SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended - SEPTEMBER **30, 2016**

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

3. BIR Tax Identification Number **- 003-871-592**

4. Exact name of issuer as specified in its charter
   GLOBAL FERRONICKEL HOLDINGS, INC.

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

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office — Postal Code
   7th Floor Corporate Business Center, 151 Paseo de Roxas cor. Arnaiz St., Makati City — 1228

8. Issuer's telephone number, including area code
   (632)-519 7888

9. Former name, former address and former fiscal year, if changed since last report
   Not applicable

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

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

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

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

12. Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)?

    Yes [X]   No [ ]

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

    Yes [X]   No [ ]

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

November 8, 2016

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

Mr. Vicente Graciano Felizmenio Jr.
Markets and Securities Regulation Department
Securities and Exchange Commission
The Philippine International Convention Center
Pasay City, Metro Manila

Re: SEC Form 17-Q 2016 3rd Quarter Report

Dear Gentlemen:

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

We trust everything is in order.

Very truly yours,

MARY BELLE D. BITUIN
SVP - Chief Finance Officer

Global Ferronickel Holdings, Inc.

17-Q QUARTERLY REPORT
SEPTEMBER 30, 2016

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PART I--FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

The Unaudited Interim Consolidated Financial Statements as at September 30, 2016 and for the nine-month period ended September 30, 2016 and 2015 (with Comparative Audited Consolidated Statement of Financial Position as at December 31, 2015) are hereto attached.

The following tables set forth the summary financial information for the periods ended September 30, 2016 and 2015 and as at September 30, 2016 and December 31, 2015:

1.a. Summary Consolidated Statements of Financial Position

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)	Increase/ (Decrease)	Percent Inc. (Dec.)
	(In Thousand Pesos)			
ASSETS				
Current Assets	3,698,564	3,670,086	28,478	0.8%
Noncurrent Assets	5,472,069	5,414,927	57,142	1.1%
TOTAL ASSETS	9,170,633	9,085,013	85,620	0.9%
LIABILITIES AND EQUITY				
Current Liabilities	2,514,024	2,440,566	73,458	3.0%
Noncurrent Liabilities	117,118	106,573	10,545	9.9%
Total Liabilities	2,631,142	2,547,139	84,003	3.3%
Equity				
Attributable to equity holders of the Parent Company	6,539,491	6,537,874	1,617	0.0%
Total Equity	6,539,491	6,537,874	1,617	0.0%
TOTAL LIABILITIES AND EQUITY	9,170,633	9,085,013	85,620	0.9%

1.b. Summary Consolidated Statements of Comprehensive Income

	For the Three Months Ended September 30		For the Nine Months Ended September 30		Increase (Decrease)	
	2016	2015	2016	2015	3 Months	9 Months
	(In Thousand Pesos except for Basic and Diluted Income per Share)					
Revenues	1,999,482	3,428,207	2,700,703	5,221,307	(1,428,725)	(2,520,604)
Cost and Expenses	(1,579,375)	(2,774,932)	(2,628,589)	(4,275,831)	(1,195,557)	(1,647,242)
Finance Income (Cost) and Other Charges -	(2,775)	(47,262)	(30,008)	(172,677)	(44,487)	(142,669)
Income Before Income Tax	417,332	606,013	42,106	772,799	(188,681)	(730,693)
Provision for (Benefit from) Income Tax	128,428	5,007	35,080	18,824	123,421	16,256
Net Income	288,904	601,006	7,026	753,975	(312,102)	(746,949)
Other Comprehensive Income (Loss) - net of	(808)	(3,204)	4,060	(3,499)	2,396	7,559
Total Comprehensive Income - net of tax	288,096	597,802	11,086	750,476	(309,706)	(739,390)
Basic and Diluted Income (Loss) per Share	0.0165	0.0344	0.0004	0.0393		

1.c. Summary Consolidated Statements of Changes in Equity

	For the Period Ended September 30		For the Year Ended December 31
	2016	2015	2015
	(In Thousand Pesos)		
Capital Stock			
Common Stock	6,113,455	6,113,455	6,113,455
Gain on Remeasurement of Retirement Obligation	2,277	1,675	2,277
Valuation Loss on Available-for-sale Financial Assets	(2,108)	(2,988)	-
Cumulative Translation Adjustment	6,168	-	-
Retained Earnings:			
Balance, Beginning	422,160	(696,966)	(696,966)
Income (Loss) for the Period	7,026	753,975	1,119,126
Balance, End	429,186	57,009	422,160
Treasury Stock - at cost	(9,487)	(18)	(18)
Non-controlling interest (NCI)	-	8,526	-
Total Equity	6,539,491	6,177,659	6,537,874

1.d. Summary Consolidated Statements of Cash Flows

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
	(In Thousand Pesos)			
NET CASH FLOWS FROM (USED IN):				
Operating activities	536,007	686,751	474,612	76,521
Investing activities	(46,167)	(424,595)	(580,799)	(935,317)
Financing activities	(386,767)	(521,522)	(46,283)	517,640
NET INCREASE (DECREASE) IN CASH	103,073	(259,366)	(152,470)	(341,156)
Effect of exchange rate changes on cash	5,757	14,388	7,782	22,466
CASH AT BEGINNING OF PERIOD	249,358	618,157	502,876	691,869
CASH AT END OF PERIOD	358,188	373,179	358,188	373,179

Basis of Preparation of Interim Consolidated Financial Statements

The interim consolidated statements of financial position of Global Ferronickel Holdings, Inc. and Subsidiaries (the Group) as at September 30, 2016 and December 31, 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the periods ended September 30, 2016 and 2015 were prepared in accordance with generally accepted accounting principles in the Philippines. All significant inter-company balances and transactions have been eliminated in the consolidated financial statements.

The accounting principles followed in the preparation of the Group's most recent annual consolidated financial statements were similarly applied in the preparation of the interim consolidated financial statements. There were no significant changes in the Group's accounting policies, practices and methods of estimates from the Group's last annual consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Statement of Financial Condition

As at September 30, 2016, total assets of the Group stood at Philippine Peso (₱)9,170.6 million, up by ₱85.6 million or 0.9%, from ₱9,085.0 million as at December 31, 2015. The increase was due to the net increase in current assets and noncurrent assets by ₱28.5 million and ₱57.1 million, respectively.

The net increase in current assets was caused primarily by the rise in trade and other receivables, advances to related parties, and prepayments and other current assets of ₱297.9 million, ₱150.3 million, and ₱70.4 million, respectively. This was offset by the drop in inventories by ₱326.2 million as prior year nickel ore inventories were prioritized for shipment.

The net increase in noncurrent assets was brought about by the increased investment in property and equipment and mine exploration costs of ₱151.0 million and ₱68.9 million, respectively. Also other noncurrent assets rose by ₱121.0 million as a result of the additional United States Dollar (US$)3 million Debt Service Reserve Account (DSRA) requirement on the TCB loan. This was offset primarily by the decrease in finance lease receivable amounting to ₱218.0 million, as a consequence of the turn over of the Group-owned equipment leased to one of the Group's mining contractors, Frasec Venture Corporation upon expiration of the mining contract with them.

Total liabilities of the Group stood at ₱2,631.1 million as at September 30, 2016, an increment of ₱84.0 million or 3.3%, from ₱2,547.1 million as at December 31, 2015. This was brought about by the increase in current liabilities to ₱2,514.0 million from ₱2,440.6 million as a result of the rise in trade and other payables.

Results of Operations

Export Revenues

The Group's third quarter 2016 mining operations generated total export revenues of ₱1,999.5 million, bringing to date revenues to ₱2,700.7 million compared to ₱5,221.3 million in the nine months ended September 30, 2015, a drop of ₱2,520.6 million or 48.3% due to the decrease in the volume shipped, change in product mix (as more low grade ores were shipped in the first three quarters of 2016 as compared to the same period in 2015) and weakening market price of nickel ore.

The sale of nickel ore for the nine months ended September 30, 2016 was 3.449 million wet metric tons (WMT) of nickel ore, declined by 0.682 million WMT or 16.5%, compared to 4.131 million WMT of nickel ore in the nine months ended September 30, 2015. We were able to ship only 63 vessels of nickel ore during the nine months ended September 30, 2016 as against 76 vessels of nickel ore during the same period last year. These shipments sold solely to Chinese customers consisted of 2.231 million, 1.162 million, and 0.056 million WMT of low-grade nickel ore, medium-grade nickel ore, and high-grade nickel ore, respectively, compared to 0.222 million WMT low-grade nickel ore, 3.695 million WMT medium-grade nickel ore and 0.214 million WMT high-grade nickel ore of the same period in 2015. The reduction in shipments was brought about by intermittent rainfall which was three times higher than in the same period in 2015.

The decrease in the export revenues was aggravated by the fall of nickel ore price from last year's average of US$28.18/WMT to only US$16.17/WMT average for the period January to September of 2016, lower by US$12.01/WMT or 42.6%.

Service Revenues

The service income realized for the landing craft tanks (LCT) chartered by Platinum Group Metals Corporation (PGMC) from its subsidiary, PGMC-CNEP Shipping Services Corp., amounted to ₱78.1 million for the nine months period ended September 30, 2016 as compared to ₱76.2 million for the same period last year.

Costs and Expenses

The costs and expenses amounted to ₱2,628.6 million for the nine months period ended September 30, 2016 compared to ₱4,275.8 million for the nine months period ended September 30, 2015, a decrease of ₱1,647.2 million or 38.5%.

Cost of Sales
The cost of sales went down from ₱2,891.2 million for the nine months ended September 30, 2015 to ₱1,779.8 million for the same period this year, a decrease by ₱1,111.4 million, or 38.4%. The decrease in cost of sales was due to decline in the volume shipped, change in product mix (as mentioned in the export revenues section) and the result of cost rationalizations and greater operational efficiencies.

Contract hire went down by ₱737.6 million, from ₱1,938.9 million in 2015 to ₱1,201.3 million in 2016, or 38.0%. The decrease in contract hire was attributable mainly to the decline in the volume shipped and change in product mix. Moreover, equipment rentals decreased to ₱25.5 million from ₱61.2 million, a decrease of ₱35.7 million or 58.4% as a result of the non-renewal of lease of equipment as Group-owned equipment allowed to be used by one of the Group's contractors were returned upon expiration of the mining contract with this contractor. The depreciation and depletion expense went down by ₱223.2 million or 43.3% as a result of the change in depletion rates. For the nine months ended September 30, 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 dry metric ton (DMT) for Cagdianao Areas (CAGAs) 2 and 4. For the period July 1 to September 30, 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) Techincal Report dated September 15, 2016 with an indicated mineral reserve estimate of 25.6 million WMT for CAGAs 2 and 4. For fuel, oil and lubricants, it went down by ₱126.0 million, from ₱134.4 million for the period ended September 30, 2015 to ₱8.4 million for the same period this year. However, the decrease in cost of sales was partially offset by the increase in personnel costs by ₱17.1 million or 18.0% 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.

Excise Taxes and Royalties
Excise taxes and royalties were ₱343.6 million and ₱776.8 million for the nine months ended September 30, 2016 and 2015, respectively. Since these expenses were computed and paid based on the percentage of the gross revenues, the decline in nickel ore price and volume shipped consequently lowered the excise taxes and royalties taken up.

General and Administrative
General and administrative expenses were ₱297.4 million in the first nine months of 2016 compared to ₱463.0 million for the same period in 2015, a decrease of ₱165.6 million, or 35.8%. The decline was mainly due to the decrease in consultancy fees, outside services, marketing and entertainment, and Securities and Exchange Commission and listing fees which pertained to the cost incurred and paid in 2015 related to the Group's planned follow-on offering. The decrease was partially offset by the increase in rent expense related to office rentals of PGMC International Limited (PIL), new subsidiary in 2016 and personnel costs as the Group hired additional personnel to join the management team of the Group and employees of PIL.

Shipping and Distribution
Shipping and loading costs were ₱207.8 million for the three quarters ended September 30, 2016 compared to ₱144.9 million in the same period last year, an increase of ₱62.9 million, or 43.4%. Although the actual volume of nickel ore shipped for the period January to September of 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
Finance costs were ₱51.5 million and ₱74.9 million for the nine months ended September 30, 2016 and 2015, respectively, a decrease of ₱23.4 million, or 31.2%. This was brought about by the retirement of long-term loans with Amsterdam Trade Bank (ATB), Trade and Investment Development Corporation of the Philippines (PhilEXIM) and Banco de Oro in 2015.

Other Income (Charges) - Net
Net other income were ₱17.7 million for the nine months ended September 30, 2016 as compared to net other charges amounted to ₱106.7 million for the same period last year, an increase of ₱124.4 million, or 116.6%. The increase was brought about by the recognition of foreign exchange gains in 2016 compared to foreign exchange loss in 2015 and significant amount of loss on modification of finance lease recognized in the prior year.

<u>Provision for Income Tax</u>

Current
The current provision for income tax representing minimum corporate income tax (MCIT) amounted to ₱25.1 million and ₱5.5 million for the nine months ended September 30, 2016 and 2015, respectively. Effective November 2007, PGMC (a subsidiary) was entitled to income tax holiday as one of the incentives granted by the Board of Investments as a non-pioneer enterprise. PGMC's income tax holiday incentive expired on November 15, 2015.

Deferred
Deferred provision for income tax were ₱10.0 million for the nine months ended September 30, 2016 as compared to ₱13.3 million for the same period last year, a decrease of ₱3.3 million, or 24.7%. The decrease was brought about by the application of net loss carry over partially offset by the recognition of excess MCIT for the period ended September 30, 2016.

<u>Net Income</u>

As a result of the foregoing, the Group's consolidated net income dropped by ₱747.0 million, from ₱754.0 million for the first nine months of 2015 to ₱7.0 million for the same period of 2016.

Statement of Cash Flows

The net cash flows from operating activities resulted to positive ₱474.6 million for the nine months ended September 30, 2016 compared to ₱76.5 million during the nine months ended September 30, 2015. Basically, the significant trade receivables as at September 30, 2015 were the result of last year's change of mode of payment from cash basis to Letter of Credits (LC) and the increase in trade receivables in the current period in spite of the lower sales due to the 90-day after sight LC as mode of payment from some customers. Net cash flows used in investing activities for the nine months ended September 30, 2016 and 2015 amounted to ₱580.8 million and ₱935.3 million, respectively. For the nine months ended September 30, 2016 and 2015, the net cash flows derived from financing activities amounted to negative ₱46.3 million and ₱517.6 million, respectively. The downward movement of financing activities was the result of lower availment of export packing short-term bank loans and the eventual full payment of the same for the period ended September 30, 2016 compared to the same period of last year.

Material Off-balance Sheet Transactions

The Group is not aware of any material off-balance sheet transaction, arrangement, obligation (including contingent obligation), and other relationship of the Group with unconsolidated entities or other persons created during the reported period other than those discussed in this report and in disclosures under Form 17-C.

Material Commitments for Capital Expenditures

The Group does not have any outstanding commitment for capital expenditures as at September 30, 2016.

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

PART II--FINANCIAL SOUNDNESS INDICATORS

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

Indicators	Formula	2016	2015
Earnings per Share	Profit for the Period/Weighted Average Number of Shares Outstanding	0.0004	0.0393
Debt-to-Equity Ratio	Total Liabilities/Total Equity	0.40:1	0.41:1
Asset-to-Equity Ratio	Total Assets/Total Equity	1.40:1	1.41:1
Current Ratio	Current Assets/Current Liabilities	1.47:1	1.97:1

PART III--OTHER INFORMATION

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

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

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

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

4. Approval of the Securities and Exchange Commission of the increase in authorized capital stock to PhP12,555,020,001.30 divided into 11,957,161,906 common shares with a par value of PhP1.05 per share.

SIGNATURES

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

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

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

Date: November 8, 2016

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

Date: November 8, 2016

Annex A

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

	Days Outstanding					
	1-90	91-180	181-270	271-360	Over 360	Total
Trade	496,288	113,698	8	2,599	238,355	850,948
Advances to Contractors	141,185	-	-	-	-	141,185
Advances to Officers, Employees and Others	16,168	1,795	290	375	5,227	23,855
Total	653,641	115,493	298	2,974	243,582	1,015,988
Less: Allowance for Impairment Losses						(17,359)
NET RECEIVABLES						998,629

**PGMC and PIL Related Transactions*

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Global Ferronickel Holdings, Inc. and Subsidiaries
(Formerly Southeast Asia Cement Holdings, Inc. and Subsidiaries)

Unaudited Interim Condensed Consolidated Financial Statements as at September 30, 2016 and for the nine months ended September 30, 2016 and 2015
(With Comparative Audited Consolidated Statement of Financial Position as at December 31, 2015)

and

Report on Review of Interim Condensed Consolidated Financial Statements

SGV

Building a better working world

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Stockholders and the Board of Directors
Global Ferronickel Holdings, Inc. and Subsidiaries

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Global Ferronickel Holdings, Inc. and Subsidiaries which comprise the interim consolidated statement of financial position as at September 30, 2016, and the interim consolidated statements of comprehensive income, changes in equity and cash flows for the nine months ended September 30, 2016 and 2015, and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the financial position of Global Ferronickel Holdings, Inc. and Subsidiairies as at September 30, 2016, and its financial performance and cash flows for the nine months ended September 30, 2016 and 2015 in accordance with PAS 34.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-4 (Group 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. 5321628, January 4, 2016, Makati City

November 3, 2016

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

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(With Comparative Audited Figures as at December 31, 2015)
(Amounts in Thousands)

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Current Assets		
Cash (Note 3)	**₱358,188**	₱502,876
Trade and other receivables (Note 4)	**998,629**	700,770
Current portion of finance lease receivable (Note 6)	**148,760**	167,949
Advances to related parties (Note 21)	**1,789,545**	1,639,231
Inventories - at cost (Note 5)	**317,567**	643,783
Prepayments and other current assets	**85,875**	15,477
Total Current Assets	**3,698,564**	3,670,086
Noncurrent Assets		
Property and equipment (Note 6)	**2,199,967**	2,048,979
Deposits for future acquisition (Note 21)	**1,627,892**	1,651,247
Investment property - at cost	**319,865**	319,865
Mining rights (Note 7)	**271,050**	301,605
Mine exploration costs (Note 8)	**209,652**	140,790
Finance lease receivable - net of current portion (Note 6)	**101,583**	319,593
Deferred income tax assets - net (Note 22)	**87,775**	97,785
Available-for-sale (AFS) financial assets (Note 9)	**4,095**	5,903
Other noncurrent assets (Note 10)	**650,190**	529,160
Total Noncurrent Assets	**5,472,069**	5,414,927
TOTAL ASSETS	**₱9,170,633**	₱9,085,013
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	**₱828,704**	₱792,661
Current portion of bank loans (Note 12)	**975,067**	987,350
Amounts owed to related parties (Note 21)	**667,028**	624,211
Dividends payable	**20,287**	20,287
Finance lease liabilities	**–**	14,994
Income tax payable	**22,938**	1,063
Total Current Liabilities	**2,514,024**	2,440,566
Noncurrent Liabilities		
Bank loans - net of current portion (Note 12)	**5,056**	7,234
Provision for mine rehabilitation and decommissioning	**59,311**	58,259
Retirement obligation	**48,625**	39,985
Deferred income tax liability (Note 22)	**2,644**	–
Other noncurrent liabilities (Note 25)	**1,482**	1,095
Total Noncurrent Liabilities	**117,118**	106,573
Total Liabilities	**2,631,142**	2,547,139
Equity		
Capital stock (Note 13)	**6,113,455**	6,113,455
Valuation loss on AFS financial assets (Note 9)	**(2,108)**	–
Gain on remeasurement of retirement obligation	**2,277**	2,277
Cumulative translation adjustment	**6,168**	–
Retained earnings	**429,186**	422,160
Treasury stock (Note 13)	**(9,487)**	(18)
Total Equity	**6,539,491**	6,537,874
TOTAL LIABILITIES AND EQUITY	**₱9,170,633**	₱9,085,013

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
	(Unaudited)			
SALE OF ORE (Note 25)	₱1,999,482	₱3,428,207	₱2,700,703	₱5,221,307
COST OF SALES (Note 15)	1,097,607	1,961,487	1,779,768	2,891,189
GROSS PROFIT	901,875	1,466,720	920,935	2,330,118
OPERATING EXPENSES				
Excise taxes and royalties (Note 17)	258,035	518,357	343,650	776,785
General and administrative (Note 16)	85,435	218,664	297,388	462,969
Shipping and distribution (Note 18)	138,298	76,424	207,783	144,888
TOTAL OPERATING EXPENSES	481,768	813,445	848,821	1,384,642
FINANCE INCOME	3,274	4,168	3,822	8,948
FINANCE COSTS (Note 19)	(29,214)	(21,414)	(51,508)	(74,866)
OTHER INCOME (CHARGES) - Net (Note 20)	23,165	(30,016)	17,678	(106,759)
INCOME (LOSS) BEFORE INCOME TAX	417,332	606,013	42,106	772,799
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	24,485	5,295	25,070	5,527
Deferred	103,943	(288)	10,010	13,297
	128,428	5,007	35,080	18,824
NET INCOME (LOSS)	288,904	601,006	7,026	753,975
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified to profit or loss in subsequent periods:				
Valuation loss on AFS financial assets	(1,265)	(3,204)	(2,108)	(3,499)
Cumulative translation adjustment	457	–	6,168	–
Item that will not be reclassified to profit or loss in subsequent periods:				
Remeasurement gain on retirement obligation	–	–	–	–
	(808)	(3,204)	4,060	(3,499)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱288,096	₱597,802	₱11,086	₱750,476
Net Income (Loss) Attributable To:				
Equity holders of the Parent Company	₱288,904	₱600,087	₱7,026	₱752,822
NCI	–	919	–	1,153
	₱288,904	₱601,006	₱7,026	₱753,975
Total Comprehensive Income (Loss) Attributable To:				
Equity holders of the Parent Company	₱288,096	₱596,889	₱11,086	₱749,329
NCI	–	913	–	1,147
	₱288,096	₱597,802	₱11,086	₱750,476
Basic/Diluted Earnings (Loss) per Share (Note 14) **Attributable to Equity Holders of the Parent Company**	₱0.0165	₱0.0344	₱0.0004	₱0.0393

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(Amounts in Thousands, Except Earnings per Share)

	September 30	
	2016	2015
SALE OF ORE (Note 25)	**₱2,700,703**	₱5,221,307
COST OF SALES (Note 15)	**1,779,768**	2,891,189
GROSS PROFIT	**920,935**	2,330,118
OPERATING EXPENSES		
General and administrative (Note 16)	**297,388**	462,969
Excise taxes and royalties (Note 17)	**343,650**	776,785
Shipping and distribution (Note 18)	**207,783**	144,888
	848,821	1,384,642
FINANCE INCOME	**3,822**	8,948
FINANCE COSTS (Note 19)	**(51,508)**	(74,866)
OTHER INCOME (CHARGES) - Net (Note 20)	**17,678**	(106,759)
INCOME BEFORE INCOME TAX	**42,106**	772,799
PROVISION FOR INCOME TAX		
Current	**25,070**	5,527
Deferred	**10,010**	13,297
	35,080	18,824
NET INCOME	**7,026**	753,975
OTHER COMPREHENSIVE INCOME - net of tax		
Items that may be reclassified to profit or loss in subsequent periods:		
Cumulative translation adjustment	**6,168**	–
Valuation loss on AFS financial assets	**(2,108)**	(3,499)
	4,060	(3,499)
TOTAL COMPREHENSIVE INCOME - net of tax	**₱11,086**	₱750,476
Net Income Attributable To:		
Equity holders of the Parent Company	**₱7,026**	₱752,822
Non controlling interest (NCI)	**–**	1,153
	₱7,026	₱753,975
Total Comprehensive Income Attributable To:		
Equity holders of the Parent Company	**₱11,086**	₱749,329
NCI	**–**	1,147
	₱11,086	₱750,476
Basic/Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company (Note 14)	**₱0.0004**	₱0.0393

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company								
	Capital Stock (Note 13)	Treasury Stock (Note 13)	Valuation Gain (Loss) on AFS Financial Assets (Note 9)	Gain on Remeasurement of Retirement Obligation	Cumulative Translation Adjustment	Retained Earnings	Total	NCI	Total Equity
Balances at December 31, 2015 (Audited)	₱6,113,455	(₱18)	₱–	₱2,277	₱–	₱422,160	₱6,537,874	₱–	₱6,537,874
Net income	–	–	–	–	–	7,026	7,026	–	7,026
Other comprehensive income (loss) - net of tax	–	–	(2,108)	–	6,168	–	4,060	–	4,060
Total comprehensive income (loss) - net of tax	–	–	(2,108)	–	6,168	7,026	11,086	–	11,086
Buy-back of common stock	–	(9,469)	–	–	–	–	(9,469)	–	(9,469)
Balances at September 30, 2016 (Unaudited)	₱6,113,455	(₱9,487)	(₱2,108)	₱2,277	₱6,168	₱429,186	₱6,539,491	₱–	₱6,539,491
Balances at December 31, 2014 (Audited)	₱6,113,455	(₱18)	₱506	₱1,675	₱–	(₱696,966)	₱5,418,652	₱7,378	₱5,426,030
Net income	–	–	–	–	–	753,975	753,975	1,153	755,128
Other comprehensive income (loss) - net of tax	–	–	(3,494)	–	–	–	(3,494)	(5)	(3,499)
Total comprehensive income (loss) - net of tax	–	–	(3,494)	–	–	753,975	750,481	1,148	751,629
Balances at September 30, 2015 (Unaudited)	₱6,113,455	(₱18)	(₱2,988)	₱1,675	₱–	₱57,009	₱6,169,133	₱8,526	₱6,177,659

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(Amounts in Thousands)

	September 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱42,106**	₱772,796
Adjustments for:		
Depreciation, depletion and amortization (Notes 15 and 16)	**305,043**	526,707
Interest expense (Note 19)	**45,903**	63,706
Loss on acquisition of a subsidiary	**7,356**	–
Retirement benefits costs	**7,026**	4,725
Interest income	**(3,822)**	(8,948)
Accretion interest on provision for mine rehabilitation and decommissioning (Note 19)	**1,052**	838
Unrealized foreign exchange losses (gains) - net	**21,209**	(3,834)
Loss on modification of finance lease (Note 20)	**1,037**	86,885
Levelization of rental expense	**387**	410
Amortization of discount on bank loans (Note 19)	**–**	2,022
Operating income before changes in working capital	**427,297**	1,445,307
Decrease (increase) in:		
Trade and other receivables	**(191,455)**	(1,058,437)
Inventories - at cost	**326,216**	(164,940)
Prepayments and other current assets	**(57,488)**	(75,916)
Trade and other payables	**8,510**	(8,116)
Net cash flows from operations	**513,080**	137,898
Interest paid	**(36,100)**	(56,199)
Income taxes paid	**(3,195)**	(5,625)
Interest received	**827**	717
Retirement benefits paid	**–**	(270)
Net cash flows from operating activities	**474,612**	76,521
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment	**(263,980)**	(68,503)
Mine exploration costs	**(68,862)**	(914)
Decrease in:		
Advances to related parties	**(141,715)**	(848,370)
Other noncurrent assets	**(121,222)**	(60,255)
Finance lease receivables	**9,924**	41,791
Cash inflow from acquisition of net assets of a subsidiary (Note 21)	**5,056**	–
Proceeds from insurance claims	**–**	934
Net cash flows used in investing activities	**(580,799)**	(935,317)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of bank loans	**(880,418)**	(992,653)
Proceeds from availment of bank loans	**837,158**	1,430,438
Increase in amounts owed to related parties	**21,440**	102,274
Decrease in finance lease liabilities	**(14,994)**	(22,419)
Buy-back of shares	**(9,469)**	–
Net cash flows from (used in) financing activities	**(46,283)**	517,640
NET DECREASE IN CASH	**(152,470)**	(341,156)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**7,782**	22,466
CASH AT BEGINNING OF PERIOD	**502,876**	691,869
CASH AT END OF PERIOD	**₱358,188**	₱373,179

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

1. **Corporate Information, Status of Operations and Authorization for Issue of the Interim Condensed Financial Statements**

Corporate Information
Global Ferronickel Holdings, Inc. (GFHI; the 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 address of GFHI is 7th Floor, Corporate Business Centre, 151 Paseo de Roxas corner Arnaiz Street, Makati City.

Status of Operations
GFHI and Platinum Group Metals Corporation (PGMC) Share-for-Share Swap (Share Swap) Transaction
On October 23, 2014, GFHI executed a Deed of Exchange for a Share Swap with the 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 or collectively referred to as Thirteen Stockholders of PGMC. GFHI 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 GFHI assumed by the Thirteen Stockholders from IHoldings, Inc., Kwantlen Development Corp. and Januarius Resources Realty Corp., 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 GFHI to the Thirteen Stockholders amounted to ₱3,662.1 million.

The shares issued by GFHI 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, GFHI 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) for United States Dollar (US$) 30.0 million or its Philippine Peso equivalent.

- Giantlead Prestige, Inc., ACFGI, ANCI, HIHPL and an individual, the Sellers, for the purchase of 500,000 common shares and 6,250,000,000 preferred shares or one hundred percent (100%) interest of Southeast Palawan Nickel Ventures, Inc. (SPNVI) for US$50.0 million or its Philippine Peso equivalent.

The approval of the stockholders to authorize this transaction has already been secured during the Corporation's Special Stockholders' Meeting held last February 26, 2015.

On March 16, 2015, the Parent Company's Board of Directors (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-fullfillment of the conditions in the MOA.

On September 1, 2016, GFHI entered into a Deed of Assignment with SPNVI wherein GFHI assigned, transferred and conveyed in favor of SPNVI ₱0.3 million of its deposit for future stock acquisition as payment for the 300,000 unissued common shares of SPNVI. As at September 30, 2016, GFHI owns 0.5% interest in SPNVI (see Note 21).

As at September 30, 2016 and December 31, 2015, the Parent Company has made various cash advances for the acquisition of SPNVI and treated these advances as deposits for future acquisition amounting to ₱1,627.9 million and ₱1,628.2 million, respectively.

<u>The Subsidiaries</u>

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.

Surigao Integrated Resources Corporation (SIRC)

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

On June 15, 2016, SIRC and Cagdianao Lateritic Nickel Mining, Inc. (CLNMI) executed a Deed of Assignment wherein the latter 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 covering an area of about 927.9 hectares located at Cagdianao, Claver, Surigao del Norte.

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.

PGMC International Limited (PIL)
On July 22, 2015, PIL, a wholly-owned subsidiary, 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 21).

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 unaudited interim condensed consolidated financial statements of GFHI as at September 30, 2016 and for the nine months ended September 30, 2016 and 2015 were authorized for issue by the BOD on November 3, 2016.

2. Basis of Preparation, Statement of Compliance and Changes to Accounting Policies

Basis of Preparation
The accompanying interim condensed 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 (₱000), except number of shares, per share data and as indicated.

The interim condensed consolidated financial statements have been prepared solely for the inclusion in the prospectus prepared by the Group for the planned follow-on offering of GFHI common shares and for no other purposes.

Statement of Compliance
The accompanying interim condensed consolidated financial statements of the Parent Company have been prepared in compliance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with its annual audited consolidated financial statements as at December 31, 2015 and 2014.

Basis of Consolidation
The interim condensed consolidated financial statements include the accounts of the Parent Company and its subsidiaries after eliminating significant intercompany balances and transactions. These subsidiaries, except PIL, are all based in the Philippines and are duly registered with the Philippine SEC. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, except SIRC, using uniform and consistent accounting policies.

Changes to the Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the years ended December 31, 2015 and 2014, except for the adoption of new standards and interpretations effective as of January 1, 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the consolidated statement of financial position and present movements in these account balances as separate line items in the consolidated statement of profit or loss and other comprehensive income (OCI). The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its consolidated financial statements.

  Since the Group is an existing PFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

- PFRS 11, *Joint Arrangements: Accounting for Acquisitions of Interests* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant PFRS 3, *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. There has been no interest acquired in a joint operation during the period.

- PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The Group has not used a revenue-based method to depreciate its noncurrent assets.

- PAS 16 and PAS 34, *Agriculture: Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41, *Agriculture*. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41, measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The Group does not have any bearer plants.

- PAS 27, *Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of PFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to PFRS.

Annual Improvements 2012-2014 Cycle
These improvements are effective for annual periods beginning on or after January 1, 2016. These amendments do not have any impact on the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
  Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. This amendment must be applied prospectively.

- PFRS 7, *Financial Instruments: Disclosures*
  (i) Servicing Contracts
  The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

  (ii) Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements
  The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

- PAS 19, *Employee Benefits*
  The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

- PAS 34, *Interim Financial Reporting*
  The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

- PAS 1, *Disclosure Initiative*
  The amendments to PAS 1 clarify, rather than significantly change, existing PAS 1 requirements. The amendments clarify:
  - The materiality requirements in PAS 1
  - That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and OCI.

- PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*
  The amendments address issues that have arisen in applying the investment entities exception under PFRS 10, *Consolidated Financial Statements*. The amendments to PFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to PFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

  The amendments to PAS 28, *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

  These amendments do not have any impact on the Group, as the Group does not apply the consolidation exception.

3. Cash

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Cash on hand	**₱701**	₱614
Cash with banks	**357,487**	502,262
	₱358,188	₱502,876

Cash with banks earn interest at the respective bank deposit rates. Interest income earned on cash with banks amounted to ₱0.5 million and ₱0.3 million for the nine months ended September 30, 2016 and 2015, respectively.

The Group has US$-denominated cash with banks amounting to US$3.2 million and US$8.5 million as at September 30, 2016 and December 31, 2015, respectively. The Group has HK$-denominated cash with banks amounting to HK$4.1 million as at September 30, 2016 (see Note 23).

4. Trade and Other Receivables

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Trade	**₱850,948**	₱704,056
Advances to:		
Contractors	**141,185**	2,203
Officers, employees and others	**23,855**	11,870
	1,015,988	718,129
Less allowance for impairment losses	**17,359**	17,359
	₱998,629	₱700,770

The Group has US$-denominated trade receivables amounting to US$18.7 million and US$15.3 million as at September 30, 2016 and December 31, 2015, respectively. The Group has HK$-denominated trade and other receivables amounting to HK$8.9 million as at September 30, 2016 (see Note 23).

5. Inventories - at cost

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Beneficiated nickel ore	**₱242,805**	₱574,726
Materials and supplies	**74,762**	69,057
	₱317,567	₱643,783

The amount of inventoriable cost charged to cost of sales in the unaudited interim consolidated statements of comprehensive income amounted to ₱1,201.3 million and ₱1,938.9 million as at September 30, 2016 and 2015, respectively (see Note 15).

6. Property and Equipment

September 30, 2016 (Unaudited)

	Land	Building and Land Improvements	Machineries and Other Equipment	Furniture and Fixtures	Equipment and Supplies	Mining Properties	Roads and Bridges	Constructions In-progress (CIP)	Total
Cost:									
Balances at December 31, 2015	**₱10,435**	**₱53,992**	**₱758,319**	**₱7,468**	**₱4,855**	**₱1,393,187**	**₱595,612**	**₱18,247**	**₱2,842,115**
Additions	**–**	**1,607**	**180,433**	**3,840**	**602**	**–**	**237,177**	**1,872**	**425,531**
Disposals	**–**	**–**	**(3,972)**	**–**	**(173)**	**–**	**–**	**–**	**(4,145)**
Balances at September 30, 2016	**10,435**	**55,599**	**934,780**	**11,308**	**5,284**	**1,393,187**	**832,789**	**20,119**	**3,263,501**
Accumulated depreciation and depletion:									
Balances at December 31, 2015	**–**	**19,011**	**185,015**	**5,456**	**2,525**	**480,454**	**100,675**	**–**	**793,136**
Depreciation and depletion	**–**	**4,641**	**97,464**	**1,237**	**680**	**148,264**	**22,203**	**–**	**274,489**
Disposals	**–**	**–**	**(3,968)**	**–**	**(123)**	**–**	**–**	**–**	**(4,091)**
Balances at September 30, 2016	**–**	**23,652**	**278,511**	**6,693**	**3,082**	**628,718**	**122,878**	**–**	**1,063,534**
Net book values	**₱10,435**	**₱31,947**	**₱656,270**	**₱4,615**	**₱2,202**	**₱764,469**	**₱709,911**	**₱20,119**	**₱2,199,967**

December 31, 2015 (Audited)

	Land	Building and Land Improvements	Machineries and Other Equipment	Furniture and Fixtures	Equipment and Supplies	Mining Properties	Roads and Bridges	CIP	Total
Cost:									
Balances at December 31, 2014	₱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	–	–	–	–	–	(3,070)	–	–	(3,070)
Disposals	–	–	(22,702)	–	–	–	–	–	(22,702)
Reclassifications	–	–	–	(78)	78	–	–	–	–
Balances at December 31, 2015	10,435	53,992	758,319	7,468	4,855	1,393,187	595,612	18,247	2,842,115
Accumulated depreciation and depletion:									
Balances at December 31, 2014	–	13,400	102,081	4,532	1,742	119,893	68,274	–	309,922
Depreciation and depletion	–	5,611	99,309	924	783	360,561	32,401		499,589
Disposals	–	–	(16,375)	–	–	–	–	–	(16,375)
Balances at December 31, 2015	–	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

In 2016, the Group, due to mutual agreement, ended its mining contract with Frasec Ventures Corporation (FVC) which resulted to the return of previously leased mining equipment, amounting to ₱179.7 million, recorded under "Machineries and other equipment". This also resulted in 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 20).

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" category, respectively.

The rates used by the Group in computing depletion were ₱31.71 per wet metric ton (WMT) for the period July 1 to September 30, 2016 and ₱60.48 per WMT for the period January 1 to June 30, 2016 and for the nine months ended September 30, 2015. Starting July 1, 2016, the rate used was based on the latest Philippine Mining Reporting Code Competent Person's (PMRC-CP) Techincal Report dated September 15, 2016 with an indicated mineral reserve estimate of 25.6 million WMT for Cagdianao Areas (CAGAs) 2 and 4. For the nine months ended September 30, 2015, the rate used was 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 dry metric ton (DMT) for CAGAs 2 and 4.

The estimated completion of the CIP for the mine site improvements is ninety-five percent (95%) as at September 30, 2016 and December 31, 2015.

7. Mining Rights

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

The carrying value of mining rights amounted to ₱271.1 million and ₱301.6 million as at September 30, 2016 and December 31, 2015, respectively.

Amortization of mining rights amounted to ₱30.6 million and ₱95.3 million for the nine months ended September 30, 2016 and 2015, respectively. There were no provision for impairment losses on mining rights recognized for the nine months ended September 30, 2016 and 2015.

As at September 30, 2016 and December 31, 2015, accumulated amortization amounted to ₱125.9 million and ₱95.3 million, respectively.

8. Mine Exploration Costs

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Beginning balances	**₱140,790**	₱140,659
Exploration expenditures incurred	**68,862**	131
Ending balances	**₱209,652**	₱140,790

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

On June 30, 2016, the Group received the latest PMRC-CP Technical Report 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 DMT. The Group's proven and probable reserves are at 35.4 million WMT, as estimated in accordance with the PMRC-CP Technical Report dated September 15, 2016. CAGAs 2 and 4 are operating areas while CAGAs 1, 3, and 5 are under exploration activities. The Group is yet to conduct its exploration activities for CAGAs 6 and 7.

The Group incurred ₱27.5 million for the deferred exploration activities of the Cagdianao Nickel Expansion Project in CAGAs 1, 3 and 5 as at September 30, 2016 and December 31, 2015.

9. AFS Financial Assets

As at September 30, 2016 and December 31, 2015, the Group holds 4,216,100 shares of stock of Oriental Peninsula Resources Group, Inc. (OPRGI), a publicly listed company in the Philippines. The fair value of quoted equity instrument is based on the closing market price as at September 30, 2016 and December 31, 2015.

The Group's AFS financial assets consists of investment in:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Quoted equity shares	**₱3,795**	₱5,903
Unquoted equity shares (see Note 21)	**300**	–
Ending balance	**₱4,095**	₱5,903

Movements in fair value of quoted equity instrument follow:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Beginning balance	**₱5,903**	₱8,854
Valuation loss	**(2,108)**	–
Impairment loss on AFS financial assets	**–**	(2,445)
Unrealized gains transferred from equity to consolidated statements of comprehensive income	**–**	(506)
Ending balance	**₱3,795**	₱5,903

Movements in the "Valuation loss on AFS financial assets" presented as a separate component in the unaudited interim consolidated statements of changes in equity follow:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Beginning balance	**₱–**	₱506
Unrealized gains transferred from equity to consolidated statements of comprehensive income	**–**	(506)
Decrease in fair value of AFS financial assets	**(2,108)**	–
Ending balance	**(₱2,108)**	₱–

There was no dividend income earned from the quoted equity instrument for the nine months ended September 30, 2016 and 2015.

10. Other Noncurrent Assets

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Restricted cash	**₱241,666**	₱114,583
Advances to suppliers	**160,476**	174,572
Input value-added tax (VAT)	**164,788**	153,407
Mine rehabilitation fund (MRF)	**62,462**	62,117
Others	**20,798**	24,481
	₱650,190	₱529,160

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:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Taiwan Cooperative Bank (TCB)	**₱241,666**	₱95,161
Bank of China (BOC)	**–**	19,422
	₱241,666	₱114,583

The Group has US$-denominated restricted cash as at September 30, 2016 and December 31, 2015 amounting to US$5.0 million and US$2.4 million, respectively (see Note 23).

Advances to suppliers pertain to miscellaneous deposits on Group's purchase of property and equipment from various suppliers.

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 Bureau of Internal Revenue and/or the Philippine Bureau of Customs. Allowance for impairment losses on input VAT amounted to ₱19.5 million as at September 30, 2016 and December 31, 2015.

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.

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

Interest income related to the DSRA amounted to ₱0.03 million and ₱0.06 million as at September 30, 2016 and 2015, respectively. Interest income related to the MRF amounted to ₱0.3 million and ₱0.2 million as at September 30, 2016 and 2015, respectively.

11. **Trade and Other Payables**

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Trade	**₱357,086**	₱383,368
Advances from customers	**258,984**	223,779
Accrued expenses and taxes	**167,229**	142,406
Nontrade	**45,405**	43,108
	₱828,704	₱792,661

Details of the accrued expenses and taxes are summarized below:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Excise taxes and royalties payable (see Note 17)	**₱108,054**	₱96,808
Business and other taxes	**34,330**	32,929
Provision for Social Development and Management Program and Indigenous Cultural Communities	**8,307**	3,604
Government dues	**1,509**	1,473
Interest	**9,246**	1,057
Others	**5,783**	6,535
	₱167,229	₱142,406

Interest expense related to interest-bearing nontrade payables amounted to nil and ₱1.0 million for the nine months ended September 30, 2016 and 2015, respectively.

The Group has US$-denominated trade and other payables amounting to US$6.6 million and US$6.0 million as at September 30, 2016 and December 31, 2015, respectively. The Group has HK$-denominated trade and other payables amounting to HK$9.2 million as at September 30, 2016 (see Note 23).

12. **Bank Loans**

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
TCB	**₱970,000**	₱941,200
Banco de Oro (BDO)	**10,123**	53,001
Unionbank of the Philippines (UnionBank)	–	215
EastWest Bank (EastWest)	–	168
	980,123	994,584
Less current portion		
TCB	**970,000**	941,200
BDO	**5,067**	45,767
UnionBank	–	215
EastWest	–	168
Current portion	**975,067**	987,350
Noncurrent portion	**₱5,056**	₱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 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 PGMC's customer.
   ii. Import letters of credit (LC) issued in favor of PGMC by its customers and clients.
   iii. Demand Deposit Account which shall be opened and set-up by the collateral provider or pledger acceptable to TCB.
   iv. Guarantee issued by any individual, juridical person or any combination thereof acceptable to TCB.
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 ₱38.2 million and ₱22.3 million for the nine months ended September 30, 2016 and 2015, respectively.

Amortization of discount on bank loan related to TCB loan amounted to nil and ₱0.5 million for the nine months ended September 30, 2016 and 2015, respectively (see Note 19).

The terms of the loan are complied by the Group as at September 30, 2016 and December 31, 2015.

<u>BDO</u>
In May 2015, the Group was granted an additional US$10 million on top of its existing US$10 million credit line for working capital purposes. As at September 30, 2016 and December 31, 2015, the outstanding balance of the loan amounted to nil.

The Group entered into several service vehicle loans with BDO with a 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 ₱8.7 million and ₱13.0 million as at September 30, 2016 and December 31, 2015, respectively.

Interest expense related to BDO loan amounted to ₱4.8 million and ₱6.0 million for the nine months ended September 30, 2016 and 2015, respectively.

The terms of the loan are complied by the Group as at September 30, 2016 and December 31, 2015.

<u>UnionBank and EastWest</u>
Interest expense related to the service vehicle loans amounted to nil and ₱0.4 million for the nine months ended September 30, 2016 and 2015, respectively.

<u>Amsterdam Trade Bank (ATB) and Phil Export-Import Credit Agency (PhilEXIM)</u>
Interest expense related to ATB loan amounted to nil and ₱22.8 million for the nine months ended September 30, 2016 and 2015, respectively.

Interest expense related to PhilEXIM loan amounted to nil and ₱1.9 million for the nine months ended September 30, 2016 and 2015, respectively.

Amortization of discount on bank loans amounted to nil and ₱1.4 million for the nine months ended September 30, 2016 and 2015, respectively (see Note 19).

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

<u>BOC</u>
Availed loans in 2015 with BOC were fully paid and no availments were made during the three quarters of 2016, hence the facility has no outstanding balance as at September 30, 2016 and December 31, 2015.

Interest expense amounted to nil and ₱3.0 million for the nine months ended September 30, 2016 and 2015, respectively.

13. **Equity**

Capital Stock
The Parent Company has 35,871,428,572 authorized shares at ₱0.35 par value as at September 30, 2016 and December 31, 2015. Out of the total authorized shares of the Parent Company, 17,467,007,052 shares are issued amounting to ₱6,113.5 million as at September 30, 2016 and December 31, 2015.

Treasury Stock
The Company has 11,007,258 shares and 7,258 shares in treasury stock amounting to ₱9,487.1 thousand and ₱18.4 thousand as at September 30, 2016 and December 31, 2015, respectively.

On August 22, 2016, the BOD of GFHI approved the reverse stock split of the Parent Company's common stock at a ratio of 1-for-3 subject to the approval of the stockholders.

On the same date above, the BOD of GFHI approved the amendment of the Articles of Incorporation to increase the authorized capital stock of GFHI to ₱12.6 million divided into 11,957,161,906 common shares with a par value of ₱1.05 per share.

As at September 30, 2016, GFHI purchased a total of 11,000,000 GFHI common shares at an average price of ₱0.86 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 GFHI.

14. **Earnings Per Share**

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

	September 30 (Unaudited)	
	2016	2015
Net income	**₱7,026**	₱685,629
Weighted average number of shares for basic earnings per share	**17,465,851**	17,467,007
Basic/Diluted earnings per share	**₱0.0004**	₱0.0393

As at September 30, 2016 and 2015 there are no potentially dilutive common shares. The weighted average number of shares were not adjusted for the effect of the reverse stock split pending the approval of SEC.

15. **Cost of Sales**

	September 30 (Unaudited)	
	2016	2015
Contract hire (see Note 5)	**₱1,201,274**	₱1,938,894
Depreciation, depletion and amortization	**292,021**	515,174
Personnel costs	**112,040**	94,923
Community relations	**34,502**	34,985
Environmental protection cost	**28,079**	33,316
Rentals (see Note 25)	**25,471**	61,227
Assaying and laboratory	**18,892**	29,147
Operation overhead	**18,608**	10,088
Repairs and maintenance	**8,489**	10,852
Fuel, oil and lubricants	**8,358**	134,359
Other charges	**32,034**	28,224
	₱1,779,768	₱2,891,189

Operation overhead relates to the necessary expenses incurred in the Surigao minesite operations. These expenses include, but not limited to, communication, consultancy and service fee, supplies and travel and transportation expense.

Other charges include, but not limited to, power and utilities, health and safety expenses in mine site, manning expenses, agency fees, materials and spare parts and dry docking.

16. **General and Administrative**

	September 30 (Unaudited)	
	2016	2015
Personnel costs	**₱132,434**	₱117,454
Taxes and licenses	**37,470**	47,552
Consultancy fees	**26,330**	106,210
Rentals (see Note 25)	**17,473**	5,505
Outside services	**15,506**	28,125
Depreciation	**13,022**	11,533
Travel and transportation	**11,741**	26,916
Marketing and entertainment	**9,508**	62,482
Repairs and maintenance	**8,492**	3,527
Communication	**4,094**	5,323
Office supplies	**3,466**	2,187
Fuel, oil and lubricants	**3,175**	4,159
SEC and listing fees	**496**	28,584
Other charges	**14,181**	13,412
	₱297,388	₱462,969

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

17. **Excise Taxes and Royalties**

	September 30 (Unaudited)	
	2016	2015
Royalties to:		
Claim-owners (see Note 25)	**₱130,441**	₱363,323
Government	**128,746**	257,677
Indigenous People (IP)	**32,172**	52,644
Excise taxes	**52,291**	103,141
	₱343,650	₱776,785

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

As at September 30, 2016 and December 31, 2015, excise taxes and royalties payable amounted to ₱108.1 million and ₱96.8 million, respectively (see Note 11).

18. **Shipping and Distribution**

	September 30 (Unaudited)	
	2016	2015
Barging charges	**₱167,109**	₱114,506
Stevedoring charges and shipping expenses	**28,042**	17,313
Fuel, oil and lubricants	**12,598**	12,982
Government fees	**34**	87
	₱207,783	₱144,888

19. **Finance Costs**

	September 30 (Unaudited)	
	2016	2015
Interest expense	**₱45,903**	₱63,706
Bank charges	**4,553**	8,300
Accretion interest on provision for mine rehabilitation and decommissioning	**1,052**	838
Amortization of discount on bank loans (see Notes 12 and 21)	–	2,022
	₱51,508	₱74,866

20. **Other Income (Charges) -** net

	September 30 (Unaudited) 2016	2015
Foreign exchange gains (losses) - net	**₱25,355**	(₱13,546)
Loss on:		
Modification of finance lease	**(1,037)**	(86,885)
Disposal of fixed asset	–	(6,328)
Others	**(6,640)**	–
	₱17,678	(₱106,759)

21. **Related Party Disclosures**

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors or its stockholders.

Intercompany transactions are eliminated in the consolidated financial statements.

Category	Amount/Volume September 30 (Unaudited) 2016	2015	Advances to related parties	Amounts owed to related parties	Terms	Conditions
Stockholders						
September 30, 2016 (Unaudited)	**₱111,843**	₱698,886	**₱1,650,520**	**₱50,000**	Noninterest-bearing; collectible or payable on demand	Unsecured; no guarantee
December 31, 2015 (Audited)	₱1,292,174	₱–	₱1,538,677	₱50,000		
Affiliates with common officers, directors and stockholders						
September 30, 2016 (Unaudited)	**81,288**	504,037	**139,025**	**617,028**	Noninterest-bearing; collectible or payable on demand	Unsecured; no guarantee
December 31, 2015 (Audited)	185,818	–	100,554	574,211		
Totals			**₱1,789,545**	**₱667,028**		
Totals			₱1,639,231	₱624,211		

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".

b. In 2015, GFHI, PGMC and the stockholders of SPNVI executed various Deed of Assignments wherein PGMC assigned all the rights, title, and interest for the cash advances made by PGMC to SPNVI, amounting to ₱1,627.9 millon as at September 30, 2016 and December 31, 2015, to GFHI. These advances will form part of the purchase price of the acquisition of SPNVI pursuant to the Contract to Sell executed on August 6, 2015 and are recorded under "Deposits for future acquisition".

   On September 1, 2016, GFHI and SPNVI executed a Deed of Assignment wherein GFHI assigned all its rights, titles and interests on its deposit for future stock acquisition in favor of SPNVI amounting to ₱0.3 million as payment for the unissued shares of SPNVI and are recorded under "AFS financial assets" (see Note 9).

c. For the nine months ended September 30, 2016, PIL entered into several sales agreement with PGMC for the purchase of nickel ore amounting to ₱530.2 million.

d. In 2013, FRI availed a loan facility from BOC amounting to US$5.0 million. On August 3, 2013, the Group 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 the Group. Accordingly, the Group 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 and ₱0.2 million for the nine months ended September 30, 2016 and 2015, respectively. Amortization of the discount on the loan amounted to nil and ₱0.1 million for the nine months ended September 30, 2016 and 2015, respectively (see Note 19).

e. In the first quarter of 2016, PGMC entered into a Time Charter Agreement with PCSSC for the use of five (5) Landing Craft Tanks (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 ₱78.1 million and ₱76.2 million for the nine months ended September 30, 2016 and 2015, respectively.

f. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The compensation of the key management personnel of the Group amounted to about ₱31.6 million for the nine months ended September 30, 2016 and 2015.

22. Income Taxes

The current provision for income tax represents minimum corporate income tax (MCIT) for the nine months ended September 30, 2016 and 2015. Effective November 2007, the Group was entitled to income tax holiday (ITH) as one of the incentives granted by the Board of Investments (BOI) as a non-pioneer enterprise (see Note 26). The Group's ITH incentive expired on November 15, 2015.

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

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Deferred income tax assets:		
Net operating loss carryover (NOLCO)	**₱34,316**	₱43,491
Excess MCIT	**21,799**	1,966
Provision for mine rehabilitation and decommissioning	**17,793**	17,478
Retirement obligation	**14,588**	11,996
Accrued taxes	**11,969**	11,969
Allowance for impairment losses on trade and other receivables	**5,208**	5,208
Rental payable	**445**	329
Unrealized foreign exchange losses - net	**–**	14,891
	106,118	107,328
Deferred income tax liabilities:		
Unrealized foreign exchange gains - net	**(9,945)**	–
Undepleted asset retirement obligation	**(8,398)**	(9,543)
	(18,343)	(9,543)
Deferred income tax assets – net	**₱87,775**	₱97,785

Deferred income tax liability of the Group arising from "Cumulative translation adjustment" amounted to ₱2.6 million and nil as at September 30, 2016 and December 31, 2015, respectively.

As at September 30, 2016, the Group has applied NOLCO amounting to ₱30.6 million. As at December 31, 2015, the Group has recognized deferred income tax assets on NOLCO amounting to ₱43.5 million as a result of the expiration of its ITH incentive.

As at September 30, 2016 and December 31, 2015, the Group has recognized deferred income tax assets on excess MCIT amounting to ₱21.8 million and ₱2.0 million, respectively.

The Group has availed of the itemized deductions method in claiming its deductions for the nine months ended September 30, 2016 and 2015.

23. Financial Risk Management Objectives and Policies and Capital Management

The Group's financial instruments consist mainly of cash, amounts owed 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, and restricted cash and MRF classified under "Other noncurrent assets", trade and other payables and advances 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$-denominated financial assets and liabilities which primarily arise from export sales of mineral products and US$-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 September 30, 2016 and December 31, 2015 are as follows:

	September 30, 2016 (Unaudited)			December 31, 2015 (Audited)	
	US$ Amount	**HK$ Amount**	**Peso Equivalent**	US$ Amount	Peso Equivalent
Financial Assets:					
Cash with banks	**US$3,187**	**HK$4,060**	**₱179,864**	US$8,486	₱399,351
Trade receivables	**18,726**	**8,945**	**963,938**	15,322	721,053
Restricted cash under "Other noncurrent assets"	**5,001**	–	**242,549**	2,438	114,732
	26,914	**13,005**	**1,386,351**	26,246	1,235,136
Financial Liabilities:					
Trade and other payables	**6,622**	**9,165**	**378,265**	6,007	282,689
Bank loans	**20,000**	–	**970,000**	20,000	941,200
	26,622	**9,165**	**1,348,265**	26,007	1,223,889
Net Financial Assets (Liabilities)	**US$292**	**HK$3,840**	**₱38,086**	US$239	₱11,247

The exchange rates used for conversion of US$1.00 to peso equivalent were ₱48.50 and ₱47.06 as at September 30, 2016 and December 31, 2015. The exchange rate used for conversion HK$1.00 to peso equivalent was ₱6.23 as at September 30, 2016.

The sensitivity to 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) yielded immaterial effect to the Group for the nine months ended September 30, 2016 and 2015.

There is no other effect on the Group's equity other than those already affecting the unaudited interim consolidated statement 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 September 30, 2016 and December 31, 2015, together with its corresponding nominal interest rate and carrying values are shown in the following table:

September 30, 2016 (Unaudited)	**Nominal Interest Rate**	**Less than 6 Months**	**6 to 12 Months**	**1 to 2 Years**	**More than 2 Years**	**Total**
Cash with banks	**Various**	**₱357,487**	**₱–**	**₱–**	**₱–**	**₱357,487**
MRF under "Other noncurrent assets"	**Various**	**–**	**–**	**–**	**62,462**	**62,462**
Bank loans	**10.50%-14.00%; LIBOR plus 9.00%**	**3,258**	**971,809**	**4,170**	**886**	**980,123**

December 31, 2015 (Audited)	Nominal Interest Rate	Less than 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash with banks	Various	₱502,262	₱–	₱–	₱–	₱502,262
MRF under "Other noncurrent assets"	Various	–	–	–	62,117	62,117
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 nine months ended September 30, 2016 and 2015 unaudited interim consolidated statements of comprehensive income (through the impact of floating rate borrowings):

	Increase/Decrease in Basis Points	Effect on Income Before Income Tax
September 30, 2016	**+100**	**(₱9,700)**
(Unaudited)	**-100**	**9,700**
September 30, 2015	+100	(₱4,652)
(Unaudited)	-100	4,652

There is no other effect on the Group's equity other than those already affecting the unaudited interim consolidated statement 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 equity instrument as at September 30, 2016 and December 31, 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 (in percentage)	Sensitivity to equity
September 30, 2016	**-2.67%**	**(₱125)**
(Unaudited)	**2.67%**	**125**
September 30, 2015	-2.77%	(₱195)
(Unaudited)	2.77%	195

The AFS financial assets quoted 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 LC 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	**September 30, 2016 (Unaudited)**	December 31, 2015 (Audited)
Cash with banks	3	**₱357,487**	₱502,262
Trade and other receivables:	4		
Trade receivables		**850,948**	704,056
Advances to officers, employees and others		**23,855**	11,870
Advances to related parties:	21		
Stockholders		**1,650,520**	1,538,677
Affiliates with common officers, directors and stockholders		**139,025**	100,554
AFS financial assets	9	**4,095**	5,903
Other noncurrent assets:	10		
Restricted cash		**241,666**	114,583
MRF		**62,462**	62,117
Total		**₱3,330,058**	₱3,040,022

Aging Analyses of Financial Assets
The aging analyses of the Group's financial assets as at September 30, 2016 and December 31, 2015 are summarized in the following tables:

September 30, 2016 (Unaudited)	**Neither past due nor impaired**	**Past due but not impaired**				
		90 days or less	**91-120 days**	**More than 120 days**	**Impaired**	**Total**
Cash with banks	**₱357,487**	**₱–**	**₱–**	**₱–**	**₱–**	**₱357,487**
Trade and other receivables:						
Trade receivables	**833,589**	–	–	–	**17,359**	**850,948**
Advances to officers, employees and others	–	–	–	**23,855**	–	**23,855**
Advances to related parties:						
Stockholders	**1,650,520**	–	–	–	–	**1,650,520**
Affiliates with common officers, directors and stockholders	**139,025**	–	–	–	–	**139,025**
AFS financial assets	**4,095**	–	–	–	–	**4,095**
Other noncurrent assets:						
Restricted cash	**241,666**	–	–	–	–	**241,666**
MRF	**62,462**	–	–	–	–	**62,462**
Total	**₱3,288,844**	**₱–**	**₱–**	**₱23,855**	**₱17,359**	**₱3,330,058**

December 31, 2015 (Audited)	Neither past due nor impaired	Past due but not impaired 90 days or less	91-120 days	More than 120 days	Impaired	Total
Cash with banks	₱502,262	₱–	₱–	₱–	₱–	₱502,262
Trade and other receivables:						
Trade receivables	393,138	–	–	293,559	17,359	704,056
Advances to officers, employees and others	–	–	–	11,870	–	11,870
Advances to related parties:						
Stockholders	1,538,677	–	–	–	–	1,538,677
Affiliate with common officers, directors and stockholders	100,554	–	–	–	–	100,554
AFS financial assets	5,903	–	–	–	–	5,903
Other noncurrent assets:						
Restricted cash	114,583	–	–	–	–	114,583
MRF	62,117	–	–	–	–	62,117
Total	₱2,717,234	₱–	₱–	₱305,429	₱17,359	₱3,040,022

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 ore, are assessed as high grade since these receivables are fully matched with advances from customers.
- Advances to officers, employees, and others are assessed as standard grade since these are subject for liquidation. Other advances are assessed as standard grade since amounts are collectible upon demand.
- 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.
- Restricted cash and MRF are trust accounts deposited in local banks with low probability of insolvency, thus are assessed 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 September 30, 2016 and December 31, 2015 based on contractual undiscounted payments.

September 30, 2016 (Unaudited)	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	₱–	₱1,793	₱1,793	₱971,940	₱4,359	₱1,009	₱980,894
Trade and other payables	–						
Trade	357,086	–	–	–	–	–	357,086
Accrued expenses	157,983	–	–	–	–	–	157,983
Nontrade	45,405	–	–	–	–	–	45,405
Amounts owed to related parties	667,028	–	–	–	–	–	667,028
Total	₱1,227,502	₱1,793	₱1,793	₱971,940	₱4,359	₱1,009	₱2,208,396

December 31, 2015 (Audited)	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	₱–	₱512,198	₱472,186	₱2,966	₱5,479	₱1,755	₱994,584
Trade and other payables							
Trade	383,368	–	–	–	–	–	383,368
Accrued expenses	61,642	–	–	–	–	–	61,642
Nontrade	3,214	–	–	–	–	–	3,214
Amounts owed to related parties	624,211	–	–	–	–	–	624,211
Total	₱1,072,435	₱512,198	₱472,186	₱2,966	₱5,479	₱1,755	₱2,067,019

The tables below summarize the maturity profile of the Group's financial assets used to manage the liquidity risk of the Group as at September 30, 2016 and December 31, 2015.

September 30, 2016 (Unaudited)	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	₱701	₱–	₱–	₱–	₱–	₱–	₱701
Cash with banks	357,487	–	–	–	–	–	357,487
Trade receivables	850,948	–	–	–	–	–	850,948
AFS financial assets	4,095	–	–	–	–	–	4,095
Restricted cash under "Other noncurrent assets"	–	–	–	–	–	241,666	241,666
Total	₱1,213,231	₱–	₱–	₱–	₱–	₱241,666	₱1,454,897

December 31, 2015 (Audited)	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	₱614	₱–	₱–	₱–	₱–	₱–	₱614
Cash with banks	502,262	–	–	–	–	–	502,262
Trade receivables	704,056	–	–	–	–	–	704,056
AFS financial assets	5,903	–	–	–	–	–	5,903
Restricted cash under "Other noncurrent assets"	–	–	–	–	–	114,583	114,583
Total	₱1,212,835	₱–	₱–	₱–	₱–	₱114,583	₱1,327,418

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 as at September 30, 2016 and December 31, 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.

Among the significant financial covenants are as follows:

- The consolidated tangible net worth of the Group shall at all times be at least US$30.0 million;
- The Group shall ensure at all times during the security period, that consolidated total debt does not exceed US$85.0 million; and
- The Group shall ensure at all times, that debt service coverage ratio shall be at least one hundred seventy five percent (175%) whereby the debt service coverage ratio is computed as the sales contract value at the time of the calculation divided by the aggregate amount of the next six (6) months repayment installments.

The Group has complied with all the financial covenants as stated above.

24. **Fair Value Measurement**

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 and MRF
The carrying amounts of restricted cash and MRF approximate their fair values since they are restricted cash with bank. Restricted cash and MRF 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. For unquoted equity securities for which no reliable basis of fair value measurement is available, these are carried at cost, less any impairment losses.

Investment Properties
The fair value of investment properties 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 properties	Market Data Approach	Estimated price per square meter	₱109,000
		Land area square meter	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 by means of 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.

Asset Retirement Obligation and Finance Lease Receivables
The fair value of asset retirement obligation and 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 interim consolidated financial statements are categorized within the fair value hierarchy as follows:

September 30, 2016 (Unaudited)	**Level 1**	**Level 2**	**Level 3**	**Total**
Asset measured at fair value:				
AFS financial assets	**₱3,795**	**₱300**	**₱–**	**₱4,095**
Asset for which the fair value is disclosed:				
Investment properties	**–**	**–**	**367,003**	**367,003**
	₱3,795	**₱300**	**₱367,003**	**₱371,098**
Liabilities for which fair values are disclosed:				
Bank loans	**₱–**	**₱–**	**₱980,123**	**₱980,123**
Finance lease liabilities	**–**	**–**	**–**	**–**
Asset retirement obligation	**–**	**–**	**59,311**	**59,311**
	₱–	**₱–**	**₱1,039,434**	**₱1,039,434**

December 31, 2015 (Audited)	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
AFS financial assets	₱5,903	₱–	₱–	₱5,903
Asset for which the fair value is disclosed:				
Investment properties	–	–	367,003	367,003
	₱5,903	₱–	₱367,003	₱372,906
Liabilities for which fair values are disclosed:				
Bank loans	₱–	₱–	₱826,538	₱826,538
Finance lease liabilities	–	–	23,930	23,930
Asset retirement obligation	–	–	58,259	58,259
	₱–	₱–	₱908,727	₱908,727

There were no transfers between levels of fair value measurement as at September 30, 2016 and December 31, 2015.

25. Significant Agreements and Other Matters

Ore Supply Agreements

Ore Supply Agreements with Chinese Customers

Revenue from Chinese customers amounted to ₱2,700.7 million and ₱5,221.3 million for the nine months ended September 30, 2016 and 2015, respectively.

Operating Agreements

SIRC

Total royalty fees incurred to CMDC amounted to ₱130.4 million and ₱363.3 million for the nine months ended September 30, 2016 and 2015, respectively (see Note 17).

Service Contract - CAGA 2

In 2016, the Group ended its service contract with FVC wherein previously leased assets were returned and included as part of total additions to property and equipment (see Note 6).

In 2016, the Group 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

In 2016, the Group entered into service contracts with Best Trucking & Transport Phil. Inc., IPM Construction & Dev't Corporation, Landstar Earthmoving Corporation, Loufran Minerals and Dev't Corp., Anseca Dev't Corporation and CTB Engineering Construction, 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. The service contract with 4K Development Corporation expired last year and was not renewed.

Total contract hire incurred for both CAGAs 2 and 4 amounted to ₱1.2 million and ₱1.9 million for the nine months ended September 30, 2016 and 2015, respectively (see Note 15).

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	**September 30, 2016 (Unaudited)**	December 31, 2015 (Audited)
Within one (1) year	**₱4.9 million**	₱2.9 million
After one (1) year but not more than five (5) years	**21.8 million**	20.8 million
More than five (5) years	**3.5 million**	10.0 million
	₱30.2 million	₱33.7 million

Rent payable reported under "Other noncurrent liabilities" amounted to ₱1.5 million and ₱1.1 million as at September 30, 2016 and December 31, 2015, respectively.

Total rent expense incurred amounted to ₱42.9 million and ₱66.7 million for the nine months ended September 30, 2016 and 2015, respectively (see Notes 15 and 16). Prepaid rent related to these lease agreements amounted to ₱40.9 thousand and ₱462.5 thousand as at September 30, 2016 and December 31, 2015, respectively.

Certification for VAT Zero-Rated Status
PGMC has been certified by BOI as a qualified enterprise for the purpose of VAT zero-rating of its transactions pursuant to the terms and conditions set forth by the BOI. On February 9, 2016, PGMC has received the certification from BOI granting the renewal of its VAT zero-rated status. The certification is valid from February 9 up to December 31, 2016 unless sooner revoked by the BOI Governing Board.

26. 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 and ITH entitlement period of the additional bonus year.

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

27. Other Matters

a. Caraga IP Management and Development Corp and alleged tribal chieftains Bago and Olorico, filed an environmental case for payment of one percent (1%) royalty fees, accounting, liquidation and receivership for violation of RA 7942 (The Philippine Mining Act of 1995) and RA 8371 (IP's Rights Act Law) before the Regional Trial Court Branch 4 docketed as Civil Case No. 6111. However, PGMC has been religiously paying the royalty fees to the IP community duly recognized and registered with the National Commission on IP. PGMC filed a Motion to Dismiss last February 3, 2014 following the decision of the CA in PGMC, etc. vs. CIPMAD, etc., et. al., docketed as CA-GR. SP No. 04842-MIN, ordering the RTC to dismiss the case for lack of jurisdiction.

Based on management's assessment in consultation with PGMC's legal counsel, PGMC does not have present legal or constructive obligation with respect to these pending legal cases as at September 30, 2016 and December 31, 2015. There was no provision recognized in the consolidated financial statements with respect to these matters as at September 30, 2016 and December 31, 2015.

28. Events after the End of the Reporting Period

On October 13, 2016, GFHI and Joseph Sy entered into a subscription contract wherein the latter paid ₱20.0 thousand for the subscription of 19,048 shares of GFHI at ₱1.05 par value.

On October 21, 2016, GFHI signed a Memorandum of Cooperation with China's state-owned enterprise, Baiyin Nonferrous Group Company Limited, to develop a US$500.0 million to US$700.0 million stainless steel plant in the Philippines.

29. Supplemental Disclosure to Consolidated Statements of Cash Flows

Noncash financing and investing activities as at September 30, 2016 pertain to the following:

a. Increase in property and equipment and amounts owed to related parties of ₱19.7 million and ₱21.4 million, respectively, resulting from the acquisition of PIL.
b. Accrual of interest on bank loans, finance lease obligation and retirement obligation amounting to ₱8.6 million, ₱0.1 million and ₱1.1 million, respectively.
c. Return of property and equipment amounting to ₱179.7 million arising from finance lease termination.
d. Reclassification of deposit for future stock acquisition to advances to related parties and AFS financial assets amounting to ₱23.1 million and ₱0.3 million, respectively.

Noncash financing and investing activities as at September 30, 2015 pertain to the following:

a. Decrease in advances to related parties amounting to ₱9.5 million arising from the subscription in the increase in authorized capital stock of SIRC.
b. Increase in property and equipment amounting to ₱173.4 million due to the return of equipment resulting from the amendment in finance lease agreement with FVC.

30. Operating Segment Information

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

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

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

Financial information on the operation of the various business segments for the nine months ended September 30, 2016 and 2015 are presented in the next page:

	September 30, 2016 (Unaudited)				
	Mining	**Service**	**Others**	**Elimination**	**Total**
External customers	**₱2,700,703**	**₱–**	**₱–**	**₱–**	**₱2,700,703**
Intersegment revenues	**530,161**	**78,069**	**–**	**(608,230)**	**–**
Total revenues	**3,230,864**	**78,069**	**–**	**(608,230)**	**2,700,703**
Cost of sales	**2,307,842**	**52,469**	**–**	**(580,543)**	**1,779,768**
Excise taxes and royalties	**343,650**	**–**	**–**	**–**	**343,650**
Shipping and distribution	**285,852**	**–**	**–**	**(78,069)**	**207,783**
Segment operating earnings	**293,520**	**25,600**	**–**	**50,382**	**369,502**
General and administrative	**(250,141)**	**(8,120)**	**(39,127)**	**–**	**(297,388)**
Finance income	**3,798**	**6**	**18**	**–**	**3,822**
Finance costs	**(51,459)**	**(4)**	**(45)**	**–**	**(51,508)**
Other charges - net	**75,433**	**(17)**	**–**	**(57,738)**	**17,678**
Provision for income tax	**(29,843)**	**(5,237)**	**–**	**–**	**(35,080)**
Net income	**₱41,308**	**₱12,228**	**(₱39,154)**	**(₱7,356)**	**₱7,026**
Segment assets	**₱9,781,574**	**₱358,186**	**₱11,481,832**	**(₱12,538,735)**	**₱9,082,857**
Deferred income tax assets - net	**87,776**	**–**	**–**	**–**	**87,776**
Total assets	**₱9,869,350**	**₱358,186**	**₱11,481,832**	**(₱12,538,735)**	**₱9,170,633**
Segment liabilities	**₱3,167,361**	**₱4,034**	**₱3,726,727**	**(₱4,269,624)**	**₱2,628,498**
Deferred income tax liabilities	**2,644**	**–**	**–**	**–**	**2,644**
Total liabilities	**₱3,170,005**	**₱4,034**	**₱3,726,727**	**(₱4,269,624)**	**₱2,631,142**
Capital expenditures	**₱434,396**	**₱144**	**₱2,013**	**₱–**	**₱436,553**
Depreciation, depletion and amortization	**₱280,218**	**₱24,624**	**₱201**	**₱–**	**₱305,043**

	September 30, 2015 (Unaudited)				
	Mining	Service	Others	Elimination	Total
External customers	₱5,221,307	₱–	₱–	₱–	₱5,221,307
Intersegment revenues	–	76,161	–	(76,161)	–
Total revenues	5,221,307	76,161	–	(76,161)	5,221,307
Cost of sales	2,842,855	48,334	–	–	2,891,189
Excise taxes and royalties	776,785	–	–	–	776,785
Shipping and distribution	221,049	–	–	(76,161)	144,888
Segment operating earnings	1,380,618	27,827	–	–	1,408,445
General and administrative	(317,989)	(10,514)	(134,466)	–	(462,969)
Finance income	8,943	5	–	–	8,948
Finance costs	(74,866)	–	–	–	(74,866)
Other charges - net	(106,759)	–	–	–	(106,759)
Provision for income tax	(13,529)	(5,295)	–	–	(18,824)
Net income (loss)	₱876,418	₱12,023	(₱134,466)	₱–	₱753,975
Depreciation, depletion and amortization	₱501,846	₱24,861	₱–	₱–	₱526,707

	December 31, 2015 (Audited)				
	Mining	Service	Others	Elimination	Total
Segment assets	₱9,271,572	₱347,125	₱11,461,116	(₱12,102,128)	₱8,977,685
Deferred income tax assets - net	107,328	–	–	–	107,328
Total assets	₱9,378,900	₱347,125	₱11,461,116	(₱12,102,128)	₱9,085,013
Segment liabilities	₱2,784,787	₱5,200	₱3,657,390	(₱3,909,781)	₱2,537,596
Deferred income tax liabilities	9,543	–	–	–	9,543
Total liabilities	₱2,794,330	₱5,200	₱3,657,390	(₱3,909,781)	₱2,547,139
Capital expenditures	₱252,072	₱–	₱–	₱–	₱252,072

Total revenues from external customers amounting to ₱2,700.7 million and ₱5,221.3 million for the nine months period ended September 30, 2016 and 2015, respectively, where shipped to China.