SEC approved the amendment of the fiscal year of the Company to commence on the first day of January and end on the last day of December beginning in fiscal year 2015.

Total Comprehensive Income

For the year ended December 31, 2015, the Group has total comprehensive income of ₱1,111.8 million, compared to ₱4,812.4 million for the six (6) months ended December 31, 2014 and ₱1,674.6 million for the fiscal year ended June 30, 2014.

The foregoing result was due to the decrease in the volume shipped and decline in the selling price of nickel ore. The Company's mining operations encountered unusually heavy rainfall during the months of June and August that slowed down ship loading activities and necessitated longer time to reduce moisture content to the acceptable and desired level of 33%. This brought down total shipments to ninety nine (99) vessels as compared to one hundred seventeen (117) vessels in the previous year. In addition, the decrease in the value of the ores shipped was exacerbated by the decline in nickel ore prices from 2014 average of US\$43.30/WMT to US\$26.69/WMT average for 2015, lower by US\$16.61/WMT or 38%.

FINANCIAL POSITION

Calendar year as at December 31, 2016 and 2015

As at December 31, 2016, total assets of the Group stood at ₱9,426.7 million, up by ₱341.7 million or 4%, from ₱9,085.0 million as at December 31, 2015.

Current assets were ₱3,383.7 million as at December 31, 2016 compared to ₱3,670.1 million as at December 31, 2015, a decrease of ₱286.4 million or 8%. The decrease in current assets was caused primarily by the decrease in inventory of ₱367.8 million or 57% due to the usage of inventory in the construction of roads and trails in the mining area; and decrease in finance lease receivable of ₱95.7 million or 57% due to the mutual agreement between the Group and Frasec Ventures Corporation to terminate the mining contract which resulted to the termination of the finance lease and derecognition of the corresponding finance lease receivable. This was offset by the increase in trade and other receivables of ₱146.4 million or 21% and cash of ₱49.1 million or 10%.

Noncurrent assets increased by ₱628.1 million or 12% from ₱5,414.9 million as at December 31, 2015 to ₱6,043.0 million as at December 31, 2016. The increase was mainly due to increase in deposits for future acquisition of ₱566.1 million or 34% as a result of the Deed of Assignments entered by the Company in relation to the planned acquisition of SPNVI; additional mine exploration costs incurred during the year amounting to ₱83.0 million and other noncurrent assets rose by ₱150.9 million or 28% as a result of the additional US\$3 million Debt Service Reserve Account requirement on the Taiwan Cooperative Bank (TCB) loan. This was offset by the decrease in noncurrent portion of finance lease receivable of ₱158.9 million or 50% (as mentioned in the current assets section) and deferred tax assets of ₱39.5 million or 40% due to the application of net loss carry over in 2016.

Total current liabilities decreased by ₱212.8 million as at December 31, 2016 from the ₱2,440.6 million as at December 31, 2015 which was the due to the payment of trade payables and the application of advances from customers on Group's trade collectibles.

Total noncurrent liabilities increased by ₱545.8 million during the year from ₱106.6 million as at December 31, 2015 as a result of assignment of payable to the Group.

Calendar year as at December 31, 2015 and 2014

Total assets amounted to ₱9,085.0 million and ₱7,654.9 million as at December 31, 2015 and 2014, respectively, an increase of ₱1,430.1 or 19%, due to increase in current assets by ₱488.6 million in 2015 from ₱3,181.5 million as at December 31, 2014 due primarily to the increase in trade receivables and ore inventories.

Total current liabilities increased by ₱363.8 million as at December 31, 2015 from ₱2,076.8 million as at December 31, 2014 which was the net effect of payments of maturing loans and the availment of additional service vehicle loans and short-term dollar loan amounting to US\$20.0 million equivalent to ₱941.2 million.

Total noncurrent liabilities insignificantly reduced to ₱106.6 million from ₱152.0 million, a decrease by ₱45.4 million or 30%, as a result of currently maturing portions of long-term bank loan and finance lease obligation.

Cash Dividends Payable and Treasury Stock Distributable as Dividends

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

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

On May 22, 2013, the BOD of the 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 as at December 31, 2016 and will be reissued to such investors subsequent to year-end.

As at December 31, 2016 and 2015 dividends payable amounted to ₱20.3 million and ₱20.3 million, respectively.

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

Capital Stock

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

	2016	2015
Authorized shares	11,957,161,906	35,871,428,572
Par Value	₱1.05	₱0.35
Total Authorized Capital Stock	12,555,020,001.30	35,871,428,572
Issued shares	5,822,357,151	17,467,014,310
Total Capital Stock (amounts in thousand Pesos)	6,113,475	6,113,455

The 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 above, 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 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.

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

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

Treasury Stock

The Company has 6,335,752 shares (after the reverse stock split) amounting to ₱17.8 million and 7,258 shares (before the reverse stock split) amounting to ₱18.4 thousand in treasury stock as at December 31, 2016 and 2015, respectively.

As at December 31, 2016, the Company purchased a total of 6,333,333 common shares (after the reverse stock split) at an average price of ₱2.81 per share. The estimated number of shares for re-purchase, approved and authorized by the BOD on June 29, 2016 is up to ten percent (10%) of the total outstanding shares of the Company.

Employee Stock Option Plan (ESOP)

On June 29, 2016, the BOD and stockholders of the Company, approved the ESOP and buyback program. The grant date of the ESOP is still subject to the determination and approval by the Company's compensation committee.

Key Performance Indicators (KPIs)

The Group identified the following KPIs:

<i>KPI</i>	<i>Formula</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>
Profitability				
1. Return on Equity	Profit for the Year / Average Total Equity	0.57%	18.59%	88.78%
2. Return on Assets	Profit for the Year / Average Total Assets	0.41%	13.28%	62.93%
3. Earnings Per Share	Profit for the Year / Weighted Average Number of Common Shares Outstanding	0.01	0.22	0.97
Leverage				
4. Debt-to-Equity Ratio	Total Liabilities / Total Equity	0.44:1	0.39:1	0.41:1
Liquidity				
5. Current Ratio	Current Assets / Current Liabilities	1.52:1	1.50:1	1.53:1

Trends, events or uncertainties

Recent trends

The softness of nickel prices as reflected in LME 3-month nickel price continued into 2015 as investor confidence has been shaken by increasing concern over the global economy, a relatively strong US dollar, and falling oil prices. The ending of the US Federal Reserve's QE program has continued to boost the US dollar as have the ongoing concerns over the robustness of Chinese and European economic growth into 2015. LME nickel prices appear to have bottomed in 4Q 2015 for the 3-month nickel price and 1Q 2016 for the spot nickel price.

Outlook

The LME 3-month price is forecast to average \$9,790/t (\$4.44/lb) in 2016. In 2017, with the market estimated to record a lower than initially estimated surplus or even a deficit given the resiliency of Chinese nickel demand, prices are forecast to move higher. We are forecasting the LME 3-month nickel price to average \$11,893/t (\$5.39/lb) in 2017. Over the latter part of the forecast period, should the stocks to consumption ratio fall resulting in increasing cost pressures on the NPI sector, we should see further upside for prices well into 2018.

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, 2016.

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.

Item 7. Financial Statements

A copy of the audited consolidated financial statements of the Company as at December 31, 2016 and 2015 and for the years ended December 31, 2016 and 2015 and six months ended December 2014 is attached hereto as **Annex “A”** and incorporated herein by reference.

Statement of Management’s Responsibility - See Statement of Management’s Responsibility for Financial Statements attached to the audited consolidated financial statements.

Schedule of Financial Soundness Indicators – The schedule was attached to the audited consolidated financial statements.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

SGV

The consolidated financial statements of the Company and Subsidiaries as at December 31, 2016 and 2015 and for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014 have been audited by SGV, a member firm of Ernst & Young Global Limited, independent auditors, as set forth in their reports appearing herein.

The following table sets out the aggregate fees billed for each of the last two (2) years for professional services rendered by SGV, excluding fees directly related to the Offer.

	For the Years Ended December 31,	
	2016	2015
	(P thousands)	
Audit and Audit-Related Fees ⁽¹⁾	12,243.3	12,979.3
Non-Audit Services ⁽²⁾	17,297.6	13,145.9
Total	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 PGM’s corporate restructuring. The fees presented above include out-of-pocket expenses incidental to the work performed, the amounts of which do not exceed 10.0% of the agreed-upon engagement fees.

There was no event in the past where SGV had any disagreement with the Company regarding any matter relating to accounting principles or practices or financial statement disclosure or auditing scope or procedure.

Change in Auditors

The independent auditors for the Company were changed from Navarro, Amper & Co. to SGV effectively from July 2014 after the acquisition of 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, PGMC's, and its other subsidiaries' financial conditions. SGV was also appointed by the Company as its auditors. There were no disagreements between the two auditing firms.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The following persons are the incumbent directors and officers of the Company who were elected at the Annual Meeting of the Board of Directors held on June 29, 2016, to serve as such until the election and qualification of their respective successors at the next Annual Meeting of the Stockholders:

Directors and Executive Officers of the Company

<u>Name</u>	<u>Age</u>	<u>Nationality</u>	<u>Position</u>
Joseph C. Sy	50	Filipino	Chairman
Dante R. Bravo	41	Filipino	President
Ming Huat Chua	54	Malaysian	Vice Chairman
Mary Belle D. Bituin	49	Filipino	Director, Senior Vice President and Chief Financial Officer
Francis C. Chua	68	Filipino	Director
Dennis Allan T. Ang	40	Filipino	Director
Luis N. Yu, Jr.	61	Filipino	Director
Gu Zhi Fang	43	Chinese	Director
Edgardo G. Lacson	77	Filipino	Independent Director
Roberto C. Amores	64	Filipino	Independent Director
Noel B. Lazaro	47	Filipino	Senior Vice President for Legal and Regulatory Affairs Corporate Secretary, Compliance Officer and Corporate Information Officer
Carlo A. Matilac	43	Filipino	Senior Vice President for Operations
Eveart Grace Pomarin-Claro	36	Filipino	Assistant Corporate Secretary and Alternate Corporate Information Officer

Directors and Executive Officers of the Company

Joseph C. Sy
Chairman, and Director

Mr. Sy became Chairman of the Board of Directors on August 6, 2015. He became president of PGMIC and Company in July 2011 and on August 29, 2014, respectively. He is also a Director and Chairman of Iplan 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 fifteen years of experience in managing and leading companies engaged in mining and mineral exploration and development.

Dante R. Bravo
President and Director

Mr. Bravo became the President of the Company, PGMIC and INC on August 6, 2015. He served as Executive Vice President of the Company. He has been a Director of PGMIC since 2011. He was the Executive Vice President and Corporate Secretary of PGMIC from 2011 to 2015. He was Chief Finance Officer of PGMIC 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.

Ming Huat Chua
Vice Chairman of the Board of Directors

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 the Carleton University in Ottawa, Canada.

Mary Belle D. Bituin
Chief Financial Officer and Treasurer

Ms. Bituin became a Director of the Company on October 22, 2014. She has been the Chief Finance Officer of the Company and PGMIC since January 1, 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.

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.

Luis N. Yu, Jr.

Director

Mr. Yu Jr. became a Director of the Company on June 29, 2016. Mr. Yu, Jr. has been the Chairman *Emeritus* of 8990 Holdings, Inc. since 2012. He is also the Chairman of Ceres Homes, Inc. since 2002 and the President of Deca Housing Corporation since 1995. He holds a Master's Degree in Business Management from the Asian Institute of Management and a Bachelor of Arts Major in Social Science from the Velez College in Cebu City.

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 master 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 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

Noel B. Lazaro

Senior Vice President for Legal and Regulatory Affairs, Corporate Secretary 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.

Carlo A. Matilac

Senior Vice President Operations

Mr. Matilac became the Senior Vice President for Operations of the Company on July 29, 2015. He has been the Senior Vice President for Operations of PGMC since 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 Master in Business Administration from the Saint Paul University.

Eveart Grace Pomarin-Claro

Assistant 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.

Involvement of Directors and Officers in Legal Proceedings

The Company is not aware of any of the following events during the past five (5) years involving the directors or executive officers of the Company:

- (a) any bankruptcy petition filed by or against any business of which any of the directors or executive officers was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior to that time;
- (b) any conviction by final judgment in a criminal proceeding, domestic or foreign, or any criminal proceeding, domestic or foreign, pending against any of the directors or executive officers;
- (c) 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 the involvement of any of the directors or executive officers in any type of business, securities, commodities or banking activities, and
- (d) any finding 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 electronic marketplace or self-regulatory organization that any of the directors or executive officers has violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Family Relationships

There are no family relationships between any director and any member of the Company's Senior Management except that Mr. Sy and Ms. Gu are husband and wife.

Significant Employees

No person, who is not a director or an executive officer, is expected to make a significant contribution to the business of the Company. Neither is the business highly dependent on the services of key personnel.

Item 10. Executive Compensation

EXECUTIVE COMPENSATION SUMMARY

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 Director
Dante R. Bravo	President and Director
Mary Belle D. Bituin	Treasurer/ Senior Vice President for Finance/ Human Resources Department/ Director
Noel B. Lazaro	Senior Vice President for Legal and Regulatory Affairs, Corporate Secretary 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, 2016, and 2015:

	Year	Total⁽¹⁾ (In million ₱)
Chairman and the three most highly compensated executive officers named above	2015	39.33
	2016	42.22
Aggregate compensation paid to all other officers as a group unnamed	2015	36.67
	2016	39.10

Note:

(1) Includes salary, bonuses and other income.

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.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

- (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.

Item 11. Security Ownership of Certain Beneficial Owners and Management

- (1) Security Ownership of Certain Record and Beneficial Owners and Management as of **December 31, 2016**

<i>Title of Class</i>	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Ownership
Common	Sohoton Synergy, Inc. 7 th Floor, Corporate Business Center, 151 Paseo de Roxas cor. Arnaiz St., Makati City Shareholder	Direct	Filipino	1,080,141,511	18.55%
Common	Huatai Investment Holding Pty, Ltd Auburn, Australia, Shareholder	Direct	Australian	974,476,713	16.74%
Common	Regulus Best Nickel Holdings, Inc. 7 th Floor, Corporate Business Center, 151 Paseo de Roxas cor. Arnaiz St., Makati City Shareholder	Direct	Filipino	523,154,841	08.99
Common	Ultimate Horizon Capital, Inc. 7 th Floor, Corporate Business Center, 151 Paseo de Roxas cor. Arnaiz St., Makati City Shareholder	Direct	Filipino	355,286,562	06.10%

Common	Blue Eagle Elite Venture, Inc. 7 th Floor, Corporate Business Center, 151 Paseo de Roxas cor. Arnaiz St., Makati City Shareholder	Direct	Filipino	348,769,779	05.99
Common	Bellatrix Star, Inc. 7 th Floor, Corporate Business Center, 151 Paseo de Roxas cor. Arnaiz St., Makati City Shareholder	Direct	Filipino	187,953,307	03.23%
Common	Alpha Centauri Fortune Group, Inc. 7 th Floor, Corporate Business Center, 151 Paseo de Roxas cor. Arnaiz St., Makati City Shareholder	Direct	Filipino	187,952,135	03.23%

The shares held by Huatai Investment Holding Pty. Ltd., Sohoton Synergy, Inc., Regulus Best Nickel Holdings, Inc., Blue Eagle Elite Venture, Inc., Ultimate Horizon Capital, Inc., Bellatrix Star, Inc., and Alpha Centauri Fortune Group, Inc. will be voted or disposed by the persons who shall be duly authorized by these records.

(2) Security Ownership of Management as of December 31, 2016:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Joseph C. Sy	2,703,904,90(directly and indirectly)	Filipino	46.44%
Common	Dante R. Bravo	21,677,538	Filipino	0.37%
Common				
Common	Mary Belle D. Bituin	1	Filipino	0%
Common	Carlo A. Matilac	1	Filipino	0%
Common	Noel B. Lazaro	1,933,333	Filipino	0.3%

(3) Voting Trust Holders of 5% Or More

No person holds at least 5% or more than 5% of a class of securities under a voting trust or similar agreement, other than those set forth above.

Item 12. Certain Relationships and Related Transactions

There are no transactions during the past two (2) years to which the Company or any of its subsidiaries was or is to be a party, and in which a director, executive officer, stockholder owning ten percent (10%) or more and members of their immediate family had or are to have a direct or indirect material interest., except as provided in Note 30 of the audited consolidated financial statements for the year ended December 31, 2016 (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.

PART IV – EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

Please see attached audited financial statements of the Company for the years ended December 31, 2016 and 2015, and for the six months ended December 31, 2014 including schedules and supplementary schedules, as Annex A.

(b) Reports on SEC Form 17-C

During the period covered by this report, the Company reported on the following disclosures on SEC Form 17-C's and on the following financial statements, filed on the date indicated below:

Date	Results of BOD Meeting
4-08-2016	Approval of Audited Financial Statements
5-20-2016	Setting of date of Annual Stockholders' Meeting
6-29-2016	Board Approval of the following: 1. Employee Stock Option Plan 2. Buy-back program
6-29-2016	Annual Stockholders' Meeting and election of Directors
7-28-2016	Board of Directors' Organizational Meeting and election of officers.
8-22-2016	Board approval of the following: 1. Reverse stock split 2. Amendment of Articles of Incorporation 3. Amendment of By-Laws 4. Setting of date of Special Stockholders' Meeting
10-3-2016	Special Stockholders' Meeting approving the following: 1. Reverse stock split 2. Amendment of Articles of Incorporation 3. Amendment of By-Laws
10-20-2016	The Board of Directors authorized the Corporation to enter into a Memorandum of Cooperation ("MoC") with Baiyin Nonferrous Group Co., Ltd. to evaluate the economic feasibility of providing trade financing to FNI's operations in Ipilan, Palawan mine and of constructing an integrated 200-series stainless steel plant in the Philippines with an annual capacity of one million tons using lower grade nickel ore sourced in the Philippines (an estimated total investment of around USD500 to USD700 million). For this purpose, the Corporation's Chairman, Joseph C. Sy, is authorized to negotiate the terms and conditions of

	the MoC as he may deem beneficial to the Corporation and to sign all papers and/or documents in connection with and pursuant to the foregoing authority.
12-13-2016	The Board ratified the filing of the registration statement with the Commission and the filing of the listing applications and its annexes with the PSE and authorized any one of Dante R. Bravo, Noel B. Lazaro or Mary Belle D. Bituin as signatories.

PART V – CORPORATE GOVERNANCE

Compliance with the Manual of Corporate Governance

In 2011, the Corporation adopted a Revised Manual on Corporate Governance pursuant to SEC Memorandum Circular No. 6, Series of 2009 and in amendment of its Manual on Corporate Governance dated August 21, 2002 as amended in June 2010.

By Certification dated January 7, 2013, the Corporate Secretary and Compliance Officer of the Company certified, as countersigned by the President, that to the best of her knowledge, information and belief, there is no material deviation from the Company's Revised Manual on Corporate Governance.

On December 1, 2014, the Board of Directors approved the Confirmation of Adoption of Manual of Corporate Governance of the Company.

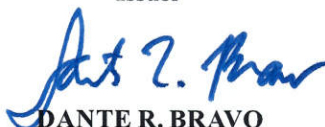
To ensure compliance with the Revised Manual on Corporate Governance, the Compliance Officer shall, among other things, (i) monitor compliance with the provisions and requirements of the Revised Manual on Corporate Governance, (ii) determine violations thereof and recommend possible penalties for violation for further review and approval of the Board, and (iii) identify, monitor, and control compliance risks. Further, not later than 30th day of January each year, the Compliance Officer shall issue a certification on the extent of the Company's compliance with its Revised Manual on Corporate Governance for the completed year and explain the reason/s for any deviation therefrom.

SIGNATURE

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Makati on APR 12 2017 April 2017.

GLOBAL FERRONICKEL HOLDINGS, INC.

Issuer



DANTE R. BRAVO

President



MARY BELLE D. BITUIN

Treasurer and Chief Finance Officer



MARIO A. NEVADO

AVP for Finance



NOEL B. LAZARO

**Corporate Secretary/ Compliance Officer/
Corporate Information Officer**

SUBSCRIBED AND SWORN to before me this APR 12 2017 day of April 2017, affiant exhibiting to me his _____ issued on _____ in _____.

Doc. No.: 144 ;
Page No.: 30 ;
Book No.: 90 ;
Series of 2017.



ATTY. JOHN DOMINGO A. PONCE, JR.
NOTARY PUBLIC
APPOINTMENT No. M-202 / MAKATI CITY
UNTIL DECEMBER 31, 2018
PTR No. 5910004 / 01-3-2017 / MAKATI CITY
JBP No. 1054197 / 12-19-2016 / RIZAL
MCKE COMPLIANCE No V-0023350 / 08-03-2016
ROLL NO. 36452
Unit G-14 Makati Executive Tower 3
Sen. Gil Puyat Avenue, Pio del Pilar,
Makati City, Metro Manila

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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

COMPANY NAME

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

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

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

Form Type

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

Department requiring the report

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

Secondary License Type, If Applicable

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

COMPANY INFORMATION

Company's Email Address

www.gfni.com.ph

Company's Telephone Number

(632) 519-7888

Mobile Number

N/A

No. of Stockholders

1,711

Annual Meeting (Month / Day)

6/29

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Mary Belle D. Bituin

Email Address

MDbituin@gfni.com.ph

Telephone Number/s

(632) 519-7888

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

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

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

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





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

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA Greenhills

Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Global Ferronickel Holdings, Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2016 and 2015**, 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 financial statements including the schedules attached therein, and submits the same to the stockholders.

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, has expressed its opinion on the fairness of presentation upon completion of such audit.

JOSEPH C. SY/ Chairman

DANTE R. BRAVO/ President

MARY BELLE D. BITUIN/ Chief Financial Officer

Signed this 3rd day of April 2017

SUBSCRIBED AND SWORN to before me this APR 17 2017 in MAKATI CITY,
Philippines, affiants exhibiting their:

Names

Dante R. Bravo

Joseph C. Sy

Mary Belle D. Bituin


TIN No.

242-508-759

189-795-219

102-096-952

Doc No. 199;
Page No. 40;
Book No. 56;
Series of 2017.



ATTY. JOHN DOMINGO A. PONCE, JR.
NOTARY PUBLIC
APPOINTMENT No. M-202 / MAKATI CITY
UNTIL DECEMBER 31, 2018
PTR No. 3910004 / 01-3-2017 / MAKATI CITY
IBP No. 1054197 / 12-19-2016 / RIZAL
MCLE COMPLIANCE No V-0023350 / 08-03-2016
ROLL NO. 38452
Unit G-14 Makati Executive Tower 3
San. Gili Puyat Avenue, Pio del Pilar,
Makati City, Metro Manila

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and 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, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014 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, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014 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

The estimation of ore reserves involves significant management estimates and assumptions. Reserves are key inputs to depletion, amortization and decommissioning provisions. The Group's mining properties and mining rights amounting to ₱756.1 million and ₱264.9 million, respectively, as at December 31, 2016 are amortized using the units-of-production method, as discussed in Notes 8 and 10 to the consolidated financial statements. On June 30, 2016, the total ore estimates pertaining to the mining properties and to the mining rights were changed based on the latest technical report resulting in lower depletion rate (see Note 3). This matter is significant to our audit because the estimation of the mineable ore reserves for projects located in Cagdianao, Claver, Surigao del Norte for the remaining life of the mines requires significant estimation from the management.

Audit Response

We obtained an understanding of management's processes in the estimation of mineable ore reserves. We evaluated the competence, capabilities and objectivity of the management's specialist. We reviewed the specialist's report and obtained an understanding of the nature, scope and objectives of their work, and the basis of the estimates including any changes in the reserves during the year. In addition, we tested the reserves estimates 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 ₱223.8 million as at December 31, 2016 represents the expenditures incurred by the Group for the Cagdianao areas, which are still under exploration. The ability of the Group to recover its mine exploration costs would depend on the commercial viability of the reserves. The substantial amount of this account, the level of additions during the year and the significant management judgement required in assessing whether there is any indication that the mine exploration costs may be impaired are key audit matters in our audit. See Notes 3 and 12 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's capitalization policy and tested whether the policy has been applied consistently. We obtained management's assessment on whether there is any indication that mine exploration costs may be impaired and reviewed relevant updates on the current status of the Cagdianao areas under exploration and future management plans. We reviewed contracts and agreements, and the budget for exploration costs. We obtained and reviewed the licenses, permits and correspondence with regulatory agencies 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 and will not expire in the near future.



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, 2016, 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, 2016 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
Jaime F. del Rosario.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario

Partner

CPA Certificate No. 56915

SEC Accreditation No. 0076-AR-4 (Company A),

May 1, 2016, valid until May 1, 2019

Tax Identification No. 102-096-009

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

March 24, 2015, valid until March 23, 2018

PTR No. 5908689, January 3, 2017, Makati City

April 3, 2017



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE

The Board of Directors and Stockholders
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 (formerly Southeast Asia Cement Holdings, Inc; the Group) as at December 31, 2016 and 2015 and for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014 and have issued our report thereon dated April 3, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the 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.



Jaime F. del Rosario

Partner

CPA Certificate No. 56915

SEC Accreditation No. 0076-AR-4 (Company A),

May 1, 2016, valid until May 1, 2019

Tax Identification No. 102-096-009

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

March 24, 2015, valid until March 23, 2018

PTR No. 5908689, January 3, 2017, Makati City

April 3, 2017



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

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash (Note 4)	₱551,942	₱502,876
Trade and other receivables (Note 5)	847,175	700,770
Advances to related parties (Note 30)	1,614,084	1,639,231
Current portion of finance lease receivable (Note 18)	72,282	167,949
Inventories - at cost (Note 6)	275,983	643,783
Prepayments and other current assets (Note 7)	22,247	15,477
Total Current Assets	3,383,713	3,670,086
Noncurrent Assets		
Property and equipment (Note 8)	2,111,973	2,048,979
Deposits for future acquisition (Note 30)	2,217,354	1,651,247
Mining rights (Note 10)	264,888	301,605
Investment property (Note 11)	319,865	319,865
Mine exploration costs (Note 12)	223,807	140,790
Finance lease receivable - net of current portion (Note 18)	160,670	319,593
Deferred tax assets - net (Note 31)	58,310	97,785
Investment in an associate (Note 9)	116	-
Other noncurrent assets (Note 13)	685,998	535,063
Total Noncurrent Assets	6,042,981	5,414,927
TOTAL ASSETS	₱9,426,694	₱9,085,013
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	₱548,229	₱812,948
Current portion of bank loans (Note 15)	998,695	987,350
Amounts owed to related parties (Note 30)	666,481	624,211
Current portion of finance lease liabilities (Note 18)	2,416	14,994
Income tax payable	11,926	1,063
Total Current Liabilities	2,227,747	2,440,566
Noncurrent Liabilities		
Bank loans - net of current portion (Note 15)	713	7,234
Provision for mine rehabilitation and decommissioning (Note 16)	67,123	58,259
Retirement obligation (Note 17)	47,882	39,985
Finance lease liabilities - net of current portion (Note 18)	3,137	-
Other noncurrent liabilities (Note 19)	533,533	1,095
Total Noncurrent Liabilities	652,388	106,573
Total Liabilities	2,880,135	2,547,139
Equity		
Capital stock (Note 20)	6,113,475	6,113,455
Remeasurement gain on retirement obligation (Note 17)	5,342	2,277
Cumulative translation adjustment	(14,106)	-
Retained earnings (Note 20)	459,654	422,160
Treasury stock (Note 20)	(17,806)	(18)
Total Equity	6,546,559	6,537,874
TOTAL LIABILITIES AND EQUITY	₱9,426,694	₱9,085,013

See accompanying Notes to Consolidated Financial Statements.



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Southeast Asia Cement Holdings, Inc. and Subsidiaries)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
SALE OF NICKEL ORE (Note 34)	₱3,773,669	₱6,533,218	₱9,047,476
COST OF SALES (Note 22)	2,308,220	3,509,917	2,463,831
GROSS PROFIT	1,465,449	3,023,301	6,583,645
OPERATING EXPENSES			
Excise taxes and royalties (Note 23)	503,275	972,546	1,351,555
General and administrative (Note 24)	460,914	628,271	237,316
Shipping and distribution (Note 25)	290,405	166,472	63,749
	1,254,594	1,767,289	1,652,620
FINANCE COSTS (Note 28)	(67,696)	(88,891)	(73,323)
FINANCE INCOME (Notes 4 and 18)	6,505	9,431	3,465
SHARE IN NET LOSS OF AN ASSOCIATE (Note 9)	(184)	-	-
OTHER CHARGES - net (Note 29)	(32,373)	(115,500)	(77,424)
INCOME BEFORE INCOME TAX	117,107	1,061,052	4,783,743
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 31)			
Current	35,406	4,081	6,673
Deferred	44,207	(54,779)	(39,977)
	79,613	(50,698)	(33,304)
NET INCOME	37,494	1,111,750	4,817,047
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Currency translation adjustment - net of tax effect	(14,106)	-	-
Valuation loss on available-for-sale (AFS) financial assets (Note 13)	-	(506)	(337)
	(14,106)	(506)	(337)
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gain (loss) on retirement obligation - net of tax effect (Note 17)	3,065	600	(4,357)
	(11,041)	94	(4,694)
TOTAL COMPREHENSIVE INCOME	₱26,453	₱1,111,844	₱4,812,353
Net Income Attributable To:			
Equity holders of the Parent Company	₱37,494	₱1,111,750	₱4,809,681
Non-controlling interest (NCI)	-	-	7,366
	₱37,494	₱1,111,750	₱4,817,047
Total Comprehensive Income Attributable To:			
Equity holders of the Parent Company	₱26,453	₱1,111,844	₱4,804,995
NCI	-	-	7,358
	₱26,453	₱1,111,844	₱4,812,353
Basic/Diluted Earnings Per Share (EPS) on Net Income Attributable to Equity Holders of the Parent Company (Note 21)	₱0.01	₱0.22	₱0.97

See accompanying Notes to Consolidated Financial Statements.



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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 AND SIX MONTHS ENDED DECEMBER 31, 2014
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 20)	Additional Paid-in Capital (APIC; Note 20)	Treasury Stock (Note 20)	Valuation Gain (Loss) on AFS Financial Assets	Remeasure- ment Gain (Loss) on Retirement Obligation	Equity Reserve (Note 20)	Cumulative Translation Adjustment	Retained Earnings (Deficit; Note 20)	Total	NCI	Total Equity
Balances at June 30, 2014	₱2,451,372	₱127,171	(₱18)	₱842	₱6,025	(₱1,878,341)	₱-	₱964,764	₱1,671,815	₱1,678	₱1,673,493
Net income for the period	-	-	-	-	-	-	-	4,809,681	4,809,681	7,366	4,817,047
Other comprehensive loss for the period - net of tax	-	-	-	(336)	(4,350)	-	-	-	(4,686)	(8)	(4,694)
Total comprehensive income (loss) for the period	-	-	-	(336)	(4,350)	-	-	4,809,681	4,804,995	7,358	4,812,353
Issuance of shares through Share Swap, As restated (Notes 1 and 2)	3,662,083	1,695,121	-	-	-	(5,357,204)	-	-	-	-	-
Assumption and cancellation of GFHI receivables	-	-	-	-	-	(2,589,722)	-	-	(2,589,722)	-	(2,589,722)
Effect of acquisition of net assets of the accounting acquire	-	-	-	-	-	2,605,460	-	-	2,605,460	-	2,605,460
Application of APIC and retained earnings to equity reserve	-	(1,822,292)	-	-	-	7,210,807	-	(5,388,515)	-	-	-
Issuance of shares by Platinum Group Metals Corporation (PGMC)	-	-	-	-	-	9,000	-	-	9,000	-	9,000
Dividend declaration	-	-	-	-	-	-	-	(1,082,896)	(1,082,896)	(1,658)	(1,084,554)
Balances at December 31, 2014, As restated (Note 2)	6,113,455	-	(18)	506	1,675	-	-	(696,966)	5,418,652	7,378	5,426,030
Net income for the year	-	-	-	-	-	-	-	1,111,750	1,111,750	-	1,111,750
Other comprehensive income - net of tax	-	-	-	-	600	-	-	-	600	-	600
Unrealized gains transferred from equity to consolidated statements of comprehensive income	-	-	-	(506)	-	-	-	-	(506)	-	(506)
Total comprehensive income (loss)	-	-	-	(506)	600	-	-	1,111,750	1,111,844	-	1,111,844
Dilution of NCI (Note 1)	-	-	-	-	2	-	-	7,376	7,378	(7,378)	-
Balances at December 31, 2015	6,113,455	-	(18)	-	2,277	-	-	422,160	6,537,874	-	6,537,874
Net income for the year	-	-	-	-	-	-	-	37,494	37,494	-	37,494
Other comprehensive income (loss) - net of tax	-	-	-	-	3,065	-	(14,106)	-	(11,041)	-	(11,041)
Total comprehensive income (loss)	-	-	-	-	3,065	-	(14,106)	37,494	26,453	-	26,453
Issuance of common stock (Note 20)	20	-	-	-	-	-	-	-	20	-	20
Purchase of treasury shares (Note 20)	-	-	(17,788)	-	-	-	-	-	(17,788)	-	(17,788)
Balances at December 31, 2016	₱6,113,475	₱-	(₱17,806)	₱-	₱5,342	₱-	(₱14,106)	₱459,654	₱6,546,559	₱-	₱6,546,559

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended		Six Months
	December 31		Ended
	2016	2015	December 31
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱117,107	₱1,061,052	₱4,783,743
Adjustments for:			
Depreciation, depletion and amortization (Note 27)	388,108	594,483	92,683
Interest expense (Note 28)	60,387	75,716	55,348
Unrealized foreign exchange gains (loss) – net	36,296	(3,040)	3,041
Loss (gain) on disposals of property and equipment (Notes 8 and 29)	24,282	6,327	(91)
Net change in retirement obligation (Note 17)	10,123	9,278	(624)
Loss on acquisition of a subsidiary (Note 29)	7,356	–	–
Interest income (Notes 4 and 18)	(6,505)	(9,431)	(3,465)
Impairment loss on AFS financial assets (Notes 13 and 29)	1,433	2,445	–
Accretion interest on provision for mine rehabilitation and decommissioning (Notes 16 and 28)	1,401	1,117	549
Loss on modification of finance lease receivable (Notes 18 and 29)	1,037	86,885	–
Levelization of rental expense	409	743	34
Share in net loss of an associate (Note 9)	184	–	–
Amortization of discount on bank loans (Note 28)	–	2,068	6,650
Operating income before changes in working capital	641,618	1,827,643	4,937,868
Decrease (increase) in:			
Trade and other receivables	(77,810)	(403,448)	563,990
Inventories - at cost	367,800	(397,741)	51,065
Prepayments and other current assets	6,811	39,868	(187,487)
Decrease in trade and other payables	(259,389)	(210,403)	(1,997,001)
Net cash generated from operations	679,030	855,919	3,368,435
Interest paid	(51,811)	(73,848)	(58,304)
Income taxes paid	(24,543)	(7,119)	(2,855)
Interest received	1,270	1,202	1,045
Net cash flows from operating activities	603,946	776,154	3,308,321
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment (Notes 8 and 38)	(270,341)	(31,146)	(86,198)
Mine exploration costs (Note 12)	(83,017)	(131)	–
Decrease (increase) in:			
Advances to related parties	(15,708)	(1,499,565)	(2,003,156)
Deposits for future acquisition (Notes 30 and 38)	–	(23,055)	–
Other noncurrent assets	(152,361)	(41,629)	(34,481)
Repurchase of shares (Note 20)	(17,789)	–	–
Cash inflow from acquisition of net assets of a subsidiary	5,364	–	–
Proceeds from sale of property and equipment (Note 8)	2,543	–	–
Proceeds from insurance of property and equipment	–	1,582	227
Cash inflow from acquisition of net assets of accounting acquiree (Parent Company)	–	–	20,322
Net cash flows used in investing activities	(531,309)	(1,593,944)	(2,103,286)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of bank loans	(875,038)	(1,989,598)	(1,074,621)
Proceeds from:			
Availments of bank loans	832,396	2,339,014	302,935
Issuance of capital stock	20	–	9,000
Increase (decrease) in:			
Finance lease liabilities	(20,269)	(26,451)	(19,597)
Amounts owed to related parties	19,586	279,918	24,710
Other noncurrent liabilities	–	–	(350)
Net cash flows from (used in) financing activities	(43,305)	602,883	(757,923)
NET INCREASE (DECREASE) IN CASH	29,332	(214,907)	447,112
EFFECT OF EXCHANGE RATE CHANGES ON CASH (Note 29)	19,734	25,914	11,593
CASH AT BEGINNING OF YEAR	502,876	691,869	233,164
CASH AT END OF YEAR	₱551,942	₱502,876	691,869

See accompanying Notes to Consolidated Financial Statements.



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

1. Corporate Information

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 principal 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 (3) 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 (9) to ten (10) members;
- Increase in the authorized capital stock of the Parent Company from ₱2,555.0 million divided into 7,300,000,000 common shares with a par value of ₱0.35 per share to ₱12,555.0 million divided into 35,871,428,572 common shares with a par value of ₱0.35 per share; and
- Change in the reporting period from June 30 to December 31.



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

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

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

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; and
- 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.

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 (2) MOAs with the following:

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



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

On February 26, 2016, the BOI issued to PGMC the certification granting the renewal of PGMC's VAT zero-rated status. The certification is valid from February 9 up to December 31, 2016 unless sooner revoked by the BOI Governing Board.

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

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

- Pursuant to the MOA dated November 27, 2014 executed between the Parent Company and the Sellers, for the sale of 500,000 common shares and 6,250,000,000 preferred shares or one hundred percent (100%) interest of SPNVI for the purchase price of US\$50.0 million or its Philippine Peso equivalent, 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; and
- To allow SPNVI to complete the permitting processes of its mineral property covered by Mineral Production Sharing Agreement (MPSA) No. 017-93-IV granted by the Philippine Government to Celestial Nickel Mining Exploration Corporation (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 Corporation's Special Stockholders' Meeting held on February 26, 2015.

The Subsidiaries

PGMC

PGMC was registered with the 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.

Registration with the Board of Investments (BOI)

On November 16, 2007, PGMC was registered with the BOI as a new producer of beneficiated nickel ore on a non-pioneer status on its Surigao registered nickel project (see Note 35).

PGMC has been certified by BOI as a qualified enterprise for the purpose of value-added tax (VAT) zero-rating of its transactions pursuant to the terms and conditions set forth by the BOI.

On February 26, 2016, the BOI issued to PGMC the certification granting the renewal of PGMC's VAT zero-rated status. The certification is valid from February 9 up to December 31, 2016 unless sooner revoked by the BOI Governing Board.

Increase in Authorized Capital Stock

In March 2015, PGMC applied for an increase in authorized capital stock, from ₱715.4 million, consisting of 12,522,318,274 shares, to ₱1,515.4 million, consisting of 92,522,318,274 shares by increasing the



number of Class A common shares by 80,000,000,000 shares. The increase was approved by the Philippine SEC on May 19, 2015.

On April 22, 2015, 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 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%.

Surigao Integrated Resources Corporation (SIRC)

SIRC is a 99.98%-owned subsidiary of the Parent Company through PGMC and was registered with the SEC on July 16, 1999. Its primary purposes are to engage in the exploration and processing of minerals, petroleum and other mineral oils, to enter into financial and technical assistance agreements for the large scale exploration, development and utilization of mineral resources or otherwise engage in mining activities or enter into agreements as may be allowed by law.

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

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

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 99.98%-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 99.98%-owned subsidiary of the Parent Company through PGMC, was incorporated under the Companies Ordinance of Hong Kong. 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 (see Note 30a).

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.

Authorization for Issue

The accompanying consolidated financial statements of GFHI and Subsidiaries (the Group) as at December 31, 2016 and 2015 and for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014 were authorized for issue by the BOD on April 3, 2017.



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

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for quoted AFS financial assets, which are carried at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's 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 its subsidiaries is Philippine peso, except for PIL whose functional currency is Hong Kong Dollar (HK\$). All values are rounded to the nearest thousand (P000), 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 comparative June 30, 2014 information presented in the consolidated statements of changes in equity is that of PGMC Group, not originally presented in the previous financial statements of the legal parent (the Parent Company - accounting acquiree) and is also retroactively adjusted to reflect the legal capital (i.e., the number and type of "Capital stock" issued, "APIC" and "Treasury stock") of GFHI. The adjustment, which is the difference between the capital structure of PGMC Group and GFHI, is recognized as part of the "Equity reserve" in the consolidated statements of financial position. Refer to Note 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"; and
- e. The consolidated statements of comprehensive income for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014 reflect that of the PGMC Group for the full period. The six months ended December 31 2014 includes the post- combination results of GFHI (e.g. for the period from December 22, 2014 to December 31, 2014).



Reverse acquisition applies only to the consolidated financial statements. The Parent Company financial statements will continue to represent GFHI as a stand-alone entity as at December 31, 2016 and 2015.

Basis of Consolidation

The consolidated financial statements as at December 31, 2016 and 2015 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, except SIRC, 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; and
- The ability to use its power over the investee to affect its returns.

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

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

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

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.



NCI 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; and
- 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 (SIC)/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, 2016. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interest in Other Entities* and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Presentation of Financial Statements - Disclosure Initiative*
- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets, - Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*

Annual Improvements to PFRSs (2012-2014 cycle)

- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
- Amendment to PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- Amendment to PAS 19, *Employee Benefits - Discount Rate: Regional Market Issue*



- Amendment to PAS 34, *Interim Financial Reporting - Disclosure of information "Elsewhere in the interim financial report"*

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

Effective beginning on or after January 1, 2018

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



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

- *Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in OCI, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9. The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.
- *PFRS 15, Revenue from Contracts with Customers*
PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of adopting this standard.
- *PFRS 9, Financial Instruments*
PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

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



becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- *Amendments to PAS 40, Investment Property, Transfers of Investment Property*
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.
- *IFRIC 22, Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the 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 a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- *PFRS 16, Leases*
Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

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



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

Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements

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

Cash

Cash represents cash on hand and with banks.

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

Initial Recognition 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.

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

Financial assets within the scope of PAS 39 are classified in the following categories: financial asset at FVPL, loans and receivables, AFS financial assets, held-to-maturity (HTM) investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

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 are in the nature of loans and receivables and AFS financial assets. As at December 31, 2016 and 2015, there were no financial assets at FVPL, 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. They are not entered into with the intention of immediate or short-term resale and are not classified as "Financial assets held for trading", designated as "AFS financial assets" or "Financial assets designated at FVPL". After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in "Finance income" in the consolidated statement of comprehensive income. Any 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 twelve (12) months from the end of the reporting period or within the Group's operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2016 and 2015, the Group's loans and receivables include cash, trade and other receivables and advances to related parties (see Notes 4, 5 and 30).

AFS Financial Assets

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

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

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

As at December 31, 2016 and 2015, the Group's AFS financial assets consist of quoted equity instruments (see Note 13).

Derecognition

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

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

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

Impairment of Financial Assets

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



that loss event has an effect on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

Loans and Receivables

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

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

Interest income continues to be recognized based on the original EIR of the asset. The interest income is recorded as part of "Finance income" in the consolidated 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 Assets

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

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



Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, 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 loans and borrowings and payables, net of directly attributable transaction costs.

All financial liabilities are recognised 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 are in the nature of loans and borrowings and trade and other payables. As at December 31, 2016 and 2015, the Group has no financial liabilities at FVPL or as derivatives designated as hedging instruments in an effective hedge.

Subsequent Measurement

Loans and Borrowings and Trade and Other Payables

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

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

Loans and borrowings, trade and other payables are included under current liabilities if it will be settled within twelve (12) months after the end of the reporting period. Otherwise, these are classified as noncurrent liabilities.

As at December 31, 2016 and 2015, the Group’s loans and borrowings and trade and other payables include trade and other payables (excluding statutory payables), payable to Brooks Nickel Ventures, Inc. (BNVI) and previous stockholders of CNMEC which are under other noncurrent liabilities, bank loans, and amounts owed to related parties (see Notes 14, 15, and 30).

Derecognition

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in the consolidated 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 has a currently enforceable right of offset if the right is not



contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Fair Value Measurement

The Group measures financial instruments, such as AFS financial assets, at fair value at each reporting period. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 33.

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 - Other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3 - Techniques which use inputs that have a significant effect on the recorded fair value that are not based on unobservable market data

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.

Inventories

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. The NRV of nickel ore inventories is



the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The NRV of materials and supplies is the current replacement cost. In determining NRV, the Group considers any adjustment necessary for obsolescence.

Prepayments and Other Current and Noncurrent Assets

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

Input VAT

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

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

Deposits for Future Acquisition

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

Property and Equipment

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

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

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

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

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

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



Mine development costs consist of capitalized costs previously carried under “Mine exploration costs”, which are transferred to mining properties under “Property and equipment” upon start of commercial operations. The net carrying amount of mine development costs, including the capitalized cost of mine rehabilitation and decommissioning, is depleted using the unit-of-production (UOP) method based on the estimated economically recoverable 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 recoverable reserves, estimated useful lives and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, residual values, if any, periods and methods of depreciation and depletion are consistent with the expected pattern of economic benefits from items of property and equipment. The residual values is reviewed and adjusted, if appropriate, at each end of the reporting period. If there is an indication that there has been a significant change in depreciation and depletion rate, useful life, mineral reserve estimates or residual value of an asset, the depreciation and depletion of that asset is revised prospectively to reflect the new expectations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated 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 financial year and adjusted prospectively, if appropriate. Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

Investment in an Associate

An associate is an entity over which the Parent Company 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 Parent Company’s investment in its associate are 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 Parent Company’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 Parent Company’s share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Parent Company’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 statement of changes in equity. Unrealized gains and losses resulting from transactions between the Parent Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Parent Company’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 non-controlling interests in the subsidiaries of the associate. If the Parent Company’s



share of losses of an associate equals or exceeds its interest in the associate, the Parent Company discontinues recognizing its share of further losses.

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

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 (CMDIC) to the Group under the Deed of Assignment. It also includes initial deferred exploration costs incurred by the Group relative to the exploration works on the mining properties.

Mining rights with finite useful life is stated at cost less amortization and accumulated impairment in value. Impairment assessments are made if events or changes of circumstances indicate that the carrying value of the assets may not be recoverable.

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

Investment Property

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

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

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 reserve is established. Upon the start of commercial operations, such costs are transferred to property and equipment. If no mineable ore body is discovered, capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value.

Impairment of Non-Financial Assets

Property and Equipment, Mining Rights, Investment Property, Prepayments and Other Current and Noncurrent Assets 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 Parent Company determines whether it is necessary to recognize an additional impairment loss of the Parent Company's investment in an associate. The Parent Company 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 Parent Company 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.

Upon loss of significant influence over the associate, the Parent Company 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.

Mine Exploration Costs

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

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

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 and the risks specific to the liability. 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 are included under "Other noncurrent assets" in the consolidated statement of financial position.

OCI

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

Capital Stock

Common shares are classified as equity.

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

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

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

Treasury Stock

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

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



shares are sold, the treasury stock account is credited and reduced by the weighted average cost of the shares sold. The excess of any consideration over the cost is credited to APIC.

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

Retained Earnings and Dividends

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

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

Equity Reserve

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

NCI

NCI represent 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 they do not pertain to an integrated set of activities and assets that is 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 shareholders.

EPS

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

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



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

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 has two geographical segments and derives its revenues from domestic and foreign operations. The business and geographical segments are the bases upon which the Group reports its primary segment information. Financial information on segment reporting is presented in Note 40 to the consolidated financial statements.

Revenue Recognition

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

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

Sale of Nickel Ore

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

Interest Income

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

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

Cost and Expenses Recognition

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. Cost and expenses 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. They comprise mainly of contract hire, personnel costs, depreciation, depletion, and amortization, fuel, operation overhead and others, which are provided in the period when the goods are delivered.

Operating Expenses

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



Leases

Determination of Whether an Arrangement Contains a Lease

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

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

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

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

Operating Leases

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

Finance Leases

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

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

Retirement Benefits Costs

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

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

Defined benefit costs comprise the following:

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



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

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

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 profit or loss as a component of the gain or loss on disposal.

Income Taxes

Current Income Tax

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

Deferred Tax

Deferred tax is provided using balance sheet method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes 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; and
- In respect of taxable temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- In respect of deductible temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, deferred 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 asset to be recovered.

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

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

Contingencies

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

Events After the End of the Reporting Period

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



3. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

Assessing Production Start Date

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

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

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

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

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional 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 represents the economic substance of the Group's underlying transactions, events and conditions.

Assessing Existence of Significant Influence

In assessing whether significant influence still exists, the Parent Company considered not only its percentage ownership but other factors such as the board seat representations it has in the associate's governing body and its interchange of managerial personnel with the associate, among others.

As at December 31, 2016, the Parent Company assessed that it has significant influence over SPNVI and has accounted for the investment as an associate (see Note 9).



Estimates and Assumptions

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

Estimating Ore Reserves

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

In 2015, total ore estimate pertaining to Cagdianao Areas (CAGA) 1, 2, 3, 4 and 5 was 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 in February 2015. Total ore reserves estimate pertaining to the operating CAGA 2 and 4 was changed from 86.0 million WMT of ore resources to 20.3 million WMT of ore reserves which will have an impact on the remaining life of the Group's mining properties classified under "Property and equipment" and "Mining rights."

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

Effective July 1, 2016, there was a change in the ore reserves estimates used in calculating the depletion rate used for the depletion of mining properties and mining rights. The change was based on the latest PMRC-CP Technical Report dated September 15, 2016 with an indicated ore reserves estimate of 25.6 million WMT for operating CAGAs 2 and 4 out of the total indicated ore reserve of 35.5 million WMT for CAGAs 1 to 5 as at June 30, 2016. For the period January 1 to June 30, 2016 and for the year ended December 31, 2015, the rates used was based on the latest JORC Report received from Runge Pincock Minarco in February 2015 with an indicated ore reserves estimate of 20.3 million WMT for CAGAs 2 and 4 out of the total indicated ore reserve of 37.3 million WMT for CAGAs 1 to 5 (see Notes 8 and 10).

The change in estimates during the year resulted to lower depletion of mining properties and amortization of mining rights amounting to ₱90.4 million and ₱4.4 million, respectively.

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

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



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

Trade and other receivables amounted to ₱847.2 million and ₱700.8 million as at December 31, 2016 and 2015, respectively (see Note 5).

Allowance for impairment losses on trade and other receivables amounted to ₱17.4 million as at December 31, 2016 and 2015. There were no impairment losses recognized for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014 (see Note 5).

Advances to related parties amounted to ₱1,614.1 million and ₱1,639.2 million as at December 31, 2016 and 2015, respectively. There were no allowance for impairment losses on advances to related parties as at December 31, 2016 and 2015 (see Note 30).

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

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

As at December 31, 2016 and 2015, the carrying value of prepayments and other current assets amounted to ₱22.2 million and ₱15.5 million, respectively (see Note 7).

The carrying values of other noncurrent assets, excluding restricted cash and MRF, amounted to ₱362.6 million and ₱358.4 million as at December 31, 2016 and 2015, respectively. Allowance for impairment losses on input VAT amounted to ₱19.5 million as at December 31, 2016 and 2015 (see Note 13).

Assessing Recoverability of Mining Rights and Mine Exploration Costs

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

The Group has no provision for impairment loss on mining rights and mine exploration costs for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014.

As at December 31, 2016 and 2015, the carrying values of mining rights amounted to ₱264.9 million and ₱301.6 million, respectively (see Note 10).

As at December 31, 2016 and 2015, mine exploration costs amounted to ₱223.8 million and ₱140.8 million, respectively (see Note 12).



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 ₱58.3 million and ₱97.8 million as at December 31, 2016 and 2015, respectively. The Group has NOLCO amounting to ₱214.4 million, ₱613.1 million and ₱425.8 million as at December 31, 2016 and 2015 and six months ended December 31, 2014, respectively. The Group has excess MCIT amounting to ₱2.8 million, ₱2.3 million and ₱1.2 million as at December 31, 2016 and 2015 and six months ended December 31, 2014, respectively. Deferred tax asset on NOLCO amounting to nil and ₱43.5 million was recognized as at December 31, 2016 and 2015, respectively. Deferred tax asset on excess MCIT amounting to ₱2.8 million and ₱2.0 million was recognized as at December 31, 2016 and 2015, respectively (see Note 31).

Estimating Impairment Losses on AFS Financial Assets

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

In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities. The fair value of AFS financial assets amounted to ₱4.5 million and ₱5.9 million as at December 31, 2016 and 2015, respectively. Impairment loss recognized amounted to ₱1.4 million, ₱2.4 million and nil for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014, respectively (see Notes 13 and 29).

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 statement 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.

Provision for mine rehabilitation and decommissioning amounted to ₱67.1 million and ₱58.3 million as at December 31, 2016 and 2015, respectively (see Note 16).



Determining Fair Values of Financial Instruments

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

Any change in the fair value of financial assets and financial liabilities would directly affect net income (see Note 33).

Estimating Contingencies

The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 36).

4. Cash

	2016	2015
Cash on hand	₱897	₱614
Cash with banks	551,045	502,262
	₱551,942	₱502,876

Cash with banks earn interest at the respective bank deposit rates. Interest income earned on cash with banks amounted to ₱1.3 million, ₱1.2 million and ₱1.1 million for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014, respectively.

The Group has US\$-denominated cash with banks amounting to US\$9.1 million and US\$8.5 million as at December 31, 2016 and 2015, respectively, and HK\$-denominated cash with banks amounting to HK\$1.9 million and nil as at December 31, 2016 and 2015, respectively (see Note 32).

5. Trade and Other Receivables

	2016	2015
Trade	₱725,912	₱704,056
Advances to:		
Contractors	117,078	2,203
Officers, employees and others	21,544	11,870
	864,534	718,129
Less allowance for impairment losses	17,359	17,359
	₱847,175	₱700,770

Trade receivables arising from shipment of nickel ore are noninterest-bearing and are generally collectible within thirty (30) to ninety (90) days. The Group has US\$-denominated trade receivables as at December 31, 2016 and 2015 amounting to US\$16.5 million and US\$15.3 million, respectively, and HK\$-denominated trade receivables as at December 31, 2016 and 2015 amounting to US\$1.2 million and nil, respectively (see Note 32).

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



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

6. Inventories - at cost

	2016	2015
Beneficiated nickel ore	₱196,092	₱574,726
Materials and supplies	79,891	69,057
	₱275,983	₱643,783

The amount of inventorable cost charged to cost of sales in the consolidated statements of comprehensive income amounted to ₱1,548.4 million, ₱2,388.9 million and ₱1,921.5 million for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014, respectively (see Note 22).

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

7. Prepayments and Other Current Assets

	2016	2015
Prepaid rent (see Note 34)	₱14,143	₱463
Prepaid taxes and licenses	4,708	9,899
Prepaid insurance and others	3,396	5,115
	₱22,247	₱15,477

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

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

Prepaid insurance and others pertain to advance payments for the insurance of the Group's property and equipment and payments to Philhealth Care, Inc. for the Group's healthcare fund. These are expected to be realized within twelve (12) months after the end of reporting period.



8. Property and Equipment

December 31, 2016									
	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	₱53,992	₱758,319	₱7,468	₱4,855	₱1,393,187	₱595,612	₱18,247	₱2,842,115
Additions	-	1,607	181,757	4,142	632	5,788	237,177	2,474	433,577
Disposals	-	-	(36,372)	-	(174)	-	-	-	(36,546)
Currency translation adjustment	-	-	1,085	201	-	-	-	-	1,286
Adjustment to capitalized cost of mine rehabilitation (see Note 16)	-	-	-	-	-	7,463	-	-	7,463
Ending balances	10,435	55,599	904,789	11,811	5,313	1,406,438	832,789	20,721	3,247,895
Accumulated depreciation and depletion:									
Beginning balances	-	19,011	185,015	5,456	2,525	480,454	100,675	-	793,136
Depreciation and depletion (see Note 27)	-	6,219	134,813	1,858	905	169,902	38,720	-	352,417
Disposals	-	-	(9,602)	-	(119)	-	-	-	(9,721)
Currency translation adjustment	-	-	75	15	-	-	-	-	90
Ending balances	-	25,230	310,301	7,329	3,311	650,356	139,395	-	1,135,922
Net book values	₱10,435	₱30,369	₱594,488	₱4,482	₱2,002	₱756,082	₱693,394	₱20,721	₱2,111,973

December 31, 2015									
	Land	Building and Land Improvements	Machineries and Other Equipment	Furniture and Fixtures	Equipment and Supplies	Mining Properties	Roads and Bridges	CIP	Total
Cost:									
Beginning balances	₱10,435	₱46,014	₱543,482	₱6,844	₱4,134	₱1,396,257	₱592,545	₱16,104	₱2,615,815
Additions	-	7,978	237,539	702	643	-	3,067	2,143	252,072
Adjustment to capitalized cost of mine rehabilitation (see Note 16)	-	-	-	-	-	(3,070)	-	-	(3,070)
Disposals	-	-	(22,702)	-	-	-	-	-	(22,702)
Reclassifications	-	-	-	(78)	78	-	-	-	-
Ending balances	10,435	53,992	758,319	7,468	4,855	1,393,187	595,612	18,247	2,842,115
Accumulated depreciation and depletion:									
Beginning balances	-	13,400	102,081	4,532	1,742	119,893	68,274	-	309,922
Depreciation and depletion (see Note 27)	-	5,611	99,309	924	783	360,561	32,401	-	499,589
Disposals	-	-	(16,375)	-	-	-	-	-	(16,375)
Ending balances	-	19,011	185,015	5,456	2,525	480,454	100,675	-	793,136
Net book values	₱10,435	₱34,981	₱573,304	₱2,012	₱2,330	₱912,733	₱494,937	₱18,247	₱2,048,979



On February 26, 2015, the Group engaged JL Earthmoving Corporation (JLEC) as an additional mining contractor in CAGA 2 whereby some assets returned by 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” under “Property and equipment” (see Note 18).

Part of the returned assets are damaged equipment due to accident with a book value amounting to ₱2.9 million. The Group received proceeds from insurance amounting to ₱1.6 million and a loss amounting to ₱1.0 million was recognized as part of the total loss on modification of finance lease receivable amounting to ₱86.9 million (see Notes 18 and 29).

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 Note 29).

The Group disposed various assets under “Machineries and equipment” and “Equipment and supplies” with cash proceeds amounting to ₱2.5 million and nil as at December 31, 2016 and 2015, respectively, and recorded a loss amounting to ₱24.3 million, ₱6.3 million and ₱0.1 million as at December 31, 2016 and 2015 and for the six months ended December 31, 2014, respectively (see Note 29).

As a result of the acquisition of PIL on January 21, 2016, the Group’s property and equipment increased by ₱16.5 million and ₱3.1 million presented as additions to “Machineries and other equipment” and “Furniture and fixtures”, respectively.

The rates used by the Group in computing depletion were ₱31.71 per WMT for the period July 1 to December 31, 2016; ₱60.48 per WMT for the period January 1 to June 30, 2016 and for the year ended December 31, 2015; and ₱15.57 per WMT for the six months ended December 31, 2014.

The CIP balance in the books of the Group pertains to the construction of roads, fences and improvements in the mine site. The estimated completion of the CIP is ninety-nine percent (99%) and ninety-five percent (95%) as at December 31, 2016 and 2015, respectively.

The gross carrying amount of fully depreciated property and equipment that is still in use by the Group amounted to ₱61.9 million and ₱33.7 million as at December 31, 2016 and 2015, 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 (see Note 30).

As a result of the above Deed of Assignment, the Parent Company acquired 37.5% 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 twenty percent (20%) of the voting power of SPNVI.

For the period ended December 31, 2016, SPNVI’s net loss amounted to ₱39.1 million. The Group’s share in net loss of SPNVI amounted to ₱0.2 million for the period ended December 31, 2016.



SPNVI was registered with the SEC, 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.

10. Mining Rights

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

As at December 31, 2016 and 2015, the carrying value of mining rights amounted to ₱264.9 million and ₱301.6 million, respectively. Accumulated amortization of mining rights amounted to ₱131.6 million, ₱94.9 million and nil as at December 31, 2016 and 2015 and the six months ended December 31, 2014, respectively. Amortization expense pertaining to the mining rights amounted to ₱36.7 million, ₱94.9 million and nil for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014, respectively.

The rates used by the Group in computing amortization were ₱8.9 per WMT for the period July 1 to December 31, 2016; ₱9.59 per WMT for the period January 1 to June 30, 2016 and for the year ended December 31, 2015; and ₱3.32 per WMT for the six months ended December 31, 2014.

There were no provision for impairment losses on mining rights recognized for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014.

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. The land was held for capital appreciation. As at December 31, 2016 and 2015, related borrowings amounting to nil and ₱40.0 million, respectively, are presented as “Bank loans” (see Note 15). The bank loan related to the purchase of the Aseana Property was fully paid on January 29, 2016.

Total investment property amounted to ₱319.9 million as at December 31, 2016 and 2015. The fair value of investment property amounted to ₱367.0 million as at December 31, 2016 and 2015 (see Note 33). The latest appraisal report is dated June 19, 2014.

There was no income earned from the investment property for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014. Interest expense related to bank loan and real property tax incurred related to the investment property for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014 amounted to ₱2.3 million, ₱4.2 million and ₱5.4 million, respectively.



12. Mine Exploration Costs

	2016	2015
Beginning balance	₱140,790	₱140,659
Exploration expenditures incurred	83,017	131
Ending balance	₱223,807	₱140,790

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

CAGAs 1, 3, and 5 are under exploration activities. The Group is yet to conduct its exploration activities for CAGAs 6 and 7.

In 2016, the Group incurred ₱83.0 million for the deferred exploration activities of the Cagdianao Nickel Expansion Project in CAGAs 1 and 3.

13. Other Noncurrent Assets

	2016	2015
Restricted cash	₱249,059	₱114,583
Advances to suppliers	171,873	174,572
Input VAT	165,499	153,407
MRF	74,299	62,117
AFS financial assets	4,470	5,903
Others	20,798	24,481
	₱685,998	₱535,063

Restricted Cash

Restricted cash include Debt Service Reserve Account (DSRA) with the following banks which will be utilized for application against the Group's outstanding loans for principal, interest and fees (see Note 15):

	2016	2015
Taiwan Cooperative Bank (TCB)	₱249,059	₱95,161
Bank of China (BOC)	-	19,422
	₱249,059	₱114,583

The Group has US\$-denominated restricted cash as at December 31, 2016 and 2015 amounting to US\$5.0 million and US\$2.4 million, respectively.

Advances to Suppliers

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

Input VAT

Input VAT represents the VAT paid on purchases of applicable goods and services, net of output tax liabilities, if any, which may be recovered as tax credit against future tax liability of the Group upon approval by the Philippine BIR and/or the Philippine Bureau of Customs. Allowance for impairment losses on input VAT amounted to ₱19.5 million as at December 31, 2016 and 2015.

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 an MRF deposit



with any government bank. The Group has a deposit 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, for pollution control and integrated community development. The funds earned interest based on the prevailing market rate.

AFS Financial Assets

As at December 31, 2016 and 2015, the Group holds 4,216,100 shares of stock of Oriental Peninsula Resources Group, Inc. (OPRGI), a publicly listed company in the Philippines. There was no disposal of shares for the years ended December 31, 2016 and 2015. The fair value of the quoted equity instrument is based on the exit market price as at December 31, 2016 and 2015.

Movements in fair value of quoted equity instrument follow:

	2016	2015
Beginning balance	₱5,903	₱8,854
Impairment loss on AFS financial assets (see Note 29)	(1,433)	(2,445)
Unrealized gains transferred from equity to consolidated statements of comprehensive income	-	(506)
Ending balance	₱4,470	₱5,903

There was no dividend income earned from the quoted equity instrument for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014.

Impairment loss recognized amounted to ₱1.4 million, ₱2.4 million and nil for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014, respectively, as a result of a significant and prolonged decline in the fair value of the shares held by the Group (see Note 29).

Others

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

The Group has the following interest income:

	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
Interest income on:			
MRF	₱470	₱345	₱106
DSRA	27	88	88
Total	₱497	₱433	₱194

14. Trade and Other Payables

	2016	2015
Trade	₱262,040	₱383,033
Accrued expenses and taxes	115,071	141,684
Advances from customers	92,682	223,779
Nontrade	49,623	43,108
Dividends payable	20,287	20,287
Interest payables	8,526	1,057
	₱548,229	₱812,948



Trade

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

Accrued Expenses and Taxes

Details of the accrued expenses and taxes are summarized below:

	2016	2015
Excise taxes and royalties payable	₱74,762	₱96,808
Business and other taxes	25,083	32,976
Provision for Social Development and Management Program (SDMP) and Indigenous Cultural Communities (ICC)	6,197	3,604
Accrued professional fees	5,400	3,842
Government dues	1,509	1,511
Accrued payroll	1,022	295
Others	1,098	2,648
	₱115,071	141,684

Excise Taxes and Royalties Payable

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

Business and Other Taxes

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

Provision for SDMP and ICC

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

Accrued Professional Fees

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

Government Dues

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

Accrued Payroll and Other Payables

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

Advances from Customers

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



Nontrade

Nontrade payables are normally settled within thirty (30) to ninety (90)-day term. This account includes purchases of machineries and equipment. Interest expense related to interest-bearing nontrade payables amounted to nil, nil and ₱11.1 million for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014, respectively (see Note 28).

Dividends Payable

On May 22, 2013, the BOD of the Parent Company approved the declaration of cash dividends in the amount of ₱1.656 per outstanding common share or ₱10,500.0 million to stockholders of record as at June 5, 2013, payable on June 12, 2013. In 2014, cash dividends declared and paid to certain shareholders on May 22, 2013 amounting to ₱20.3 million were returned as stale checks and presented as cash dividends payable as at December 31, 2016 and 2015 and will be reissued to such investors subsequent to year-end.

Interest Payables

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

The Group has US\$-denominated trade and other payables amounting to US\$2.8 million and US\$6.0 million as at December 31, 2016 and 2015, respectively, and HK\$-denominated trade and other payables amounting to HK\$9.2 million as at December 31, 2016 (see Note 32).

15. Bank Loans

	2016	2015
TCB	₱994,400	₱941,200
Banco de Oro (BDO)	5,008	53,001
Unionbank of the Philippines (UnionBank)	-	215
EastWest Bank (EastWest)	-	168
	999,408	994,584
Less current portion:		
TCB	994,400	941,200
BDO	4,295	45,767
UnionBank	-	215
EastWest	-	168
Current portion	998,695	987,350
Noncurrent portion	₱713	₱7,234

TCB

On April 17, 2016, the Group was granted by TCB a loan facility in the amount of US\$20.0 million or ₱941.2 million for general corporate purposes, with a maturity date of one (1) year from the date of initial borrowing or date of borrowing, in case of there is more than one (1) borrowing.

The interest shall be payable quarterly in arrears. The interest rate for the loan is the aggregate of the reference rate plus spread of three point seventy five percent (3.75%) per annum. The reference rate is the applicable London Interbank Offered Rate (LIBOR) displayed on the Bloomberg and Reuters' page for the three (3)-month yield as of approximately 11:15 am on the interest rate setting date. In the event that the LIBOR will be replaced by a new benchmark as determined by the Banker's Association of the Philippines or the Banko Sentral ng Pilipinas, the new benchmark may be adopted as the new reference rate upon mutual agreement of the parties.



The other conditions of the agreement follow:

- a. The Group shall maintain a waterfall account with TCB wherein all amounts collected by TCB from the buyers of nickel ore shall be deposited.
- b. The security is of two (2) kinds and shall amount to an aggregate value, in any combination, at least equal or twice (2x) the amount or equivalent to US\$40.0 million as follows:
 - i. Accounts receivables from the PGM's customer.
 - ii. Import letters of credit (LC) issued in favor of PGM by its customers and clients.
 - iii. Demand Deposit Account which shall be opened and set-up by the collateral provider or pledger acceptable to TCB.
 - iv. Guarantee issued by any individual, juridical person or any combination thereof acceptable to TCB.
- c. TCB is irrevocably appointed as the collecting agent for the account receivables from the Group's export orders of nickel ore and as a collecting and advising bank for the import LC opened by the buyers of the nickel ore of the Group. The amount collected shall be deposited in the waterfall account of the Group.
- d. If the Group fails to make payment when due of any sum (whether at the stated maturity, by acceleration or otherwise), the Group shall pay penalty on such past due and unpaid amount/s at the rate of eighteen percent (18%) per annum, in addition to the interest rate from due date until the date of payment in full. The penalty shall be payable from time to time and upon demand by the bank.
- e. A DSRA shall be opened by the Group which shall have in deposit an amount of US\$5.0 million. The amount in said account maybe reduced proportionately as the Group pays the principal and its interest by express agreement of the parties.

Interest expense related to TCB loan amounted to ₱52.2 million, ₱35.1 million and ₱6.6 million for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014, respectively (see Note 28).

Amortization of discount on bank loan related to TCB loan amounted to nil, ₱0.6 million and ₱2.0 million for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014, respectively (see Note 28).

The terms of the loan are complied by the Group as at December 31, 2016 and 2015, the Group's relevant reporting period.

BDO

On February 14, 2013, the Group obtained a long-term loan amounting to ₱240.0 million from BDO to finance seventy-five percent (75%) of the purchase price of Aseana property located at Brgy. Tambo, Paranaque City. The loan is payable in six (6) semi-annual payments every August and February with an interest of five and a half percent (5.5%) subject to monthly repricing based on the prevailing market rate of interest. The agreement is secured by a real estate mortgage over the Aseana property amounting to ₱319.9 million and other conditions as follow (see Note 11):

- a. The Group will not make or permit any material change in the character of its business from that being carried on at the date of agreement, or engage in any business operation or activity other than those for which it is presently authorized by law or corporate charter.
- b. The Group will not permit any material change in ownership or control of its business or its capital stock or in the composition of its top level management.
- c. The Group will not permit any indebtedness to be secured by or benefit from any lien is at the same time extended equally and ratably to secure the payment of principal, interest and other sums payable.
- d. The Group will not declare or pay dividends to its stockholders or partners (other than dividends payable solely in shares of its capital stock) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders or partners upon the occurrence of an event of default.



- e. The Group will not sell, lease, transfer or otherwise dispose of all or substantially all of its properties and assets, divest any of its existing investments therein or consolidate or merge (except where it is the surviving entity) with any other person or acquire all or substantially all of the properties or assets of any other person.
- f. The Group will not extend loans, advances or subsidies to any corporation, partnership, firm or entity owned by the Group or in which it may have equity, other than advances in the ordinary course of business.
- g. The Group will not extend loans or advances to any of its directors, officers, stockholders, or partners, except duly approved employee benefit loans.
- h. The Group will not incur any long-term loan or increase its borrowings or reavail of existing facilities with other banks or financial institutions, except for working capital requirement.
- i. The Group will not act as guarantor or surety or otherwise be directly or indirectly or contingently liable for any obligation of any person unless in the ordinary course of business

As at December 31, 2016 and 2015, the outstanding balance of the loan amounted to nil and ₱40.0 million, respectively.

In May 2015, the Group was granted an additional US\$10.0 million on top of its existing US\$10.0 million credit line for working capital purposes granted by BDO in May 2014. As at December 31, 2016 and 2015, the outstanding balance of the loan amounted to nil.

The Group entered into several service vehicle loans with BDO with a three (3)-year term at an interest rate ranging from seven percent (7%) to nine percent (9%) per annum. The remaining service vehicle loans of the Group with BDO amounted to ₱11.2 million and ₱13.0 million as at December 31, 2016 and 2015, respectively.

Interest expense related to BDO loan amounted to ₱4.6 million, ₱13.4 million and ₱7.1 million for the year ended December 31, 2016 and 2015 and the six months ended December 31, 2014, respectively (see Note 28).

The terms of the loan are complied by the Group as at December 31, 2016 and 2015.

UnionBank and EastWest

The Group entered into several service vehicle loans with UnionBank and EastWest. The loans are payable within three (3) years at an interest rate ranging from twelve percent (12%) to fourteen percent (14%) per annum. As at December 31, 2016 and 2015, the outstanding balance of the loan amounted to nil and ₱0.2 million, respectively.

Interest expense related to the service vehicle loans amounted to ₱0.4 million, ₱0.6 million and ₱0.3 million for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014, respectively (see Note 28).

Amsterdam Trade Bank (ATB) and Phil Export-Import Credit Agency (PhilEXIM)

On July 3, 2015 and June 30, 2015, the PhilEXIM and ATB loan were fully paid, respectively.

Interest expense related to ATB loan amounted to nil, ₱13.7 million and ₱18.5 million for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014, respectively (see Note 28).

Interest expense related to PhilEXIM loan amounted to nil, ₱2.0 million and ₱3.8 million for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014, respectively (see Note 28).

Amortization of discount on bank loans amounted to nil, ₱1.4 million and ₱3.3 million for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014, respectively (see Note 28).



BOC

Availed loans in 2015 with BOC were fully paid and no availments were made during the year, hence the facility has no outstanding balance as at December 31, 2016 and 2015.

Interest expense amounted to nil, ₱2.0 million and ₱0.4 million for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014, respectively (see Note 28).

16. Provision for Mine Rehabilitation and Decommissioning

	2016	2015
Beginning balance	₱58,259	₱60,212
Accretion interest (see Note 28)	1,401	1,117
Effect of change in estimate (see Note 8)	7,463	(3,070)
Ending balance	₱67,123	₱58,259

As at December 31, 2016 and 2015, the Group adjusted its provision for mine rehabilitation and decommissioning to reflect the current discount rates which resulted to a change in estimate amounting to ₱7.5 million and ₱3.1 million, respectively (see Note 8).

17. Retirement Obligation

The Group has an unfunded, non-contributory defined benefit retirement plan covering substantially all of its regular employees. The Group does not have an established retirement plan and only conforms to the minimum regulatory benefit under the RA 7641, *Retirement Pay Law*, which is of the defined benefit type and provides a retirement benefit equal to twenty-two and a half (22.5) days' pay for every year of credit service. The regulatory benefit is paid in lump sum upon retirement. There was no plan termination, curtailment or settlement as at December 31, 2016 and 2015.

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

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

The details of retirement benefits costs are as follows:

	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
Retirement benefits costs (see Note 26)	₱10,383	₱9,368	₱3,195
Interest cost on retirement obligation (see Note 28)	2,152	1,463	641
	₱12,535	₱10,831	₱3,836

The Group has one hundred fifty-nine (159) regular employees, three(3) employees on probationary and project status and three hundred nine (309) employees on a fixed term as at December 31, 2016 and ninety-five (95) regular employees, eight (8) employees on probationary and project status and two hundred eighty (280) employees on a fixed term as at December 31, 2015.



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

	2016	2015
Beginning balance	₱39,985	₱30,101
Retirement benefits costs	10,383	9,368
Interest cost on retirement obligation	2,152	1,463
Remeasurement loss (gain) arising from:		
Financial assumptions	(3,858)	(3,746)
Experience adjustments	(520)	2,889
Benefits paid	(260)	(90)
Ending balance	₱47,882	₱39,985

The Group does not have any plan assets as at December 31, 2016 and 2015.

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

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

	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
Discount rate	5.86%	5.38%	4.86%
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

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)	2016	2015
Discount rate	+100 basis points	(₱6,883)	(₱6,115)
	-100 basis points	8,516	7,612
Salary increase rate	+100 basis points	₱7,601	₱6,773
	-100 basis points	(6,352)	(5,633)

The Group does not expect to contribute to the defined benefit pension plan in 2017. The Group does not have a Trustee Bank, and does not currently employ any asset-liability matching.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2016 and 2015:

	2016	2015
Less than one (1) year	₱2,619	₱1,615
More than one (1) year to five (5) years	3,919	3,202
More than five (5) years to ten (10) years	38,620	5,636
	₱45,158	₱10,453



The average duration of the defined retirement benefits obligation as at December 31, 2016 and 2015 is 19.3 years and 21.2 years, respectively.

18. Finance Lease

Finance Lease Receivable

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

Finance lease receivable as at December 31, 2016 and 2015 consists of:

	2016		2015	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one (1) year	₱77,214	₱72,282	₱173,214	₱167,949
After one (1) year but not more than five (5) years	166,154	160,670	326,755	319,593
Total minimum lease payments	243,368	232,952	499,969	487,542
Less amount representing finance charge	10,416	-	12,427	-
Present value of minimum lease payments	₱232,952	₱232,952	₱487,542	₱487,542

In 2015, an addendum to the mining contract with FVC was executed which resulted to FVC returning some assets to the Group amounting to ₱519.4 million. Subsequently, the Group entered into another mining contract with JLEC to operate part of the CAGA 2 area and to lease the property and equipment returned by FVC amounting to ₱648.3 million (see Note 8) which resulted to a loss amounting to ₱86.9 million (see Note 29). The remaining ₱208.1 million reverted by FVC to the Group are included as part of total additions (see Note 8).

Derived interest income related to finance lease amounted to ₱5.2 million, ₱8.2 million and ₱2.4 million for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014, respectively.

Finance Lease Liabilities

In 2013, the Group entered into Master Finance Lease Agreement with the Caterpillar Financial Services Philippines, Inc. (CFSPI) and SBM Leasing Inc. (SBML) on its various equipment. In the lease contract with CFSPI, the Group has determined that the lease transfers substantially all the risks and rewards incidental to the ownership of the contractor's equipment at the end of the lease term. At the inception of the lease, the Group has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the period the option becomes exercisable. In the lease contract with SBML, the present value of all minimum lease payment amounts to at least substantially the fair value of the leased asset at the inception of the lease.

In 2016, the Group entered into finance lease agreements with BDO Leasing and Finance, Inc. (BLFI) amounting to ₱3.5 million. These are included as part of "Machineries and other equipment" category under "Property and equipment" as at December 31, 2016.



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

	2016		2015	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one (1) year	₱2,886	₱2,416	₱15,850	₱14,994
After one (1) year but not more than five (5) years	3,274	3,137	-	-
Total minimum lease payments	6,160	5,553	15,850	14,994
Less amount representing finance charge	607	-	856	-
Present value of minimum lease payments	₱5,553	₱5,553	₱14,994	₱14,994

Interest expense related to finance lease amounted to ₱1.0 million, ₱3.1 million and ₱4.0 million for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014, respectively, is reported under "Finance costs" (see Note 28).

19. Other Noncurrent Liabilities

	2016	2015
Previous stockholders of CNMEC	₱366,463	₱-
BNVI	165,566	-
Others	1,504	1,095
	₱533,533	₱1,095

In 2016, the Parent Company, SPNVI and the stockholders of SPNVI executed a Deed of Assignment wherein SPNVI assigned its payable to BNVI and to the previous stockholders of CNMEC to the Parent Company amounting to ₱532.0 million (see Note 30).

20. Equity

Capital Stock

As at December 31, 2016 and 2015, the capital structure of the Parent Company follows:

	2016	2015
Par value	₱1.05	₱0.35
Authorized shares	11,957,161,906	35,871,428,572
Total authorized capital stock	₱12,555,020,001	₱12,555,000,000
Issued shares	5,822,357,151	17,467,014,310
Total capital stock (amounts in thousand)	₱6,113,475	₱6,113,455

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

Increase in Authorized Capital Stock

As discussed in Note 1, 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.



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).

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

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

APIC

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

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

There was no transaction in 2016 and 2015 resulting to additional recognition of APIC.

Treasury Stock

The Parent Company has 6,335,752 shares (after the reverse stock split) amounting to ₱17.8 million and 7,258 shares (before the reverse stock split) amounting to ₱18.4 thousand in treasury stock as at December 31, 2016 and 2015, respectively.

As at December 31, 2016, the Parent Company purchased a total of 6,333,333 common shares (after the reverse stock split) at an average price of ₱2.81 per share. The estimated number of shares for re-purchase, approved and authorized by the BOD on June 29, 2016 is up to ten percent (10%) of the total outstanding shares of the Parent Company.

Retained Earnings

The Group has retained earnings amounting to ₱459.7 million and ₱422.2 million as at December 31, 2016 and 2015, respectively.

On June 15, 2014, PGM’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, PGM’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, PGM settled its cash dividends payable amounting to ₱5,069.1 million declared on June 15, 2014 to stockholders of record as at June 15, 2014. The dividends payable was offset against the cash advances to stockholders classified under “Advances to related parties”.

On July 15, 2014, PGM’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.



Equity Reserve

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

Below is the summary of the movements of the "Equity reserve" account:

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

Employee Stock Option Plan (ESOP)

On June 29, 2016, the BOD and stockholders of the Parent Company approved the ESOP and buyback program. The grant date of the ESOP is still subject to the determination and approval by the Parent Company's compensation committee.

21. EPS

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

	Years Ended December 31		Six Months Ended
	2016	2015	December 31
			2014
Net income attributable to equity holders of the Parent Company (amounts in thousands)	₱37,494	₱1,111,750	₱4,809,681
Number of shares:			
Weighted average number of common shares outstanding	4,960,166,752	4,960,166,752	4,960,166,752
Effect of buyback	860,519,095	-	-
Adjusted weighted average number of common shares outstanding	5,820,685,847	4,960,166,752	4,960,166,752
Basic/Diluted EPS	₱0.01	₱0.22	₱0.97

The number of shares presented for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014 is based on the shares calculated after the reverse stock split (see Note 20).

As at December 31, 2016 and 2015, there is no potentially dilutive common shares.



22. Cost of Sales

	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
Contract hire (see Notes 6 and 34)	₱1,548,355	₱2,388,897	₱1,921,467
Depreciation, depletion and amortization (see Notes 8, 10, 27)	370,407	579,482	86,889
Personnel costs (see Note 26)	153,762	125,806	50,378
Community relations	47,162	45,003	10,996
Environmental protection cost	41,685	56,394	82,148
Rentals (see Note 34)	35,208	70,807	42,009
Assaying and laboratory	23,432	25,393	28,149
Manning services	20,772	19,984	8,642
Operation overhead	15,752	7,993	44,582
Repairs and maintenance	11,752	11,452	4,307
Fuel, oil and lubricants	10,950	151,474	170,388
Other charges	28,983	27,232	13,876
	₱2,308,220	₱3,509,917	₱2,463,831

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

Other charges include, but not limited to, insurance, repairs and maintenance, power and utilities, health and safety expenses in the mine site, manning expenses, agency fees, license fees and taxes, materials, supplies and spare parts, service fees, Philippine port authority usage fees and dry docking.

23. Excise Taxes and Royalties

	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
Royalties to:			
Claim-owners (see Note 34)	₱204,290	₱449,053	₱631,610
Government	183,197	326,634	447,932
ICC	42,510	66,195	92,809
Excise taxes	73,278	130,664	179,204
	₱503,275	₱972,546	₱1,351,555

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

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

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



As at December 31, 2016 and 2015, excise taxes and royalties payable amounted to ₱74.8 million and ₱96.8 million, respectively (see Note 14).

24. General and Administrative

	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
Personnel costs (see Note 26)	₱189,332	₱159,459	₱56,924
Consultancy fees	65,285	160,780	19,837
Taxes and licenses	47,938	48,386	48,812
Outside services	26,614	38,124	18,592
Rentals (see Note 34)	25,133	7,402	2,800
Marketing and entertainment	22,157	72,926	32,334
Travel and transportation	19,925	37,088	18,557
Depreciation (see Note 27)	17,701	15,001	5,794
Repairs and maintenance	11,142	6,987	5,725
Communication	5,295	5,771	2,501
Fuel, oil and lubricants	4,287	4,935	11,006
Office supplies	4,135	6,389	3,351
Membership and subscription	2,438	2,042	509
Insurance	2,084	1,887	1,519
Power and utilities	1,477	1,347	630
Trainings, seminars and meetings	565	1,194	158
SEC and listing fees	560	28,401	-
Other charges	14,846	30,152	8,267
	₱460,914	₱628,271	₱237,316

Other charges pertain to various expenses such as communication, fuel and oil, mailing and postage charges, insurance and bonds, power and utilities, membership and subscription dues and trainings and seminars.

25. Shipping and Distribution

	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
Barging charges	₱238,151	₱121,872	₱63,704
Stevedoring charges and shipping expenses	35,137	29,627	-
Fuel, oil and lubricants	17,082	14,885	45
Government fees	35	88	-
	₱290,405	₱166,472	₱63,749

Barging charges pertain to expenses incurred from services provided by PCSSC (see Note 30d) and other shipping companies to transport nickel ore.



26. Personnel Costs

	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
Salaries and wages	₱299,889	₱239,459	₱94,301
Retirement benefits costs (see Note 17)	10,383	9,368	3,195
Other employee benefits	32,822	36,438	9,806
	₱343,094	₱285,265	₱107,302

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

The personnel costs were distributed as follows:

	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
Cost of sales (see Note 22)	₱153,762	₱125,806	₱50,378
General and administrative (see Note 24)	189,332	159,459	56,924
	₱343,094	₱285,265	₱107,302

27. Depreciation, Depletion and Amortization

	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
Cost of sales (see Notes 8 and 22)	₱370,407	₱579,482	₱86,889
General and administrative (see Notes 8 and 24)	17,701	15,001	5,794
	₱388,108	₱594,483	₱92,683

28. Finance Costs

	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
Interest expense (see Notes 14, 15, 17, 18 and 29)	₱60,387	₱75,716	₱55,348
Bank charges	5,908	9,990	10,776
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 16)	1,401	1,117	549
Amortization of discount on bank loans (see Notes 15 and 30)	-	2,068	6,650
	₱67,696	₱88,891	₱73,323



29. Other Charges – net

	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
Gain (loss) on disposals of property and equipment (see Note 8)	(P24,282)	(P6,327)	P91
Loss on acquisition of a subsidiary (see Note 30a)	(7,356)	-	-
Impairment loss on AFS financial assets (see Note 13)	(1,433)	(2,445)	-
Foreign exchange gains (losses) - net	1,276	(19,843)	(77,631)
Loss on modification of finance lease receivable (see Notes 8 and 18)	(1,037)	(86,885)	-
Others	459	-	116
	(32,373)	(P115,500)	(P77,424)

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

	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
Net realized foreign exchange gains (losses)	(P48,299)	(P27,863)	P46,168
Unrealized foreign exchange gains (losses) on:			
Cash	19,734	25,914	11,593
Trade and other receivables	27,018	14,196	(1,988)
Advances to related parties	-	-	(3,895)
Other noncurrent assets	7	2,506	1,986
Trade and other payables	58,853	(3,136)	(72,856)
Bank loans	(55,841)	(31,396)	(48,692)
Amounts owed to related parties	(196)	(64)	(9,947)
	P1,276	(P19,843)	(P77,631)

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 2016, 2015 and 2014, including the corresponding assets and liabilities arising from the said transactions as at December 31, 2016 and 2015. 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	Amounts owed to related parties	Terms	Conditions
Stockholders					
2016	₱106,816	₱1,506,995	₱50,000	On demand; noninterest-bearing;	Unsecured; no
2015	₱1,290,832	₱1,538,677	₱50,000	collectible or payable in cash	guarantee;
Affiliates with common officers, directors and stockholders					
2016	1,018,720	101,035	389,917	On demand; noninterest-bearing;	Unsecured; no
2015	146,350	94,500	347,647	collectible or payable in cash	guarantee;
Other related party					
GMORI					
2016	-	6,054	226,564	On demand; noninterest-bearing;	Unsecured; no
2015	-	6,054	226,564	collectible or payable in cash	guarantee;
Total		₱1,614,084	₱666,481		
Total		₱1,639,231	₱624,211		

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	Amounts owed to related parties	Terms	Conditions
Subsidiaries									
PGMC									
2016	₱118,514	₱-	₱-	₱-	₱-	₱3,316,843	₱-	On demand; noninterest-bearing;	Unsecured;
2015	₱134,055	₱-	₱-	₱-	₱-	3,205,656	₱-	collectible in cash	no guarantee
PCSSC									
2016	417,370	87,184	95,019	-	-	-	-	On demand; noninterest-bearing;	Unsecured;
2015	311,282	64,323	89,594	-	-	-	-	collectible in cash	no guarantee
SIRC									
2016	-	-	-	-	-	-	6,810	On demand; noninterest-bearing;	Unsecured;
2015	2,427	-	-	-	-	-	8,466	payable in cash	no guarantee
PIL									
2016	845,710	-	-	530,161	35,264	280,285	-	On demand; noninterest-bearing;	Unsecured;
2015	-	-	-	-	-	-	-	collectible in cash	no guarantee
Total		₱87,184	₱95,019	₱530,161	₱35,264	₱3,597,128	₱6,810		
Total		₱64,323	₱89,594	₱-	₱-	₱3,205,656	₱8,466		



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

- a. On January 21, 2016, the Parent Company acquired PIL through the purchase of its 10,000 shares at HK\$1.0 par value amounting to HK\$10.0 thousand or ₱61.0 thousand. The transaction was considered by the Parent Company as an asset acquisition. The assets and liabilities of PIL consist mostly of financial instruments with a net liability amounting to ₱7.3 million. A loss on acquisition amounting to ₱7.4 million was recognized based on the difference between the consideration paid and the fair values of the assets acquired and liabilities assumed. The cash deposit made in 2015 amounting to US\$0.5 million or ₱23.1 million was reclassified from “Deposits for future acquisition” to “Advances to related parties” in 2016.

For the year ended December 31, 2016, PIL entered into several ore supply sales agreement with PGMC for the purchase of nickel ore amounting to ₱530.2 million.

- b. The Parent Company, PGMC and the stockholders of SPNVI executed various Deed of Assignments wherein PGMC assigned all the rights, title, and interest for the cash advances made by PGMC to SPNVI, amounting to ₱1,628.1 million as at December 31, 2015 to the Parent Company.

In 2016, the Parent Company, PGMC, SPNVI and the stockholders of SPNVI executed another Deed of Assignments wherein SPNVI assigned its payable to BNVI, payable to the previous stockholders of CNMEC and the remaining payable to stockholders of SPNVI, to the Parent Company amounting to ₱589.2 million.

As at December 31, 2016 and 2015, these advances amounted to ₱2,217.4 million and ₱1,628.1 million, respectively. 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 (see Note 1) and are recorded under “Deposits for future acquisition”.

On September 1, 2016, the Parent Company and SPNVI executed a Deed of Assignment wherein the Parent Company assigned all its rights, titles and interests on its advances in favor of SPNVI amounting to ₱0.3 million as payment for the unissued shares of SPNVI and are recorded under “Investment in an associate” (see Note 9).

- c. In 2013, FRI availed a loan facility from BOC amounting to US\$5.0 million. On August 3, 2013, PGMC and FRI executed a Deed of Assignment wherein FRI agreed to assign its rights, titles, interest, and benefits in the loan facility. The loan facility was actually utilized by PGMC. Accordingly, PGMC hereby assumes payment of the loan facility, its interest, charges and fees, and all other obligations stipulated in the loan agreement in which FRI was obliged to perform or comply. The loan was fully paid in 2015.

Interest expense amounted to nil, ₱4.3 million and ₱2.9 million for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014, respectively. Amortization of the discount on the loan amounted to nil, ₱0.1 million and ₱1.3 million for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014, respectively (see Note 28).

- d. In the first quarter of 2016, PGMC entered into a Time Charter Agreement with PCSSC for the use of five (5) LCTs at ₱2.6 million each per month. This Agreement covers a period of seven (7) months on/about April 1, 2016 to October 31, 2016, subject to renewal upon mutual agreement of the parties. The charter hire fee incurred amounted to ₱95.0 million, ₱89.6 million and ₱50.0 million for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014, respectively.



- e. On August 31, 2014 and December 29, 2014, the Group settled its dividends payables amounting to ₱975.9 million and ₱4,561.2 million, net of withholding tax, declared on July 15, 2014 and June 15, 2014, respectively. The dividends payables were offset against the cash advances to stockholders classified under “Advances to related parties”.
- 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.

Compensation of the key management personnel of the Group amounted to ₱44.1 million, ₱39.3 million and ₱20.8 million for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014, respectively.

31. Income Taxes

The current provision for income tax represents MCIT for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014. Effective November 2007, the Group was entitled to ITH as one of the incentives granted by the BOI as a non-pioneer enterprise (see Note 35). The Group's ITH incentive expired on November 15, 2015.

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

	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
Income tax computed at statutory income tax rate	₱38,711	₱378,975	₱1,435,123
Add (deduct) tax effects of:			
Change in unrecognized deferred tax assets on NOLCO and excess MCIT	36,006	32,752	20,701
Nondeductible expenses:			
Marketing and entertainment	5,491	19,300	41,349
Loss on modification of finance lease receivable	311	26,066	-
Interest	134	720	2,117
Donation	-	-	120
Deficiency taxes	-	-	1,789
Others	825	2,808	-
Nontaxable interest income	(1,570)	(619)	(2,338)
Interest income already subjected to final tax	(360)	(354)	(313)
Expiration of deferred tax assets on NOLCO and excess MCIT	65	41,331	-
Operating income subjected to ITH	-	(551,677)	(1,531,852)
	₱79,613	(₱50,698)	(₱33,304)



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

	2016	2015
Deferred tax assets:		
Provision for mine rehabilitation and decommissioning	₱20,137	₱17,478
Retirement obligation recognized in profit or loss	16,653	12,971
Accrued taxes	11,969	11,969
Unrealized foreign exchange losses - net	7,793	14,891
Cumulative translation adjustment recognized directly in OCI	6,045	-
Allowance for impairment losses on trade and other receivables	5,208	5,208
Excess MCIT	2,787	1,966
Rent payable	452	329
NOLCO	-	43,491
	71,044	108,303
Deferred tax liabilities:		
Undepleted asset retirement obligation	10,446	9,543
Retirement obligation recognized directly in OCI	2,288	975
	12,734	10,518
Deferred tax assets - net	₱58,310	₱97,785

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

Year Incurred	Year of Expiration	NOLCO	MCIT
December 31, 2016	December 31, 2019	₱119,837	₱886
December 31, 2015	December 31, 2018	94,529	1,575
December 31, 2014	December 31, 2017	-	326
		₱214,366	₱2,787

	Year Ended December 31	Six Months Ended December 31
	2016	2015
NOLCO		2014
Beginning balance	₱613,126	₱425,840
Additions	119,837	428,648
Application	(144,970)	-
Expiration	-	(241,362)
NOLCO incurred during the ITH period	(373,627)	-
Ending balance	₱214,366	₱425,840

	Year Ended December 31	Six Months Ended December 31
	2016	2015
MCIT		2014
Beginning balance	₱2,262	₱1,218
Addition	886	1,575
Expiration	(361)	(531)
Ending balance	₱2,787	₱1,218

As at December 31, 2016 and 2015, the Group has recognized deferred tax assets on NOLCO amounting to nil and ₱43.5 million as a result of the expiration of its ITH incentive. Deferred tax assets on NOLCO amounting to ₱112.4 million were not recognized since these NOLCO came from activities subjected to ITH incentive.



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

The Group has availed of the itemized deductions method in claiming its deductions for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014.

32. Financial Risk Management Objectives and Policies and Capital Management

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

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

Market Risk

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

Foreign Exchange Risk

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

The Group has transactional currency exposures. The Group's exposure to foreign currency risk pertains to US\$-denominated and HK\$-denominated financial assets and liabilities which primarily arise from export sales of mineral products and US\$ and HK\$-denominated loans 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 Philippine Dealing and Exchange Corp.

The Group's foreign currency-denominated financial assets and liabilities and their Philippine Peso equivalents as at December 31, 2016 and 2015 are as follows:

	2016			2015	
	US\$ Amount	HK\$ Amount	Peso Equivalent	US\$ Amount	Peso Equivalent
Financial Assets:					
Cash with banks	US\$9,114	HK\$1,918	P465,462	US\$8,486	P399,351
Trade receivables	16,498	1,188	827,908	15,322	721,053
	25,612	3,106	1,293,370	23,808	1,120,404
Financial Liabilities:					
Trade and other payables	2,761	9,165	196,116	6,007	282,689
Bank loans	20,000	—	994,400	20,000	941,200
	22,761	9,165	1,190,516	26,007	1,223,889
Net Financial Assets (Liabilities)	US\$2,851	(HK\$6,059)	P102,854	(US\$2,199)	(P103,485)



The exchange rates used for conversion of US\$1.00 to peso equivalent were ₱49.72 and ₱47.06 as at December 31, 2016 and 2015, respectively. The exchange rate used for conversion HK\$1.00 to peso equivalent was ₱6.42 as at December 31, 2016.

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, 2016 and 2015 and six months ended December 31, 2014.

	Foreign Currency Appreciates/ Depreciates by	Effect on Income Before Income Tax US\$	Effect on Income Before Income Tax HK\$
December 31, 2016	+2	(₱5,702)	(₱12,118)
	-2	5,702	₱12,118
December 31, 2015	+2	(₱478)	—
	-2	478	—
December 31, 2014	+2	(₱7,604)	—
	-2	7,604	—

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

Interest Rate Risk

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

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

The Group regularly monitors interest rates movements to assess exposure impact. Management believes that cash generated from operations is sufficient to pay its obligations under the loan agreements as they fall due.

The terms and maturity profile of the interest-bearing financial assets and liabilities as at December 31, 2016 and 2015, together with its corresponding nominal interest rate and carrying values are shown in the following table:

	Nominal Interest Rate	Less than 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
2016						
Cash with banks	Various	₱551,045	₱-	₱-	₱-	₱551,045
Bank loans	10.50%-14.00%; LIBOR plus 3.75%	2,629	996,066	713	-	999,408
2015						
Cash with banks	Various	₱502,262	₱-	₱-	₱-	₱502,262
Bank loans	10.50%-14.00%; LIBOR plus 9.00%	984,384	2,966	5,479	1,755	994,584



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, 2016 and 2015 and the six months ended December 31, 2014 consolidated statements of comprehensive income (through the impact of floating rate borrowings):

	Increase/Decrease in Basis Points	Effect on Income Before Income Tax
December 31, 2016	+100	(P9,944)
	-100	9,944
December 31, 2015	+100	(P9,412)
	-100	9,412
December 31, 2014	+100	(P2,348)
	-100	2,348

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

Equity Price Risk

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

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

The table below shows the sensitivity to a reasonably possible change in equity prices on AFS financial assets as at December 31, 2016 and 2015. 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
2016	-2.29%	(P205)
	2.29%	205
2015	-1.25%	(P94)
	1.25%	94

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

Credit Risk

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

The Group trades only with recognized, reputable and creditworthy third parties and/or transacts only with institutions and/or banks which have demonstrated financial soundness. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, export buyers are required to pay via Letters of Credit issued by reputable banks with the result that Group's exposure to bad debts is not significant. Also, the Group, in some circumstances,



requires advances from customers. Since the Group trades only with recognized third parties, there is no requirement for collateral.

Credit Risk Exposure

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

	Notes	2016	2015
Cash with banks	4	₱551,045	₱502,262
Trade receivables	5	725,912	704,056
Advances to related parties:	30		
Stockholders		1,506,995	1,538,677
Affiliates with common officers, directors and stockholders		101,035	94,500
Others		6,054	6,054
AFS financial assets	13	4,470	5,903
Total		₱2,895,511	₱2,851,452

Aging Analyses of Financial Assets

The aging analyses of the Group's financial assets as at December 31, 2016 and 2015 are summarized in the following tables:

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		90 days or less	91- 120 days	More than 120 days		
2016						
Cash with banks	₱551,045	₱-	₱-	₱-	₱-	₱551,045
Trade receivables	708,553	-	-	-	17,359	725,912
Advances to related parties:						
Stockholders	1,506,995	-	-	-	-	1,506,995
Affiliates with common officers, directors and stockholders	101,035	-	-	-	-	101,035
Others	6,054	-	-	-	-	6,054
AFS financial assets	4,470	-	-	-	-	4,470
Total	₱2,878,152	₱-	₱-	₱-	₱17,359	₱2,895,511

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		90 days or less	91-120 days	More than 120 days		
2015						
Cash with banks	₱502,262	₱-	₱-	₱-	₱-	₱502,262
Trade receivables	393,138	-	-	293,559	17,359	704,056
Advances to related parties:						
Stockholders	1,538,677	-	-	-	-	1,538,677
Affiliates with common officers, directors and stockholders	94,500	-	-	-	-	94,500
Others	6,054	-	-	-	-	6,054
AFS financial assets	5,903	-	-	-	-	5,903
Total	₱2,540,534	₱-	₱-	₱293,559	₱17,359	₱2,851,452



Credit Quality of Financial Assets

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

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

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

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

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.

The Group's objective is to maintain sufficient funding to finance mining activities through internally generated funds, advances from customers and availment of existing credit lines with banks. The Group considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Group's policy is to ensure that there are sufficient capital inflows to match repayments of short-term debts. The Group regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2016 and 2015 based on contractual undiscounted payments.

2016	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Bank loans	P-	P1,476	P1,325	P996,132	P733	P-	P999,666
Trade and other payables:							
Trade	262,040	-	-	-	-	-	262,040
Accrued expenses	13,717	-	-	-	-	-	13,717
Nontrade	9,725	-	-	-	-	-	9,725
Amounts owed to related parties	666,481	-	-	-	-	-	666,481
Other noncurrent liabilities:							
Payable to stockholders of CNMEC	366,463	-	-	-	-	-	366,463
Payable to BNVI	165,566	-	-	-	-	-	165,566
Total	P1,483,992	P1,476	P1,325	P996,132	P733	P-	P2,483,658



2015	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Bank loans	P-	P512,198	P472,186	P2,966	P5,479	P1,755	P994,584
Trade and other payables:							
Trade	383,033	-	-	-	-	-	383,033
Accrued expenses	10,389	-	-	-	-	-	10,389
Nontrade	3,214	-	-	-	-	-	3,214
Amounts owed to related parties	624,211	-	-	-	-	-	624,211
Total	P1,020,847	P512,198	P472,186	P2,966	P5,479	P1,755	P2,015,431

The tables below summarize the maturity profile of the Group's financial assets used to manage the liquidity risk of the Group as at December 31, 2016 and 2015.

2016	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	P897	P-	P-	P-	P-	P-	P897
Cash with banks	551,045	-	-	-	-	-	551,045
Trade receivables	725,912	-	-	-	-	-	725,912
AFS financial assets	4,470	-	-	-	-	-	4,470
Total	P1,282,324	P-	P-	P-	P-	P-	P1,282,324

2015	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash							
Cash on hand	P614	P-	P-	P-	P-	P-	P614
Cash with banks	502,262	-	-	-	-	-	502,262
Trade receivables	704,056	-	-	-	-	-	704,056
AFS financial assets	5,903	-	-	-	-	-	5,903
Total	P1,212,835	P-	P-	P-	P-	P-	P1,212,835

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains sufficient cash balances and strong credit rating to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it after carefully considering changes in the economic environment. To maintain or adjust the capital structure, the Group may utilize the following: (a) obtain additional shareholders' advances to augment capital, (b) issuance of new shares, and (c) to return capital to shareholders if and when feasible. No changes were made in the objectives, policies or processes in December 31, 2016 and 2015.

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

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



33. Fair Value Measurement

The following table shows the carrying values and fair values of the Group's assets and liabilities, whose carrying values does not approximate its fair values as at December 31, 2016 and 2015:

	Carrying Values		Fair Values	
	2016	2015	2016	2015
Investment property	₱319,865	₱319,865	₱367,003	₱367,003
Bank loans	994,408	994,584	999,666	826,538
Finance leases liabilities	5,553	14,994	5,862	23,930

Cash, Trade and Other Receivables and Trade and Other Payables

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

Restricted Cash

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

AFS Financial Assets

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

Investment Property

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

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

Advances to Related Parties and Amounts Owed to Related Parties

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

Bank Loans

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

Finance Lease Receivables and Liabilities

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



Fair Value Hierarchy

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

2016	Carrying Amount	Level 1	Level 2	Level 3	Total
<i>Asset measured at fair value:</i>					
AFS financial assets	P4,470	P4,470	P-	P-	P4,470
<i>Asset for which the fair value is disclosed:</i>					
Investment property	319,865	-	-	367,003	367,003
	P324,335	P4,470	P-	P367,003	P371,473
<i>Liabilities for which fair values are disclosed:</i>					
Bank loans	P994,408	P-	P-	P999,666	P999,666
Finance lease liabilities	5,553	-	-	5,862	5,862
	P999,961	P-	P-	P1,005,528	P1,005,528

2015	Carrying Amount	Level 1	Level 2	Level 3	Total
<i>Asset measured at fair value:</i>					
AFS financial assets	P5,903	P5,903	P-	P-	P5,903
<i>Asset for which the fair value is disclosed:</i>					
Investment property	319,865	-	-	367,003	367,003
	P325,768	P5,903	P-	P367,003	P372,906
<i>Liabilities for which fair values are disclosed:</i>					
Bank loans	P994,584	P-	P-	P826,538	P826,538
Finance lease liabilities	14,994	-	-	23,930	23,930
	P1,009,578	P-	P-	P850,468	P850,468

There were no transfers between levels of fair value measurement as at December 31, 2016 and 2015.

34. Significant Agreements

Deed of Guarantee

GFHI

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 made by Iplan Nickel Corporation (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

Ore Supply Agreements with Chinese Customers

The Group has ore supply agreements with Chinese customers, each for a fixed tonnage at specific nickel grades and iron content. The fixed tonnage of ore is generally the volume expected delivery within a few months. Revenue from Chinese customers amounted to P3,773.7 million, P6,533.2 million and P8,218.7 million for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014, respectively.



Queensland Nickel Pty. Limited (QNPL)

The Group has ore supply agreement with QNPL, an Australian corporation, for a fixed tonnage at specific nickel grades and iron content. The fixed tonnage of ore is generally the volume expected delivery within a few months. Revenue from QNPL amounted to nil, nil and ₱828.8 million for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014, respectively.

Operating Agreements

SIRC

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

Total royalty fees incurred to CMDC amounted to ₱204.3 million, ₱449.1 million and ₱631.6 million for the years ended December 31, 2016 and 2015 and for the six months ended December 31, 2014, respectively (see Note 23).

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 Company ended its service contract with FVC wherein previously leased assets were returned and included as part of total additions to property and equipment (see Note 8).

In 2016, the Company entered into service contracts with Skaff Mineworks, Inc. and MRMJ Movers Corporation, 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.

Service Contract - CAGA 4

On July 16, 2009, as amended on March 8, 2011, the Group entered into a service contract with 4K Development Corporation, a contractor, to operate the mining activities within CAGA 4 in Surigao, wherein the Group will pay the contractor a fixed amount of per metric ton shipped ore. The service contract expired in 2015 and was not renewed.

In 2016, the Company 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, 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.

Total contract hire incurred for both CAGAs 2 and 4 amounted to ₱1,548.4 million, ₱2,388.9 million and ₱1,921.5 million for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014, respectively (see Note 22).

Lease Agreements

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



Future minimum lease payments follow:

Category	2016	2015
Within one (1) year	₱2.9 million	₱2.9 million
After one (1) year but not more than five (5) years	20.8 million	20.8 million
More than five (5) years	10.0 million	10.0 million

Rent payable reported under “Other noncurrent liabilities” amounted to ₱1.1 million as at December 31, 2016 and 2015.

Total rent expense incurred amounted to ₱60.3 million, ₱78.2 million and ₱44.8 million for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014, respectively (see Notes 22 and 24). Prepaid rent related to these lease agreements amounted to ₱14.1 million and ₱0.5 million as at December 31, 2016 and 2015, respectively (see Note 7).

35. Registration with the BOI

On November 16, 2007, PGMC, a subsidiary, was registered with the BOI as a new producer of beneficiated nickel ore on a non-pioneer status on its Surigao registered nickel project. It was entitled to avail of the ITH incentive, among other incentives, for an initial period of six (6) years from November 2007 to November 2013.

On July 23, 2013, PGMC received the approval for the extension of its one (1) year ITH starting November 16, 2013 to November 15, 2014.

On July 23, 2014, PGMC received the further approval of the extension of its one (1) year ITH starting November 16, 2014 to November 15, 2015. On April 4, 2016, PGMC received the Certificate of ITH Entitlement for taxable year 2015.

PGMC availed of the ITH incentive amounting to ₱547.4 million in 2015. The ITH incentive of PGMC expired on November 15, 2015.

36. Other Matters

On March 22, 2017, PGMC received a Writ of Execution for the Civil Case 6499 Pascual vs. Mamanwa. The Civil Case pertains to the claim of Sergio Pascual, Plaintiff, of the 30% royalty fees paid to the IPs. The Court grants the deposit of 30% of the 1% royalty fees. The defendants, Datu Reynante Buklas, Datu Dodoy Bago, Datu Alicio Patac and Datu Ebeniza Olorico and their successors-in-interest are ordered to deposit immediately the 30% share of the 1% royalty fees they received from PGMC from the beginning up to the present and PGMC to deposit in court all the amount of 30% of the 1% royalty fees still to be paid to defendants Reynante Buklas, Alicio Patac, Dodoy Olorico and Ebeniza Olorico. PGMC and MGB to deliver all documents showing the total amount of royalty fees paid or to be paid to the defendants.

37. Events After the End of the Reporting Period

On January 19, 2017, the BOI issued to PGMC the certification granting the renewal of PGMC's VAT zero-rated status. The certification is valid from January 1 up to December 31, 2017 unless sooner revoked by the BOI Governing Board.



On March 1, 2017, the Group entered into a Deed of Absolute Sale agreement with JSY6677 Landholdings, Inc. for the sale of the Aseana property located in Paranaque City amounting to ₱319.9 million.

On February 20, 2017, the Group received a Show Cause Notice ("SCN") from the DENR directing the Group to show cause why it should not be held liable for violation of Section 71 of the Philippine Mining Act which mandates the establishment of a mine rehabilitation fund. Based on the SCN, the Group has only deposited ₱56.5 million out of a commitment of ₱1,259.7 million for the Final Mine Rehabilitation/Decommissioning Fund (FMRDF).

The Group has submitted its reply to the SCN on February 28, 2017 in which it refuted DENR's allegations, and pointed out that: (1) PGMF FMRDF commitment is only ₱74.6 million, not ₱1,259.7 million based on the DENR Mine Audit Team 10 Report; (2) PGMF FMRDF is up-to-date with prescribed schedule of deposits; and (3) DENR's Technical Review Committee upheld the Audit Report.

On March 9, 2017, the Group received an SCN from the DENR directing the Group to show cause why its mining operations should not be suspended due to the extensive siltation of waters. DENR recommended that a review of the MPSA, that overlaps the pristine forest ecosystems of Mt. Hilong-Hilong Key Biodiversity Areas, should be undertaken to spare the most important forest block of northeastern Mindanao from further destruction.

The Group has submitted its reply to the SCN on March 28, 2017 in which it clarified that the CAGA 5 area is not within the mountain ranges of Mt. Hilong-Hilong based on the Tenement Map of Caraga R-XIII of the MGB. Furthermore, the Group also stands that it has not caused the siltation of coastal waters but instead caused by high volume of lateritic content in the soil which triggered the discoloration of water into rusty-red even without mining activities.

On March 23, 2017, PGMF was no longer one of the companies whose mines are "for suspension" or "for closure" according to a list, accessed from the DENR official website, entitled "DENR Status of Mining Operations after the Review of the Mining Audit."

On March 30, 2017, the Parent Company has obtained regulatory approval on its follow-on offering with an offer share up to ₱250.0 million at an offer price of up to ₱8.10 per share.

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

38. Supplemental Disclosure to Consolidated Statements of Cash Flows

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 amounting to ₱7.5 million, ₱1.0 million, ₱60.4 million and ₱2.2 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 million and ₱0.3 million 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.

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

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

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

39. Reclassification

During the year, the Group amended its presentation of "Cost of sales" and "Excise taxes and royalties" in the consolidated financial statements to facilitate better presentation.

"Provision for IP Mining" which amounted to ₱66.2 million for the year ended December 31, 2015 was reclassified from "Cost of sales" to "Excise taxes and royalties".



40. Operating Segment Information

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

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

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

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

The Group's core business is the sale of nickel ore to external customers which accounted for the Group's total revenue. Accordingly, the Group operates mainly in one reportable business and two geographical segments which is the Philippines and Hong Kong. Noncurrent assets of the Group comprising property and equipment, finance lease receivable, mining rights, investment property, mine exploration costs and other noncurrent assets are located in the Philippines and Hong Kong.

The Group has revenue information from external customers as follows:

Country of Domicile	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
China	₱3,773,669	₱6,533,218	₱8,218,683
Australia	-	-	828,793
	₱3,773,669	₱6,533,218	₱9,047,476



Financial information on the operation of the various business segments for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014 are as follows:

	December 31, 2016					Total
	Mining		Service	Others	Elimination	
	Philippines	Hongkong				
External customers	₱3,121,712	₱651,957	₱-	₱-	₱-	₱3,773,669
Intersegment revenues	532,895	-	95,489	-	(628,384)	-
Total revenues	3,654,607	651,957	95,489	-	(628,384)	3,773,669
Cost of sales	2,236,282	614,070	71,938	-	(614,070)	2,308,220
Excise taxes and royalties	503,275	-	-	-	-	503,275
Shipping and distributions	385,424	-	-	-	(95,019)	290,405
Segment operating earnings	529,626	37,887	23,551	-	80,705	671,769
General and administrative	(329,196)	(40,722)	(9,117)	(81,879)	-	(460,914)
Finance costs	(65,832)	(1,798)	-	(66)	-	(67,696)
Finance income	6,402	70	9	24	-	6,505
Share in net loss of an associate	-	-	-	(184)	-	(184)
Other income (charges) - net	55,720	(11)	449	-	(88,531)	(32,373)
Provision for income tax	(75,184)	-	(4,429)	-	-	(79,613)
Net income (loss) attributable to equity holders of GFHI	₱121,536	(₱4,574)	₱10,463	(₱82,105)	(₱7,826)	₱37,494
Segment assets	₱9,249,951	₱299,675	₱353,812	₱12,018,784	(₱12,558,240)	₱9,363,982
Deferred tax assets	64,998	-	-	-	-	64,998
Total assets	₱9,314,949	₱299,675	₱353,812	₱12,018,784	(₱12,558,240)	₱9,428,980
Segment liabilities	₱2,509,711	₱311,960	₱1,894	₱4,314,930	(₱4,268,805)	₱2,869,690
Deferred tax liabilities	12,734	-	-	-	-	12,734
Total liabilities	₱2,522,445	₱311,960	₱1,894	₱4,314,930	(₱4,268,805)	₱2,882,424
Capital expenditures	₱410,496	₱376	₱146	₱2,013	₱-	₱413,031
Depreciation, depletion and amortization	₱350,569	₱4,401	₱32,836	₱302	₱-	₱388,108



	December 31, 2015				
	Mining	Service	Others	Elimination	Total
External customers	₱6,533,218	₱-	₱-	₱-	₱6,533,218
Intersegment revenues	-	89,594	-	(89,594)	-
Total revenues	6,533,218	89,594	-	(89,594)	6,533,218
Cost of sales	3,427,294	82,623	-	-	3,509,917
Excise taxes and royalties	972,546	-	-	-	972,546
Shipping and distributions	256,066	-	-	(89,594)	166,472
Segment operating earnings	1,877,312	6,971	-	-	1,884,283
General and administrative	(462,832)	(8,370)	(157,069)	-	(628,271)
Finance costs	(88,888)	-	(3)	-	(88,891)
Finance income	9,408	6	17	-	9,431
Other charges - net	(115,500)	-	-	-	(115,500)
Provision for (benefit from) income tax	53,205	(2,507)	-	-	50,698
Net income attributable to equity holders of GFHI	₱1,272,705	(₱3,900)	(₱157,055)	₱-	₱1,111,750
Segment assets	₱9,271,572	₱347,125	₱11,461,116	(₱12,102,128)	₱8,977,685
Deferred tax assets	107,328	-	-	-	107,328
Total assets	₱9,378,900	₱347,125	₱11,461,116	(₱12,102,128)	₱9,085,013
Segment liabilities	₱2,784,787	₱5,200	₱3,657,390	(₱3,909,781)	₱2,537,596
Deferred tax liabilities	9,543	-	-	-	9,543
Total liabilities	₱2,794,330	₱5,200	₱3,657,390	(₱3,909,781)	₱2,547,139
Capital expenditures	₱252	₱-	₱-	₱-	₱252
Depreciation, depletion and amortization	₱548,631	₱45,852	₱-	₱-	₱594,483



	December 31, 2015				
	Mining	Service	Others	Elimination	Total
External customers	₱9,047,476	₱-	₱-	₱-	₱9,047,476
Intersegment revenues	-	50,007	-	(50,007)	-
Total revenues	9,047,476	50,007	-	(50,007)	9,047,476
Cost of sales	2,536,280	17,572	-	-	2,553,852
Excise taxes and royalties	1,258,746	-	-	-	1,258,746
Shipping and distribution	116,473	-	-	(50,007)	66,466
Segment operating earnings	5,135,977	32,435	-	-	5,168,412
General and administrative	(232,342)	(2,900)	(118)	-	(235,360)
Finance costs	(73,323)	-	-	-	(73,323)
Finance income	3,465	-	-	-	3,465
Other charges - net	(77,569)	-	-	-	(77,569)
Provision for (benefit from) income tax	(40,708)	7,404	-	-	(33,304)
Net income attributable to equity holders of GFHI	₱4,796,916	₱22,131	(₱118)	₱-	₱4,818,929
Segment assets	₱7,545,680	₱353,048	₱397,414	(₱684,534)	₱7,611,608
Deferred tax assets	57,889	-	-	-	57,889
Total assets	₱7,603,569	₱353,048	₱397,414	(₱684,534)	₱7,669,497
Segment liabilities	₱2,251,594	₱7,223	₱300	(₱30,276)	₱2,228,841
Deferred tax liabilities	14,626	-	-	-	14,626
Total liabilities	₱2,266,220	₱7,223	₱300	(₱30,276)	₱2,243,467
Capital expenditures	₱78,656	₱17,768	₱-	₱-	₱96,424
Depreciation, depletion and amortization and	₱84,380	₱8,303	₱-	₱-	₱92,683



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
ANNUAL AUDITED FINANCIAL REPORT
TABLE OF CONTENTS
DECEMBER 31, 2016

	<u>Page</u>
Financial Statements:	
Cover Page	
Statement of Management's Responsibility	
Independent Auditor's Report	
Independent Auditor's Report on Supplementary Schedules	
Consolidated Statements of Financial Position	
Consolidated Statements of Comprehensive Income	
Consolidated Statements of Changes in Equity	
Consolidated Statements of Cash Flows	
Notes to Consolidated Financial Statements	1-70
Supplementary Schedules:	
Schedule I: Reconciliation of Retained Earnings Available for Dividend Declaration	
Schedule II: Tabular Schedule of Effective Standards and Interpretation Under the PFRS	
Schedule III: Supplementary Schedules under Annex 68-E	
Schedule A: Financial Assets	
Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	
Schedule C: Amounts Receivable from Related Parties which are Eliminated During Consolidation of Financial Statements	
Schedule D: Intangible Assets - Other Assets	
Schedule E: Long-term Debt	
Schedule F: Indebtedness to Related Parties (Long-term Loans from Related Companies)	
Schedule G: Guarantees of Securities and Other Issues	
Schedule H: Capital Stock	
Schedule IV: Map of the Relationships of the Companies Within the Group	
Schedule V: Schedule Showing Financial Soundness Indicators	

**GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2016**

SUPPLEMENTARY SCHEDULES

- I. Reconciliation of retained earnings available for dividend declaration
- II. Tabular schedule of effective standards and interpretations under the PFRS
- III. Supplementary schedules under Annex 68-E
- IV. Map of the relationships of the companies within the group
- V. Schedule showing financial soundness indicators

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, 2016
(Amounts in Thousands)

Unappropriated Retained Earnings, beginning		₱5,981,084
Unrealized foreign exchange gain - net except attributable to cash		108,436
Recognized deferred tax assets		<u>(107,328)</u>
Unappropriated Retained Earnings, as adjusted, beginning		5,982,192
<u>Add: Net income during the period closed to retained earnings</u>	<u>159,887</u>	
<u>Less: Non-actual/unrealized income net of tax</u>		
Recognized DTA	6,035	
Unrealized actuarial gain	3,065	
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	-	
Subtotal	<u>150,787</u>	
Add: Non-actual losses		
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	49,575	
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)	-	
Unrealized actuarial loss	-	
Subtotal	<u>49,575</u>	
<u>Net Income Actual/Realized</u>		<u>200,362</u>
Add (Less):		
Dividend declarations during the period	-	
Appropriations of retained earnings	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	-
Unappropriated Retained Earnings, as adjusted, ending		<u>₱6,182,554</u>

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, 2016

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] issued and effective for December 31, 2016 period-end.

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
PFRSs				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions			✓

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4		✓	
PFRS 5	Noncurrent Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28 Investment Entities: Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Investment Entities			✓
	Amendments to PFRS 11: Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendment to PFRS 12, Clarification of the Scope of the Standard		✓	
PFRS 13	Fair Value Measurement (2013 Version)	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables			✓
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	
PASs				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Presentation of Financial Statements - Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendment to PAS 7: Disclosure Initiative		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Regional Market Issue regarding Discount Rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28 Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture		✓	
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Disclosure of Information "Elsewhere in the Interim Financial Report"			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Proportionate Restatement of Accumulated Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment- Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property: Clarifying the relationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property			✓
	Amendments to PAS 40: Investment Property, Transfers of Investment Property		✓	
PAS 41	Agriculture			✓
	Amendment to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC-22	Foreign Currency Transactions and Advance Consideration		✓	
SIC-7	Introduction of the Euro			✓

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

The Group has not early adopted any 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, 2016
(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 with banks	N/A	₱551,942	₱1,270
Trade receivables	N/A	708,553	-
Advances to related parties	N/A	1,614,084	-
AFS financial assets	4,216,100 shares	4,470	-
Total		₱2,879,049	₱1,270

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off/ reclassified	Current	Not current	Balance at end of period
Various stockholders	₱1,538,677	₱693,550	₱609,203	₱115,892	₱1,507,132	₱-	₱1,507,132
Southeast Palawan Nickel Ventures, Inc.	92,701	12,617	-	12,391	92,927	-	92,927
GHGC Metallic Ore Resources Inc.	6,054	-	-	-	6,054	-	6,054
Swift Glory Int'l Holdings, Inc.	-	3,467	-	-	3,467	-	3,467
Sohoton Eco-tourism Development, Inc.	-	1,972	-	-	1,972	-	1,972
Ipilan Nickel Corporation	-	923	-	-	923	-	923
Cagdianao Lateritic Nickel Mining, Inc.	-	661	-	-	661	-	661
Celestial Nickel Mining Exploration Corporation	-	640	-	-	640	-	640
Nickel Laterite Resources, Inc.	-	307	-	-	307	-	307
Ferrochrome Resources, Inc.	1,799	-	1,798	-	1	-	1
	₱1,639,231	₱714,137	₱611,001	₱128,283	₱1,614,084	₱-	₱1,614,084

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 reclassified	Current	Not current	Amount eliminated
PGMC-CNEP Shipping Services, Corp.	₱64,323	₱22,861	₱–	₱–	₱87,184	₱–	₱87,184
Surigao Integrated Resources Corporation	8,466	–	102	1,554	6,810	–	6,810
PGMC International Limited	–	530,161	480,742	–	49,419	–	49,419
	₱72,789	₱553,022	₱480,844	₱1,554	₱143,413	₱–	₱143,413

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	₱301,605	₱–	₱36,717	₱–	₱–	₱264,888

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	–	₱994,400	₱–
Banco de Oro	–	4,295	713
	₱–	₱998,695	₱713

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Beginning balance	Ending balance
Not Applicable		

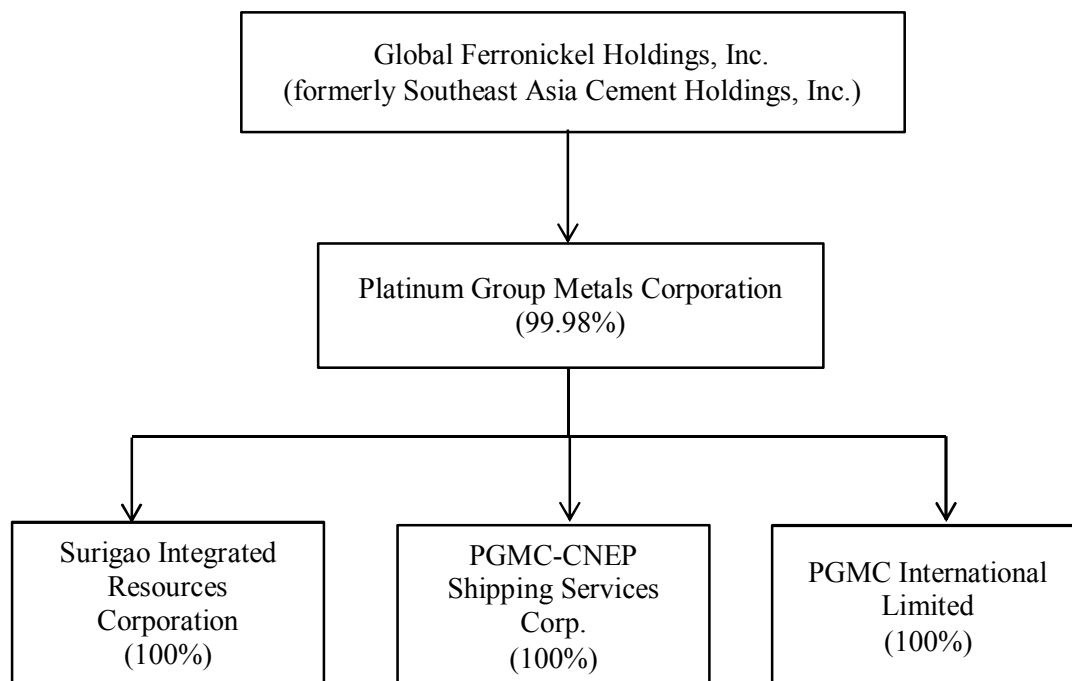
Schedule G. Guarantees of Securities of Other Issuers

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	5,816,021,398	-	-	100,750,286	5,715,271,112

SCHEDULE IV
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES
WITHIN THE GROUP
PURSUANT TO SRC RULE 68, AS AMENDED
AS AT DECEMBER 31, 2016



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, 2016

	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
Profitability ratios:			
Return on assets	0.41%	13.28%	62.93%
Return on equity	0.57%	18.59%	88.78%
Net profit margin	0.99%	17.02%	53.24%
Solvency and liquidity ratios:			
Current ratio	1.52:1	1.50:1	1.53:1
Debt to equity ratio	0.44:1	0.39:1	0.41:1
Quick ratio	1.39:1	1.23:1	1.39:1
Asset to equity ratio	1.44:1	1.39:1	1.41:1