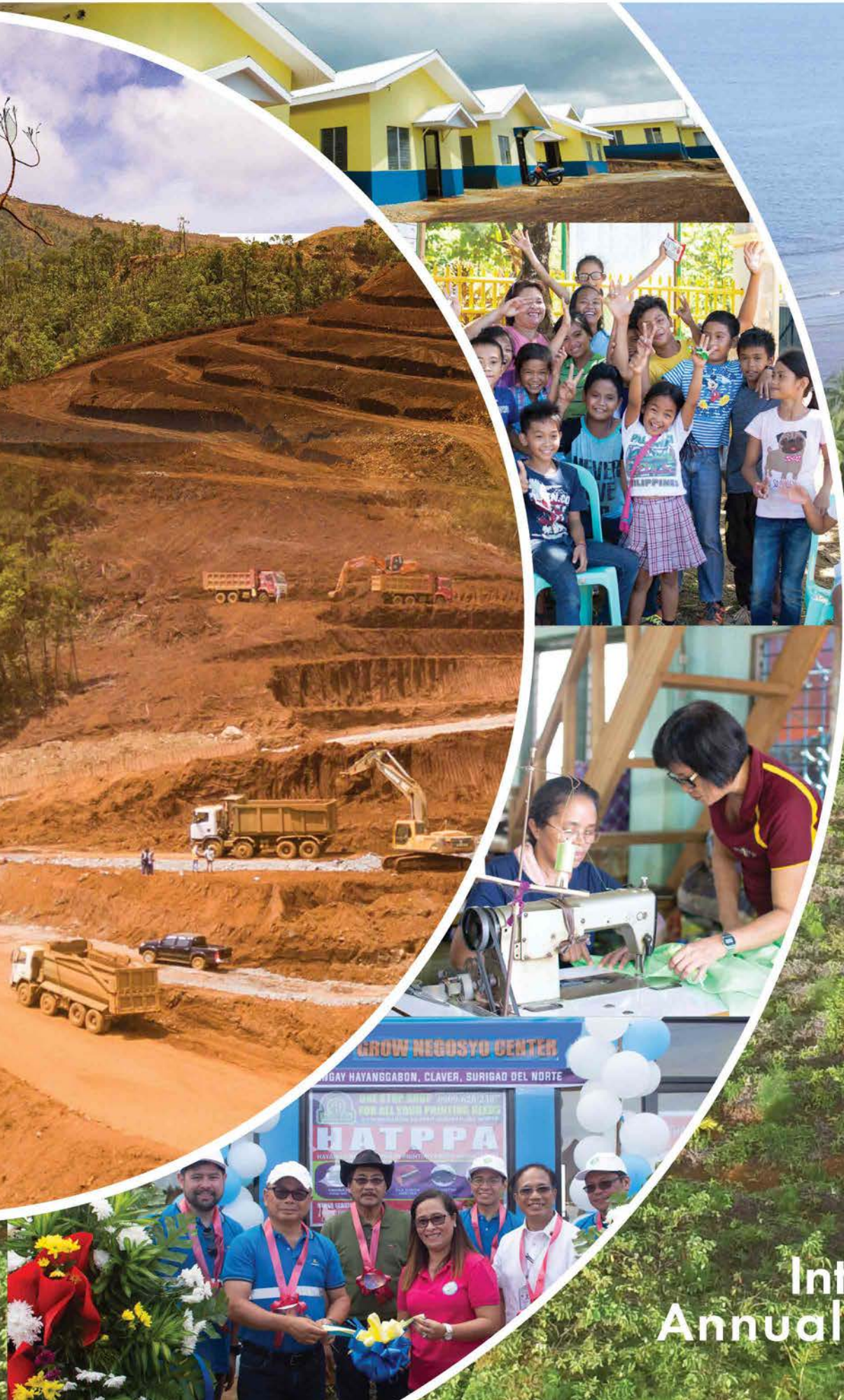




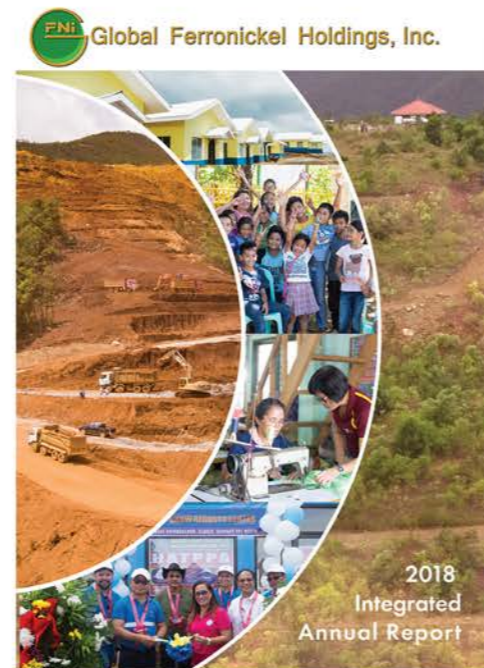
Global Ferronickel Holdings, Inc.



2018
Integrated
Annual Report

About the Cover

Sustenera is a Latin word that means to hold under. It also suggests to support or to endure. This year's Integrated Annual Report features the vital role of Nickel in society as a building block for several other materials and as a foundation for advancement. It focuses not only on the conveniences Nickel provides humanity with, but, even more important, the ways responsible mining brings about sustainable development. The globe has undergone tremendous strides under the auspices of the Nickel industry. From paying taxes and royalties to generating work opportunities, from providing scholarships and educational equipment to establishing enterprise development and networking programs, from installing environmental protection and enhancement programs to creating access to health services, facilities and professionals, from supporting infrastructure development to strengthening socio-cultural activities, our company is at the forefront of making mining work for the planet and its people. But the Nickel industry is not a one-stop shop for sustainability. It would take the collective, deliberate and steady backing of its stakeholders to meet such a challenge, a great deal of which is a supportive, science-based regulatory policy. In a world of rising consumers and diminishing storehouse, this is the only way to sustain.



Our Story

Our Company started as a dream: An aspiration to be relevant in the growth and development of the Filipino community. It started with a desire to contribute to the welfare of society through the best use of our resources and skills. This desire is then transformed into a story forged by intense determination and is continuously narrated by the hard work of its leadership, management, and every single employee involved in its day-to-day operations. From a simple beginning, our Company has emerged as one of the biggest Nickel mining companies in the country. Our Company is committed to continuously grow as a Filipino business that contributes to nation-building and improvement in the quality of life.

The history of Global Ferronickel Holdings, Inc. (**PSE Ticker Symbol: FNI**) can be traced back from the operations of Platinum Groups Metal Corporation (PGMC), which is now one of its wholly-owned subsidiaries. PGMC was registered with the Securities and Exchange Commission (SEC) on February 10, 1983, primarily engaged in the exploration, mining, and exporting of Nickel Ore. It has the exclusive privilege and right to operate the 4,376 hectares of lateritic Nickel mine located in Sitio Kinalababan, Brgy. Cagdianao, Claver, Surigao del Norte, Philippines. It is covered by Mineral Production Sharing Agreement (MPSA) No. 007-92-X valid until February 14, 2042.

FNI, previously known as Southeast Asia Cement Holdings, Inc., was established on May 3, 1994. It was acquired by PGMC in 2014 and eventually became the parent company of the latter. In the same year, the Company changed its name to FNI to reflect the primary business operations of the company. On July 20, 2018, as part of its regulatory compliance, FNI has completed its 250,000,000 common shares follow-on offering with total proceeds of Php 517.5 million. Currently, FNI has four (4) wholly-owned subsidiaries, namely Platinum Group Metals Corporation (PGMC), Surigao Integrated Resources Corporation (SIRC), PGMC-CNEP Shipping Services Corp. (PCSSC), and PGMC International Limited (PIL).

The Company continues to strengthen its mining operations by implementing efficient mining processes, complying with local mining laws, adapting to best global standards, protecting the environment, and helping build resilient communities within the scope of its operations. Moreover, FNI remains to be vigilant on investment opportunities in the market to enhance the potential revenue of its current investors and ensure the growth and stability of the business. The company remains true to its promise of responsibly utilizing the natural resources of the country for the benefit of the many while preserving the beauty of nature for future generations to enjoy. FNI is also committed to enhancing its shareholders' value and in protecting their welfare through diligent management of finances and prudent investment engagements for the growth and development of the business as a whole.



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OUR MISSION

To deliver value by carrying out our activities in an environmentally, socially, and financially responsible manner for the benefit of the nation, the communities where we operate, our employees, customers and other stakeholders.

OUR VISION

To be a leading Filipino company engaged in the mining of metals and related businesses.

OUR VALUES

Integrity
 Meritocracy
 Accountability
 Fiscal responsibility
 Social responsibility
 Teamwork and synergy
 Taking care of our people
 Caring for the environment

OPERATIONS AT A GLANCE



1. Top Soil Removal

Topsoil of around 0.5 meters is located throughout the deposit and must first be removed from the surface as it contains tree roots that may be deleterious to smelters.



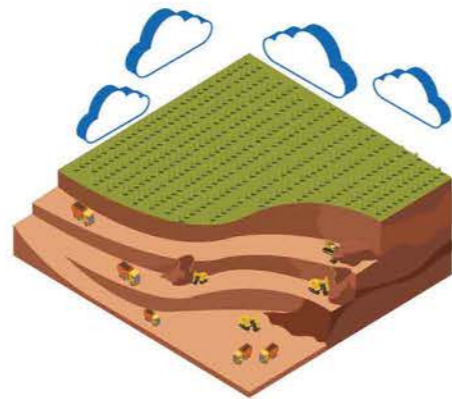
2. Waste Dumping

The topsoil is removed by a bulldozer and stockpiled for later use in land rehabilitation or backfilling of mined-out areas.



3. Bench Forming

Bench forming / contouring is carried out by excavators in backhoe mode and dump trucks to form a 2.5- to 3.0-meter bench heights. In this process, overburden materials or wastes are hauled to designated waste dumps, which, depending on ore grade, may be used for product blending in the future.



4. Ore Extraction

Once benches are formed, hydraulic backhoes load the mineralized materials and wastes onto trucks. No drilling or blasting is required due to the soft nature of the material. This mining method is called "Surface Mining".

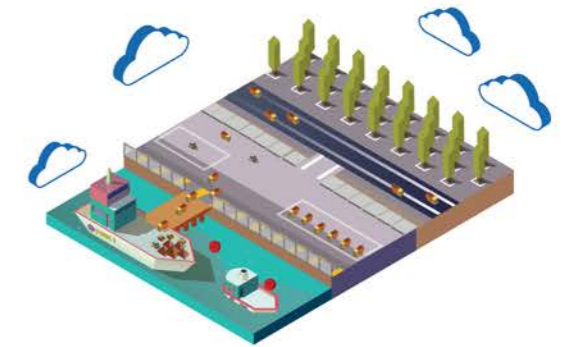


5. Ore Loading, Hauling, and Stockpiling

Extracted ores are hauled to stockyards for sorting, sun drying and loading into shipping vessels. Excavators are used in the yards to transfer, load ore and harvest boulders within the stockpiles.

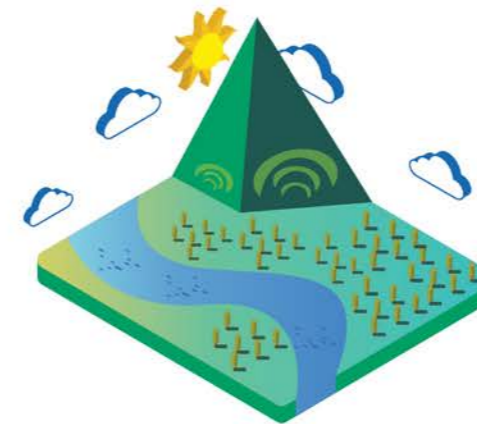
6. Ore Barging and Ship Loading

The ore in the stockyard is hauled to the pier for loading to the LCT. The LCT are filled with ores based on the specified ore grade and moisture content stated on the shipment contract. The LCT transfers these ores to the shipping vessels of the customers.



7. Progressive Rehabilitation

Since mining is a temporary use of land, it is the responsibility of the mining company to restore the natural habitat and environment of the disturbed area. With this activity, the mining company is actively involved in the restoration and revegetation of the mined-out sites. At the end of the mine life, the mining companies should execute its plan for final rehabilitation of the whole mine site.



WHAT IS SURFACE MINING?

Our lateritic nickel deposits in Cagdianao mine are near-surface, blanket-like layered deposits with minimal overburden and generally five to 30 meters thick. The soft nature of the topsoil and overburden allows us to conduct simple surface mining using trucks and excavators without drilling, blasting, the use of chemicals, or complex waste handling. Because our nickel deposits are shallow, we are able to progressively rehabilitate during the mining operation cycle.



MINE SITE

Sitio Kinalablan, Brgy. Cagdianao, Claver, Surigao del Norte

MINERAL PRODUCTION SHARING AGREEMENT

MPSA No. 007-92-X (dated January 13, 1992) Valid until: February 14, 2042

CONTRACT AREA

4,376 hectares Additional mine site of 843 hectares (covered by EPA-000101-XIII) adjacent to our existing mine site

RESOURCES

Measured and indicated: 75.7 million DMT Inferred: 17.6 million DMT

RESERVES

Proven and Probable: 43.9 million WMT

PERFORMANCE HIGHLIGHTS

Production Performance



Financial Performance



Land Use Profile

ACTIVITIES	AREAS COVERED (Ha)
Total Land Disturbed (Disturbed land within and outside the tenement)	493.67
Active Mining Area (With Mining Operations)	90
Ancillary Facilities (Areas outside tenement)	335.61
Stockyards (Ore/Topsoil/Waste material stockyard)	60.17
Environmental Structures (Silt Pond/Collector Sump/Slope Stabilities/Check Dam)	34.7
Road Network (Main haul roads and access roads)	80.43
Exploration Area (Exploration drilling areas)	189.16
Unused Area (Undisturbed areas)	3,882.33
Mined Out Area (Declared areas with depleted ore sources)	83.87
Rehabilitated Area (Rehabilitated and planted areas)	99.04
Temporary Rehabilitation (Inactive but not mined out areas)	45.46

Social Performance Php 28.13M expenditure on Social Development and Management Program

EDUCATION SUPPORT

- Scholarship program for 12 full scholars and 91 college assistance grantees or a total of 103 scholars
- Equipment assistance to 14 public schools
- Labor and materials assistance to DepEd's Annual Brigada Eskwela covering 20 public elementary and secondary schools
- Assistance to 6 volunteer teachers

ENTERPRISE DEVELOPMENT AND NETWORKING

- Expansion of existing egg-laying project
- Seedling production
- Replication of egg-laying project in another barangay
- Tarpaulin and T-shirt Printing
- Beauty Care Skills Development Trainings (2 phases)
- Woodcraft Making
- Chips Making

ACCESS TO HEALTH SERVICES, FACILITIES AND PROFESSIONALS

- Conduct of medical missions and consultations
- Provision of eye glasses, medicines, medical supplies and equipment
- Honorarium to community doctor
- Honorarium to 15 barangay health workers, 2 midwives and 1 ambulance driver

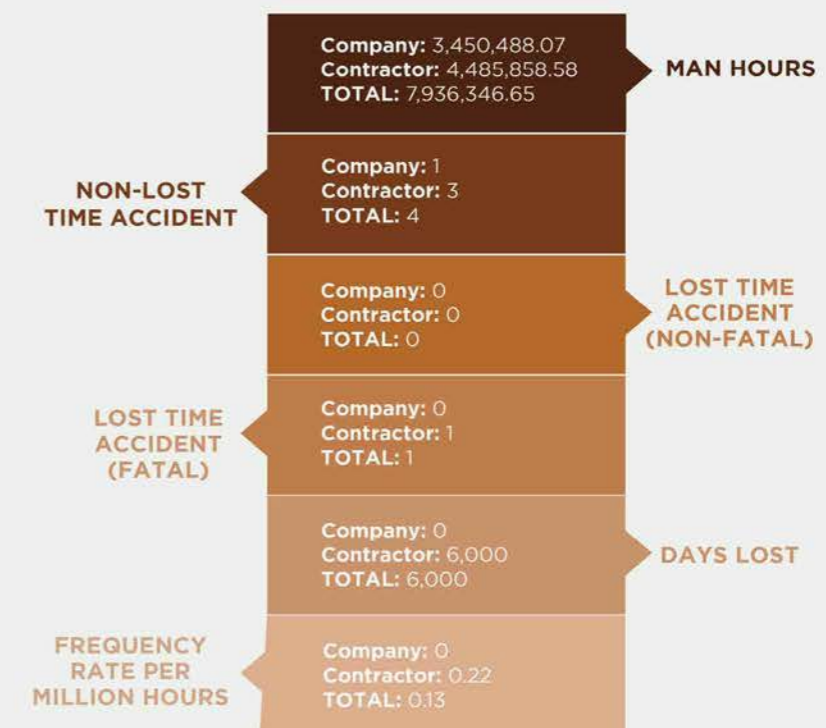
ASSISTANCE TO INFRASTRUCTURE DEVELOPMENT AND SUPPORT SERVICES

- Grow Negosyo Center
- Production facility for Woodcraft and Chips Making
- Improvement of Farmer's Assistance Center

SOCIO-CULTURAL

- Assistance to Barangay and Town Fiesta Celebrations
- Assistance to religious activities and fiesta celebrations (Catholic and Non-Catholic)
- Assistance to sports and physical programs/activities

Safety Performance



JOINT MESSAGE FROM THE CHAIRMAN AND THE PRESIDENT



“2018 has been a rewarding year for the company and our stakeholders on many fronts, and as we look back to this remarkable phase, we are honored to share with you our deep sense of pride for this progressive and mission-driven enterprise.”



FNI has achieved excellent results by recalibrating its operations last year, particularly on the hauling and shipping of ore. We are now operating on a scale of more than five million tonnes, which brought about a significant change in our overall productivity as it enabled us to sell more medium-grade ore compared to the amount we used to produce in 2017. It also allowed us to cope with the impact of the staggering decline in the global market price.

Despite rapidly changing market dynamics, FNI maintains its earning capacity by continuously developing aggressive business strategies. We were able to maximize cost efficiency in different areas and improve our operational capability when dealing with the adverse effects of competition, such as the oversupply driven by the lifting of Indonesia’s ore export ban.

Our strength is anchored on two main fronts -- the first being that the Philippines remains a relentlessly reliable supplier of nickel ore to China, and the second one lies on the growing demand for the type of ore we produce into the battery system of the electric vehicle sector. This shift on the demand side of nickel will further cement our position in the regional market and can be viewed as a good development in the sense that the Philippines is highly poised to be an attractive destination for investment with lower production costs.

“At the end of the day, it is all about employing the right people and instilling in them the virtue of operating not only in a financially responsible way but in being socially and environmentally responsible as well. It’s about putting in the right values, getting everyone involved in the process, and reminding ourselves of our commitment to this company and to our country, wherein each employee can proudly say “I did my part.”



That in everything we do, we can say with great conviction that we operated not only within but beyond standards, and performed our duties with integrity, accountability, teamwork, and care for the environment.

We look forward to seeing everyone rise up together in putting the Philippine mining industry on the global map and bringing back its luster.

“Our company takes great pride in having stacked up a wealth of experience and expertise in the field, which can help us expand and even diversify into other methods of business, particularly in the allied industries we are long capable of doing.”



In the advent of change, what matters is that we are able to reposition ourselves in the context of growth.

Our company takes great pride in having stacked up a wealth of experience and expertise in the field, which can help us expand and even diversify into other methods of business, particularly in the allied industries we are long capable of doing. Our growth strategies and unflinching pursuit for success are paramount.

With this, we continue to support the government in its initiative to strengthen the reputation of the mining industry by weeding out non-compliant companies, engaging everyone in preserving the environment, and advancing the standards of mining practices in the Philippines.

Over the past four years, FNI has been delivering outcomes congruent with the same vision we share from the top management down to the last man in the rank. It fuels our inspiration to create the right incentives and cultivate an inclusive environment for our people, which consequently feed our appetite for growth. It fires up our commitment to continue creating and adding value to the work that we do.

At the end of the day, it is all about employing the right people and instilling in them the virtue of operating not only in a financially responsible way but in being socially and environmentally responsible as well. It’s about putting in the right values, getting everyone involved in the process, and reminding ourselves of our commitment to this company and to our country, wherein each employee can proudly say “I did my part.”



Joseph C. Sy
Chairman

Dante R. Bravo
President

PRESIDENT'S REPORT



STAYING AHEAD OF THE CURVE



Amidst the challenging market environment for the Nickel industry, our company was able to show resilience to withstand macroeconomic threats. This springs from our commitment to continuously improve in our operations.

Through the company's vast mining experience, excellent relationship with contractors, and a massive pool of competent employees, the impact of unfavorable weather conditions and negative market sentiments on our financial results was diluted. With this, our company prides itself as a stable business anchored on sustained growth and development.

2018 was another momentous year for our operations team as several process improvements have been implemented to secure strong performance for the year. Through our past experiences, the company was able to identify operational challenges and transform these into strong foundations of strength. The company also keeps an open eye for opportunities to learn and progress as a reflection of the management's commitment to making the company an important pillar of the local economy's success.

► Contractor Equipment



However, since mining operations are highly dependent on weather conditions, the company has to adopt operational changes to maintain productivity. One of the measures implemented for the year was to shorten the duration of mining activities. The mining operations started earlier than the previous year with the first shipment commencing as early as the beginning of April. Moreover, the mining activities concluded in October before the start of the rainy season in the mine site, as continuous operations beyond this month would not be efficient nor beneficial for the company, given the declining price of Nickel ore. Early conclusion of the mining operations also provided us more time to plan for the following year's activities in order to identify further process improvements. This break also allowed us to evaluate overall operations and focus on the implementation of our environmental protection and enhancement programs (EPEP) and social development and management programs (SDMP).

As a mining operator, PGMC has considerable influence and control over the performance of our contractors. Given the shorter period of operations and an aggressive production target for the year, the company requires mining contractors to increase the number of their equipment and labor force. Utilized dump trucks increased by as much as 15% or 321 units from 279 units in 2017. Moreover, the use of backhoes increased significantly by 76% to 125 units as compared to 71 units in the previous year. This translated to faster and more efficient operations without a huge capital outlay from the company. With huge capital investment from the contractors, it showed their confidence in the growth and success of our operations. In terms of risk mitigation, the company has been keeping several contractors to avoid contractor-dependent risks and promote efficiencies in our operations.



► Nickel Ore Shipped

103 Vessels
5.71M WMT

For 2018, the company operates with 11 competent mining contractors distributed in its two CAGA mines (CAGA 2 and CAGA 4). With streamlining of processes and the increase in the number of equipment and laborers, the company delivered an average daily production rate of 39,113 wet metric tons (WMT) from an average of 34,183 WMT in 2017. Operational loading and hauling machinery increased by as much as 27% for the year. This translated to a strong total production of 6.18 million WMT despite lower operating days of 158 versus 182 days in 2017. Out of the 6.18 million WMT production, the company was able to extract 5.62 million WMT of Nickel ore and 553,000 WMT of waste. The increase in waste is due to the focus of the company to produce higher grade ores, which are buried deeper in the ground and usually have more overburden.

In terms of Nickel ore sales, the company exceeded its 2018 target of 5.50 million WMT and shipped 103 vessels amounting to a total of 5.71 million WMT of Nickel ores. The Nickel ore shipments are composed of 47% low grade and 53% medium grade, with 11 shipments of 1.65% Nickel ores. Moreover, with all the process improvements and the energetic drive to excel in its operations, the company was able to end the year with 73 vessels on dispatch and only 30 vessels on demurrage. This is record-breaking for the company as this is the first time since the company has started its Nickel mining operations to close the year at a net dispatch position amounting to more than US\$ 260,000.

Php 5.49B
Revenue

Php 510M
Net Income

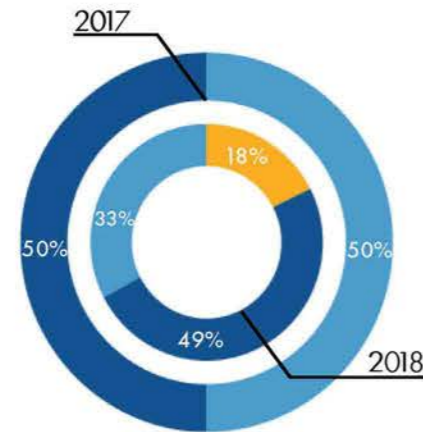
The huge efforts of the company to improve on its operations and grow from its experiences translated to a strong revenue of Php 5.49 billion, which is down by 5.7% compared to the 2017 figures amidst lower shipment volume and declining Nickel ore price trend. However, the decline was cushioned by the flexibility of the company to control Nickel grade shipments given the wide range of Nickel ore grades present in our Cagdianao mine site. Net income stood at Php 510 million, which is also lower than the Php 780 million posted in 2017. This is mainly due to the increase in excise tax and local business tax, imposition of wharfage fees by Philippine Ports Authority after the expiration of fee holiday from the Bureau of Investments (BOI), and increase in EPEP cost brought by the new temporary rehabilitation program (TRP) imposed by the Mines and Geosciences Bureau (MGB). On the positive side, the company was able to negotiate a lower contract hire cost by an average of US\$ 1 per WMT resulting to a 1.6% year-on-year decline in the overall contract hire and a lower royalty to claim owner of Php 192 million, which is 35.3% lower than that of 2017.

Aside from operational improvements, the success of our business also lies in the availability and abundance of Nickel ores in our existing mine site. Since our mining assets are statistically measured, we continuously do explorations and confirmatory drillings, not just to increase both our resources and reserves, but also to increase our confidence in our estimates. Due to the cruciality of having an accurate estimate of resources and reserves, the company committed to conducting a thorough exploration program which started in 2014.

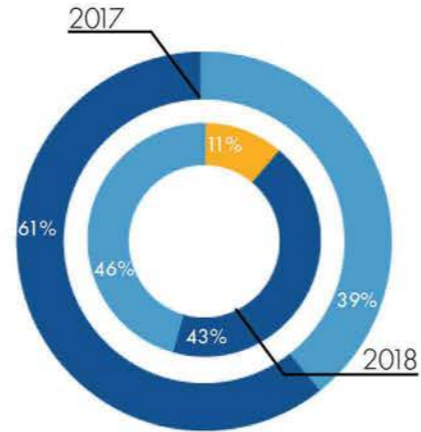
► Product Sales Mix

- Low Grade
- Medium Grade
- Medium Grade - 1.65%

By sales value



By sales volume



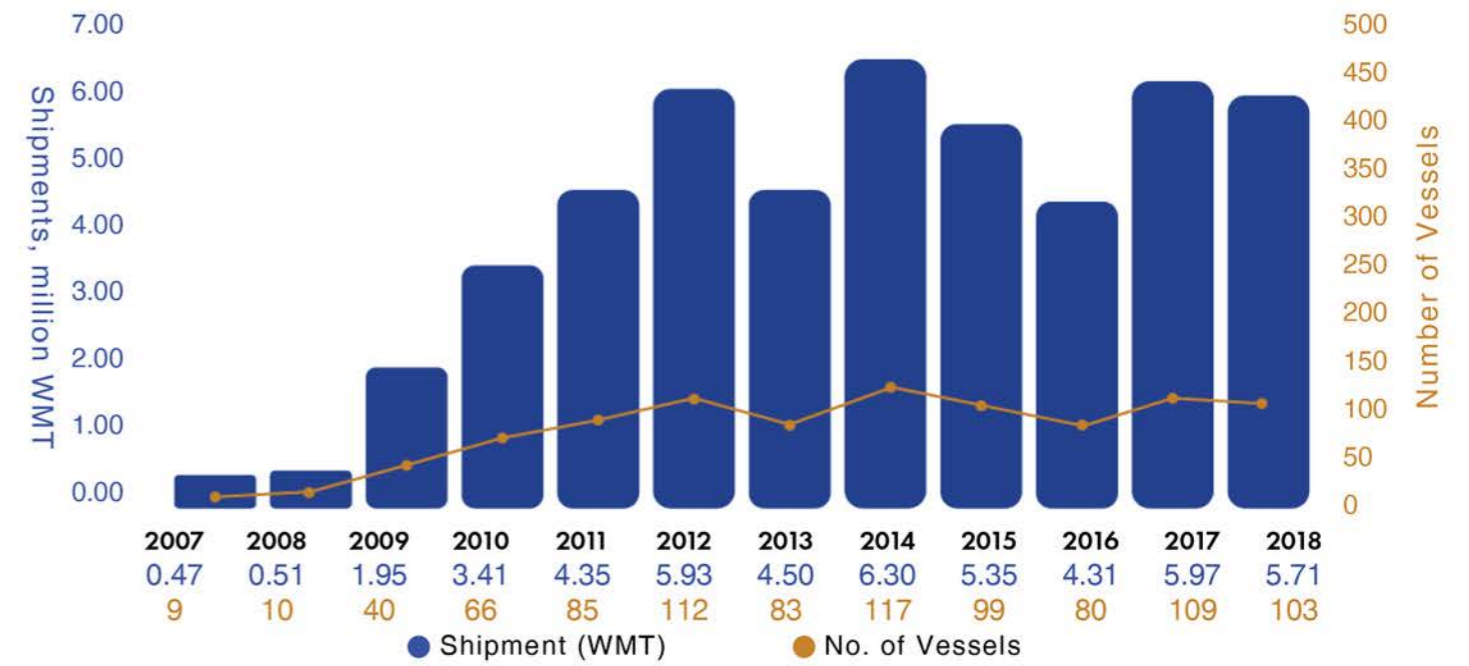
► Average Daily Production Capacity



► Diverse Customer Base



► Annual Nickel Ore Shipments



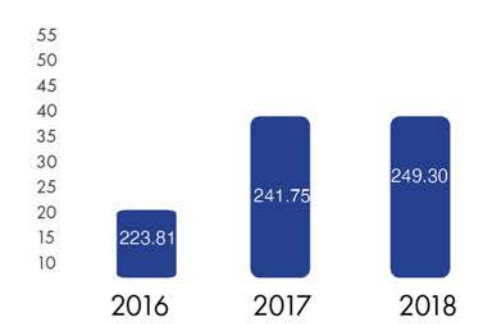
► Ore Reserves Mix (in mn WMT)



► Ore Reserves (in mn WMT)



► FNI Exploration Cost (in mn Php)



- Low Grade
- Medium Grade
- High Grade

- Proven
- Probable

- Exploration Cost

In 2018, we drilled a total of 3,415 holes with an aggregate meterage of 34,780 meters at an average depth of 10.18 meters. The bulk of the drilling activities are focused on new unexplored mining areas CAGA 6 and CAGA 7, which started on 09 June 2018. As of 15 October 2018, combined measured and indicated mineral resources at Cagdianao areas 1 to 5 significantly increased by 21.528 million DMT bringing it up to 75.688 million DMT versus 54.160 million DMT on 23 June 2017. Combined inferred mineral resources also stood at 17.628 million DMT, which can be upgraded to measured and indicated thru further in-fill drilling. The total resource has an average grade of 1.2% Nickel and 30% Iron with an estimated remaining mine life of about seven years.

Due to continuous exploration activities, the company was also able to expand its proven and probable ore reserves by 7.520 million WMT to 43.862 million WMT with an average Nickel grade of 1.21% and Iron content of 30.34%. After the exploration program, which is expected to be completed by 2020, the company is hoping to expand its resources and reserves and stretch its mine life as the estimates do not include yet the unexplored CAGA 6 and 7 areas. So far, our exploration results have been very encouraging, and we will be continuing our program in 2019 focusing on further exploration of these areas with further in-fill and confirmatory drilling in CAGA 4.

**Statement of Ore Reserves of CAGA1 to CAGA5 as of 15 October 2018
(Proven and Probable)**

Classification	Proven			Probable			Total			
	Material	WMT	Ni	Fe	WMT	Ni	Fe	WMT	Ni	Fe
LGHF	14,546,600	0.89	48.84	3,725,100	0.87	48.87	18,271,700	0.88	48.84	
LGMF	2,108,700	1.23	46.32	396,700	1.23	46.75	2,505,400	1.23	46.39	
LGLF	4,010,600	1.27	13.81	2,784,200	1.26	12.75	6,794,800	1.26	13.38	
MGMF	506,100	1.44	44.44	88,800	1.42	45.20	594,900	1.44	44.55	
MGLF	6,304,000	1.47	13.30	4,992,400	1.48	12.58	11,296,400	1.48	12.99	
HG	2,320,100	1.79	14.04	2,078,900	1.78	12.33	4,399,000	1.79	13.24	
Total	29,796,100	1.17	33.64	14,066,100	1.31	23.36	43,862,200	1.21	30.34	

**Statement of Mineral Resources for Total Nickel as of 15 October 2018
(Measured and Indicated)**

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	Ni%	Fe%	Dry Bulk Density
	CAGA-1 (unmined)	Measured	9,988,000	1.0	43.8	1.1
		Indicated	3,772,000	1.0	23.3	1.1
		Subtotal	13,760,000	1.0	34.4	1.1
	CAGA-2 (as of 15 Oct 2018)	Measured	7,446,000	1.2	25.8	1.3
		Indicated	5,831,000	1.1	29.3	1.3
		Subtotal	13,277,000	1.1	27.1	1.3
Combined	CAGA-4 (as of 15 Oct 2018)	Measured	16,033,000	1.2	28.9	1.5
		Indicated	16,725,000	1.3	23.3	1.5
		Subtotal	32,758,000	1.2	27.5	1.5
	CAGA-3 (unmined)*	Measured	9,687,000	1.2	45.3	1.2
		Indicated	3,121,000	1.1	28.5	1.2
		Subtotal	12,808,000	1.2	37.9	1.2
	CAGA-5 (unmined)*	Measured	1,386,000	1.0	46	1.2
		Indicated	1,699,000	1.0	23.5	1.2
		Subtotal	3,085,000	1.0	33.8	1.2
	Combined	Measured	44,540,000	1.1	35.2	1.3
		Indicated	31,148,000	1.2	25.7	1.4
		Total	75,688,000	1.2	31.4	1.3



HELPING BUILD A SUSTAINABLE COMMUNITY



As the company recognizes its responsibility to society, specifically to the local community in Claver, Surigao del Norte, we have launched several programs to support them in achieving their development goals. It is of our greatest interest to share with them the progress made through valuable mining activities. The programs we have implemented are carefully evaluated to ensure that we produce maximum positive impact on the lives of the people in the community. Moreover, these programs are holistically designed to address all significant community development areas such as Education, Health, Livelihood, Public Utilities, Socio-Cultural Preservation, Development of Mining Technology and Geosciences, and the Promotion of Public Awareness and Education on Mining Technologies and Geosciences.

For 2018, the company has spent Php 28.13 million for our Social Development and Management Program (SDMP) allocated through various community development programs. These programs are crafted through meticulous and tedious research and evaluation, professional assistance, and continuous communication with the local stakeholders. Based on the annual budget, the company has utilized 82.56% of allocated SDMP cost for 2018. This is well above the minimum compliance, and the company is committed to spend the remaining budget for SDMP next year, increase its utilization, and allocate its annual budget for community development. As a result, these programs have affected the lives of not just the two mining communities – Hayanggabon and Cagdianao – but also ten other non-mining communities within Claver, Surigao del Norte.



EDUCATION

PGMC believes that quality education is the best tool to fight poverty. That is why we maintain a program that awards scholarships and other forms of aid to deserving students, including students who are members of indigenous groups. These scholarships and other forms of assistance include tuition grants, stipend allowances, and provision of school supplies and uniforms.

Education projects also involve improving school facilities, providing educational materials, conducting training programs for teachers, and giving of teachers' honoraria.

At our Cagdianao Mine, we have constructed a seven-classroom building, a library, and one (1) atrium for the community. This school seeks to provide free education and educational materials to about 521 students from the Cagdianao and Hayanggabon communities.

Also, we assist in the Alternative Learning System project, which is a program accredited by the Department of Education. The Company also provides salaries for six teachers who work in public schools within the communities where our Cagdianao Mine is located. Along with these programs, we have also initiated a school to school campaign to promote knowledge in mining and sponsorship for inter-school educational competitions.



HEALTH

Affordable and quality healthcare is being provided to local community members, in addition to our employees and their dependents. PGMC conducted medical missions designed to address the basic medical needs of local community members, including indigenous people and the indigent. The medical missions provided free medicine, basic dental services, and ambulance service facilities.

The Company's Health Care program also involves the construction and improvement of Barangay health centers, provision of sanitation latrines for households, and provision of salary to local health workers, midwives, nurses, and a doctor. Outpatients are promptly treated and medicine is provided for free. At our Cagdianao Mine, the Company established a maternity clinic that provides prenatal care not just for pregnant employees but also for other members of the immediate community.

In 2018, the Company was able to disburse 91.53% of the budget allocation for its health program amounting to around P1.6 M.



LIVELIHOOD AND TRAINING

PGMC believes in the capabilities of the members of our host communities, hence, we show our support through viable livelihood assistance programs whose benefits are wide-ranging and long-term. In 2018 alone, a total of P5.34 M went to financing the livelihood programs.

Members of the local communities in Claver traditionally depend on agriculture and fishing for their livelihood. In support of this economic activity, PGMC provided a total of 45 motorboats to fisherfolks within the Cagdianao and Hayanggabon communities.

The Company also regularly provides local community organizations with technical and financial assistance in the form of seminars, study tours, financial literacy classes, leadership and management training programs, capital funding, equipment for farming and fishing, and farm inputs for crop production.

PGMC also works with the Technical Education and Skills Development Authority (TESDA) to provide short courses and skills training modules to residents of neighboring communities that show them alternative sources of income for their families. The Company constructed a skills training center and provided equipment for the use of the TESDA participants and trainers.

TESDA offered various training programs such as Beauty Care Training wherein 73 participants successfully finished the course and learned skills in manicure, pedicure, and hand and foot spa, which have enabled them to earn a living as beauty care service workers.



The Company also sponsored training courses on Driftwood and Woodcraft Skills. Also, PGMC established a vegetable training facilities for farmers who may eventually be able to supply and sell their own produce to local markets and generate extra income. For instance, a Chips Making Training course was conducted in partnership with PhilExport that helped a group of 48 people begin a livelihood project producing Banana, Sweet Potato, and Ube chips. The Company also helped construct a poultry house and a nursery for various seedlings in support of multiple groups who are committed to making their businesses flourish.





INFRASTRUCTURE ASSISTANCE

Public utilities are essential factors for community development, and PGMC undertakes infrastructure projects, such as water system projects, construction, and improvement of buildings (barangay halls, daycare centers, churches, and schools), road improvements, and electrification projects, as part of its social development and management program. For 2018, assistance for infrastructure projects amounted to P1.23 M. These projects were implemented with the involvement of community members to foster cooperation and teamwork and impart a sense of ownership among them.

At our Cagdianao Mine, we funded various infrastructure projects such as the construction of housing for indigent members of the community through a partnership with the Gawad Kalinga organization. The Company also helped in the construction of sea walls to protect the neighboring communities from the effects of erosion, the creation of a multi-purpose community hall in Barangay Cagdianao, some barangay roads and churches, water processing stations, Cagdianao public markets, as well as procurement of materials for the electrification of individual households.

Moreover, we have also provided and constructed shallow water pumps, a weir dam, and an office building at local water processing stations to support the local water supply system in nearby communities.



SOCIO-CULTURAL SERVICES

PGMC believes that socio-cultural development of the community is essential to sustaining the momentum of inclusive progress and that is why the Company makes it a point to support such initiatives. The Company actively participates in and provides financial and non-financial assistance to local cultural celebrations, sports competitions, and other socio-cultural activities. The Company assisted in various religious public festivities that promote camaraderie and community spirit and showcase the values that will help keep people get along in peace in harmony. And in 2018, the Company was able to spend P1.96M towards socio-cultural projects.



IP DEVELOPMENT

PGMC thrives on the exploration and utilization of natural resources using state-of-the-art technology and operates under the statutes mandated by law and international standards. As modern as the process can get, the company acknowledges its obligations to the indigenous people who possess the inherent rights over the ancestral domains within which we operate. We make sure that in everything we do, we are able to fulfill our duty not only to the Mamanwa and Manobo tribes but also to the general populations of our host and neighboring communities. This includes monetary and social development programs aimed at protecting their rights and cultures as indigenous peoples.

The mining tenement of PGMC is within the ancestral domain of 18 Mamanwa Tribal communities covered by Certificate of Ancestral Domain Title R13-CLA-0906-048 (CADT 048). It was issued on September 22, 2006, and covers an area of 48,870.0263 hectares. A significant amount of the company's annual budget is being allocated to various programs that promote cultural and social well-being for the entire community.

Php 49.85M
 IP Royalty Payment
 in 2018

Among the 18 Mamanwa Tribal communities, the Taganito and Urbizondo communities fall under the “directly affected communities” category, and hence receive 40% of the IP Royalties from PGMC. These communities comprise the association registered with the Securities and Exchange Commission (SEC) known as the AMPANTRIMTU or Asosasyon ng Madajaw na Panaghiusa ng mga Tribung Mamanwa sa Taganito ug Urbizondo. It follows that the 16 “indirectly affected” Mamanwa Tribal communities share with the remaining 60% of IP Royalties.

These Royalty payments are managed by the indigenous cultural communities or ICCs in accordance with their own community rules and policies. Apart from monetary aid, tribe members receive other forms of support such as healthcare, education, employment, and preservation of their habitat.



PGMC remains steadfast in its commitment to give back to the environment and members of the communities within which the company operates. Aside from our contributions to the Gross Regional Domestic Product, foreign exchange, and SMDPs, taxes and royalties play a major part in uplifting the host communities socially and economically. The company’s budget allocation for IP Development pegged at Php22,226,497.41 in 2009 kept on increasing in an annual basis until it ballooned to more than its double, amounting to Php49,847,204.13 in 2018, concluding a total of Php519,535,130.67 for the entire nine-year run.

This translates to an equivalent of 1.0% of sales religiously remitted to the National Commission on Indigenous People (NCIP). We also take the initiative to monitor the development of the areas concerned by including them in our social development plans and making sure they are equipped with the basic needs and equal opportunity for progress. Among the benefits stated in our Memorandum of Agreement (MOA)

include facilities that provide immediate health services with free medicines; new school buildings, classrooms, educational materials, and scholarship programs; assistance to cultural organizations and support for traditional events; delivery of transportation such as ambulance, cargo truck, and motorcycles; and providing computers. As such, the tribes now have their respective villages that are organized with facilities catering to their health, educational, socio-cultural needs.

Driven by our commitment to build a progressive, inclusive, and sustainable environment for the tribes and the neighboring communities in our areas of operation, PGMC takes pride in its initiative to go beyond the dictates of the law in order to have our goals realized. Hence, aside from the medical facilities we have provided, the company reaches out to the indigenous peoples in the hinterlands through various medical and dental outreach programs designed to provide them immediate health aid because we believe that people are still the greatest assets of any given community.

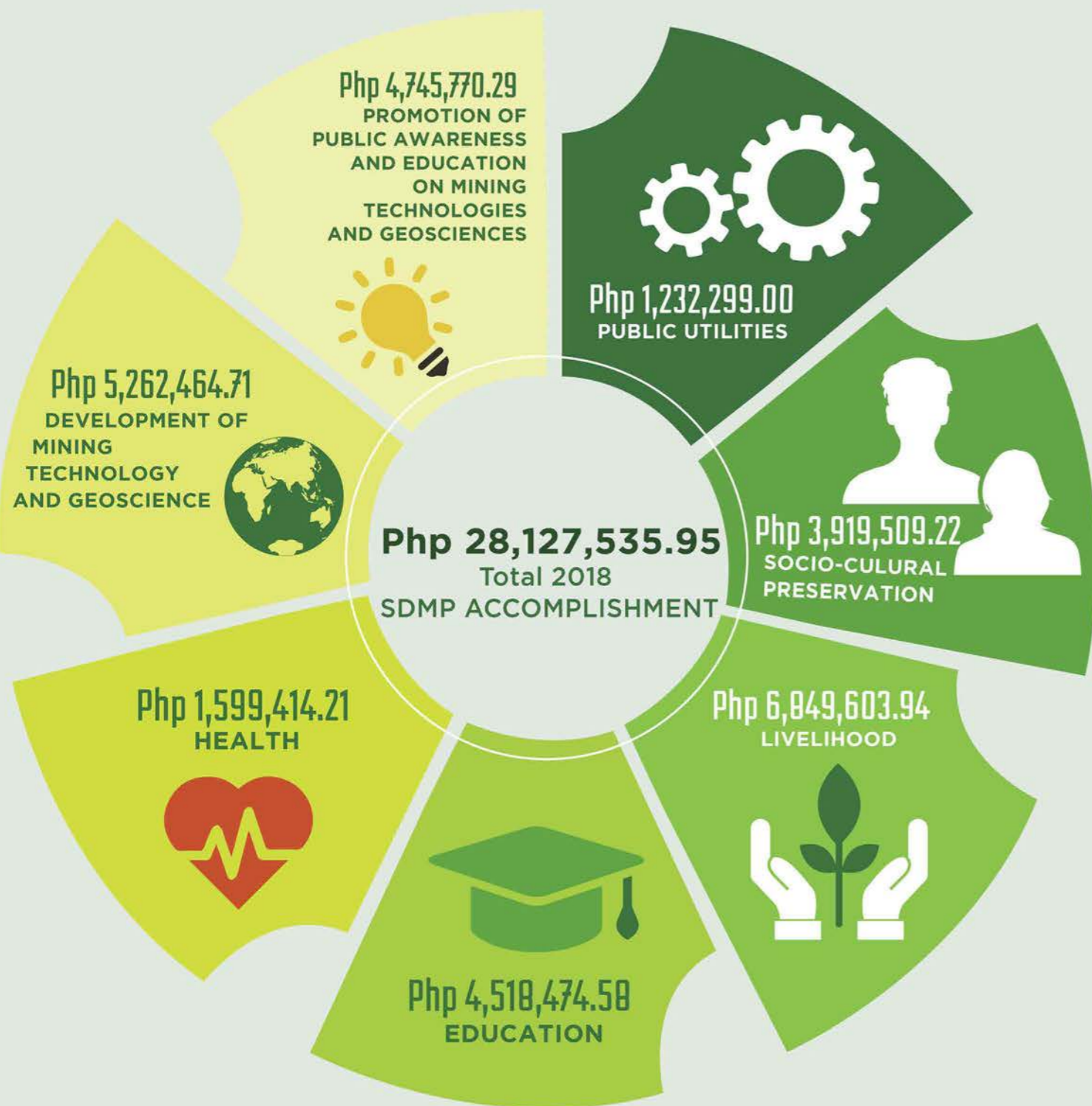


Insofar as the IP’s general working-age population is concerned, PGMC also opens doors of opportunity to their highly capable members by providing them jobs at the mine site involving less critical areas that suit their skills. They get their jobs in a legal way and also get paid justly, allowing them to walk away from the practice of scrounging for food or flocking the metros only to end up as beggars or slaves. What we give them is more than the chance to get employment. We treated them with dignity and respect and helped them build confidence in themselves.

Php 519.54M
 Total IP Royalty Payments
 Since 2009

We also give premium to education, which we believe will eventually capacitate the young members of society and lead them to the path to success. The hope of seeing no more children having to skip education because of poverty is what fuels our drive to provide for these communities. Where before, children were framed to leave their hometowns once they grow up to seek for domestic jobs and settle for low-paying and sometimes dangerous occupations, the young members of these tribes today are armed with dignity, hope, and the proper education to help them reach their full potential. In addition to that, the scholarships we provide also come with the opportunity to work for the company in the future not as just as skilled workers but as engineers and key persons in the field. This way, we encourage the communities to lessen the root causes of a drain of young talents by emigration and to prevent the adverse economic costs of brain waste. Our programs supporting IP traditions and culture also help in instilling in them an undying love for their homeland and pride of their identity, in the same way that instilling pride to national identity stands imperative to building a strong national community.

SOCIAL DEVELOPMENT AND MANAGEMENT PROGRAM



A
RESPONSIBLE
STEWARD
OF GOD'S
CREATION



Platinum Group Metals Corp. believes in the principle of stewardship and is committed to protecting and caring for the environment for a sustainable future. The company adheres to global best practices in environmental management.

For 2018, PGMC accomplished its Environmental Protection and Enhancement Program (EPEP) with a total cost of Php 190,684,003, which is 83% higher than that of the previous year. The increase is attributed to the rehabilitation of newly declared mined-out areas. Major programs and activities for 2018 include the following:

Mined-out Area Rehabilitation and Restoration

- ▶ Rehabilitation and Reforestation covering 50.33 hectares of mined-out areas within CAGA 2 and CAGA 4. The total cost incurred for rehabilitation amounted to Php 43,645,830 which cover site preparation cost, backfilling of topsoil, planting of grass and fast-growing endemic tree species, and maintenance and protection. It is by far the largest rehabilitation effort conducted by a Nickel mining company in CARAGA.



Before



During



After

- ▶ Conducted slope rehabilitation work on eroded roadside areas covering 2.73 hectares using coconets, fascines, and grasses.



- ▶ Maintenance and monitoring of 332.14 hectares of planted areas amounting to Php 6,315,888. Maintenance works include watering, fertilization, and enrichment planting.



River Siltation Control

- ▶ Construction of the additional River siltation control facilities intended for siltation control has amounted to Php 7,057,643. The following are major facilities constructed:

1. 3 units of Settling ponds as last containment area for surface run-off
2. 2 units In-pit check dams, and 4 units check dams as primary water impounding area.
3. Series of collector sumps, peripheral canals and silt traps for additional control measures.

- ▶ Silt accumulation and eventual wear and tear of existing facilities due to exposure to water run-off and heavy rains had been anticipated and planned for. A repair and maintenance program has been put in place, which includes dredging, mechanical and manual desilting, and riprapping of riverbanks. The total budget allocated for maintenance and repair amounted to Php 19,221,481.



Before



During



After

- ▶ 9.91 hectares of mangrove areas planted with endemic mangrove species as coastal preservation and restoration.
- ▶ Deployment of 32 modules Artificial Reef (AR) for rehabilitation and restoration of Lambason Island Marine Protected Area (MPA).



Dust Suppression and Control

- ▶ Road spraying, road graveling, and street sweeping are the programs instituted for dust control. 21 pressurized water trucks designed for road watering were used to control dust generation along main and secondary haulage roads. In addition, 8.90 kilometers of road were maintained through regular graveling and 23 street sweepers were assigned to National road areas for additional support. Overall costs generated for dust control had amounted to Php 16,141,759.



Environmental Research

- ▶ Hydroseeding was done on a trial basis covering a one-hectare mined-out area in CAGA-2 as an alternative for soil erosion control and protection specifically for steep and highly erodible areas. The total cost of the project was Php 1,130,000.
- ▶ An automatic dust sprinkling system that uses 2HP submersible pumps with lateral pulsating rotators for spraying was installed at selected areas along the road designed to minimize the use of water trucks for road watering. The total cost of the project amounted to Php 232,050.



Environmental Monitoring

- ▶ Regular environmental monitoring was conducted in the form of weekly water quality monitoring and monthly air & noise quality monitoring to ensure the company meets standards. The total cost for all activities related to environmental monitoring have reached Php 623,882.



- ▶ Also, a third party consultant is being tapped annually to conduct additional evaluation and monitoring of all environmental activities to ensure all measures being undertaken are effective and functioning. Total cost incurred for the third party monitoring amount to Php 513,800.



Purchase of Equipment for Additional Support

- ▶ The company increased its number of equipment to meet the higher standards set for environmental protection, Some of the major equipment purchased for 2018 include the following:

1. Purchase of 6 units brand-new pressurized water trucks worth Php 30,063,783
2. Purchase of two brand-new excavators worth Php 13,600,000 for use in the rehabilitation of mined-out areas.
3. Purchase of one set hydraulic dredging machine worth Php 9,000,000 for silt recovery within Kinalablan river and causeways 1 and 2.

Temporary Revegetation Program (TRP)

On 17 August 2018, the Department of Environment and Natural Resources ("DENR") issued Administrative Order No. 2018-19 entitled "Guidelines for Additional Environmental Measures for Operating Surface Metallic Mines" ("DAO 2018-19"). DAO 2018-19 was issued pursuant to the presidential directives to regulate mining operations in the country with an eye towards sustainable development and to minimize the disturbed area by mining projects.

In compliance, the Company embarked on a 6-month TRP Project covering 47 hectares of land in areas where mining extraction was preserved due to varying market demands, allocated a budget of Php24M (on top of the EPEP cost) and posted a bond of Php5M.

As of 31 December 2018, the Company has successfully revegetated 45.46 hectares or 97% of the TRP target.

INDUSTRY APPRECIATION AND ANALYSIS

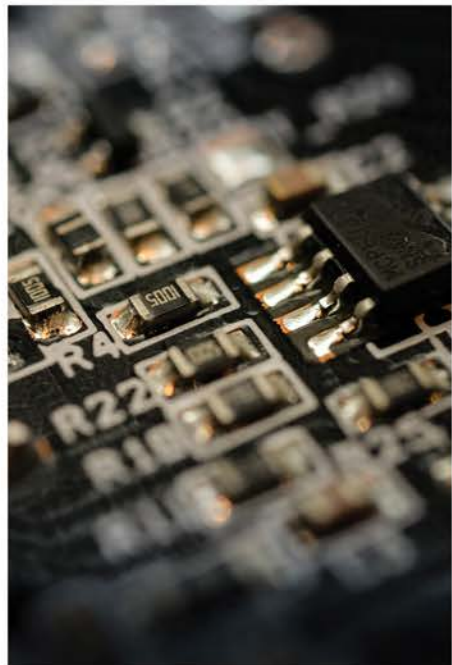


Mining can be considered as a primitive activity that can be traced back as far as the ancient civilizations. Historians, paleontologists, and other experts have shown that prosperous generations of Ancient Egypt, Rome, and Greece have long before utilized the vast resources of the earth through mining. It was through this that early ancestors were able to forge their equipment for hunting and fighting, weave their clothing that protected their bodies from heat and cold, and gather other survival necessities from the materials extracted from the earth. With mining, civilizations flourished and new technologies emerged. It also secured the future of the succeeding generations.

In recent times, mining does not just give us our necessities for survival, but also opens up greater heights of possibilities. The products of mining have been integral in the different industries, such as medicine, electronics, transportation, aeronautics, engineering, and several other fields. Moreover, the mining activity has dramatically evolved into a complete science of well-structured methods that increase mineral yields while minimizing its social and environmental costs.

To understand mining, one has to keep in mind that activities related to it are not all equal and the same. Different mining methods are used depending on the minerals to be extracted. Among these are the geological profile of the site, type of mineral to be extracted, and several other factors. According to the American Geosciences Institute, there are four main methods of mining, namely, underground mining, surface mining, placer mining, and in-situ mining. Underground mining is an expensive activity used to extract deeper and more valuable deposits, while surface mining is typically used for more shallow materials; placer mining is used to sift out valuable metals from sediments; and in-situ mining is primarily used to extract uranium. The latter involves dissolving the mineral resource in place then processing it at the surface without moving rocks from the ground.

Unlike ancient times, we now also have several laws placed by several countries and jurisdictions to regulate mining activities and to ensure that operations are done in a proper and responsible way. Scientists, engineers, regulators, and other professionals have come hand-in-hand to craft progressive laws to promote balance between supporting the growth of the mining industry and controlling the social and environmental impact of mining activities. Due to the grave importance of mining in the daily lives of people and the general macroeconomics of the world, it is not enough to control and regulate mining. Whether we acknowledge it or not, mining is and will always be an integral part of our daily lives; thus, it is not a field to be neglected but a science to be developed for better utilization.



Nickel Mining

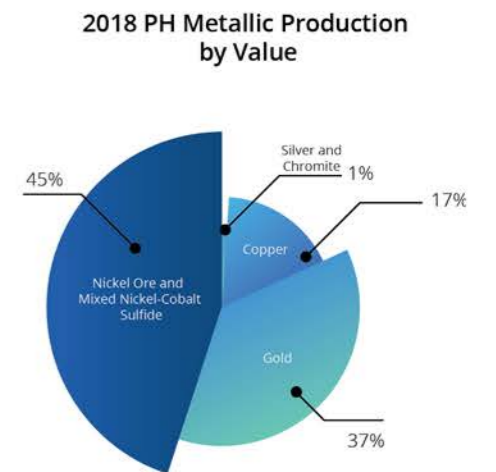
Nickel is the fifth most abundant element on Earth and is believed to be the second most abundant element in the Earth's inner core. Most of it is found beneath the earth surface and is usually available in two types of deposits: laterite deposit, which is a result of intensive weathering of surface Nickel-rich rocks, and magmatic sulfide deposit. Due to its strength, ductility, and resistance to heat and corrosion, it has been used in the developments of a wide variety of materials. Nickel is one of the most commonly and widely used metal found in kitchenwares, electronic devices, construction, and transportation materials.

Nickel is mined using surface mining, specifically contour mining, due to the shallow placement of the deposits. With this type of mining method, the overburden spoil is removed by creating benches alongside the terrain of the mountain and deposits are mined using simple hauling and loading equipment. Also, due to the shallow disturbance on the surface,



progressive rehabilitation can be done simultaneously with the mining activities.

Locally, the Nickel industry is considered to be a significant part of the Philippine economy. For 2018 alone, the country has produced a total of 27.09 million DMT of Nickel ore amounting to Php 55.18 billion, making Nickel production the most significant chunk in the 2018 Philippine metallic production by value. This translates to 45% share of the total pie, which placed the country as the second biggest Nickel producer in the world next to Indonesia.



Use of Nickel and its Emerging Demand

On the global landscape, Nickel demand has been resilient and growing with most of the global Nickel production going to the manufacturing of stainless steel. According to the latest CRU data, stainless steel industry cuts 71% of the global Nickel demand in 2018. Due to the boom in infrastructure development around the globe, stainless steel demand continues to grow as it gains unfaltering support from the strong production of the Nickel mining industry. It is also, however, good to note that there are other increasing demands for the use of Nickel. One notable emerging use of it is in the production of batteries for electric vehicles (EVs). Although the contribution of EV batteries in the Nickel demand is still small, it is seen to post a tremendous growth in the future, given the drive of several nations to promote green technology.

The rise of EVs is considered to be a catalyst for the growth of global Nickel demand. China, being the leading producer of EVs globally, targets to sell a total of two million EVs and hybrid vehicles annually by 2020. This is amidst their advocacy to reduce pollution and lessen their dependence on fuel imports. According to Vale research, given the importance of Nickel in the production of EV batteries, the boom in this industry is expected to create an additional Nickel demand of 350,000 to 500,000 tonnes by 2025.

Moreover, the new developments and researches on EV batteries support the growth of Nickel demand.

Currently, EV batteries are produced using six parts Nickel, one part Cobalt, and one part Manganese. However, research shows that an increase in the Nickel content also increases the battery's capacity at a lesser cost. Due to Cobalt price hike and the cost-efficiency of Nickel, it is expected that EV batteries will soon be produced using 8:1:1 ratio favoring Nickel.





Responsible Mining Activities

The world has been reaping the benefits of Nickel mining for several hundreds of years. The products of Nickel have provided the society with its necessities and have led it to modernization and economic progression. It has brought new technologies that enable people to live a more comfortable life and has opened up possibilities for future generations. Moreover, with developments in science, new technologies and methods have been employed by companies to minimize the environmental impact of mining activities while maximizing its benefits.

Other than the economic benefits of Nickel mining, the policies in place and the willingness of the mining companies to give back more to society have brought programs for the development of the local communities, as well as the enhancement and rehabilitation of the environment.

Mining companies promote inclusive economic growth in marginalized communities through the continuous implementation of social development programs and provision of local job opportunities. They help the government stretch its reach to the mining communities, which are usually isolated and underdeveloped. These companies provide capital resources and technical expertise, gathered through years of quality

GRI 103-1

mining operations experience so that the community can reap the benefits of the natural resources available.

Since Nickel-rich areas are not agriculturally viable due to the high concentration of iron and other metals, the only beneficial and proper use of it is mining. However, without the support of mining companies, it will be difficult for the local government and communities to extract natural deposits in these areas. More so, without the supportive policies from the government and the backing of local communities, it will be impossible for these companies to unlock the enormous potential of the vast natural resources of the country.

Working hand-in-hand with the community and the government, the mining industry is empowered to utilize the natural wealth of the country for the benefit of all. It seeks to provide better job opportunities to the local citizens, develop roads, bridges, schools, hospitals, and other infrastructures for shared use, and conduct various livelihood programs for sustainable local economic growth.

In the Philippines, the Social Development and Management Program (SDMP) is an essential part of daily mining activities. It is embedded in the core operations of the business and budget, with

a minimum amount set by the regulators as a percentage of operational costs religiously allocated to it every year. Moreover, the programs are carefully evaluated prior to implementation to guarantee their relevance to the community and ensure sustainability.

Insofar as mining is a temporary use of land, it is vital for the mining companies to rehabilitate the land after the extraction of deposits. Contrary to popular belief, mining is one of the most environmentally responsible industries around the globe. Given that the success of the mining industry highly depends on the richness of the natural resources, it is in the best interest of the mining companies to preserve, rehabilitate, and enhance the environment. Therefore, strict implementation of industry policies, the various permits needed for the commencement of operations, and the requirement of comprehensive feasibility studies and mining plan, mining companies become well-guided in conducting their ventures ethically and responsibly.

In the Philippines, the mining industry is one of the few, if not the only industry, that is required to set aside an annual budget for the protection and enhancement of the environment. This budget, which is computed as a percentage of direct mining cost, is spent on revegetation

of the mine site, protection of adjacent bodies of water, reduction of pollution in the air, and other related activities. The Environmental Protection Enhancement Program (EPEP) mandated by the Department of Environment and Natural Resources (DENR) thru the Mines and Geosciences Bureau (MGB) has been an integral part of the daily operations of all mining companies. Capital resources, technical and professional services, human resources, and a considerable amount of time have been allotted by these companies not just to restore the natural environment to its former glory but to further enhance the ecosystem for the use and benefit of all the generations to come.

Cost and Benefit of Mining

Economics has taught us that there is no such thing as a free lunch. This adage implies that all goods and services that we acquire require certain cost for a trade-off. For every choice we make, we forego other options and therefore serves as an opportunity cost for us. If, for example, you develop an area for commercial and residential use, then you are foregoing the option to convert the land for agricultural use. However, despite this trade-off, we assume that choice we make is the most logical and the most beneficial choice among all other options.

Mining is never exempted to this rule. Choosing an area to be a mine site foregoes all other possible use for the land. However, the decision to utilize the land for mining undergoes extensive research to ensure that this is of the best interest of the country and the best option for the use of land. The overall benefits of mining should outweigh the environmental and social cost of mining activities.

Given that most mine sites are secluded, less developed non-agricultural lands, the area cannot be utilized for other use except mining. Moreover, given the vast treasures provided to us by nature, it is more costly for us to forego the opportunity to utilize these resources for the greater good. Throughout



centuries, mining has been providing the world with raw materials to reach new heights of progress and modernization. It has also been providing housing, transportation, clothing, communication, healthcare, and several other scientific breakthroughs. It has also unlocked diverse possibilities beyond the realm of our imagination. Furthermore, the benefits of mining flow beyond macroeconomic scale and trickle down to every household around the globe. It has provided the society with beneficial products for consumption, has provided jobs to the less fortunate communities, has given better infrastructure and services, has promoted programs to protect the environment, and has helped the government to successfully execute its economic programs through the responsible payment of taxes and royalties.

With the vast potential of the mining business in fuelling the economy and the society towards progress, it warrants our support through proper and supportive legislation. Mining has already faced several headwinds that have impeded its growth and prevented the industry from maximizing the economic and social benefits of our natural resources. Locally, there are still lots of improvements that need to be executed to improve the global competitiveness of the industry and secure our flourishing success.

Based on the 2018 survey conducted by the Fraser Institute, the Philippines is at the bottom seven of the 91 jurisdictions in terms of mining policies. Foreign investors have low investment appetite on the local mining business mainly due to its high-risk, low-return profile amidst the moratorium on new mining permits, the ban on open-pit mining, and massive tax burden amongst several other unfavorable policies.

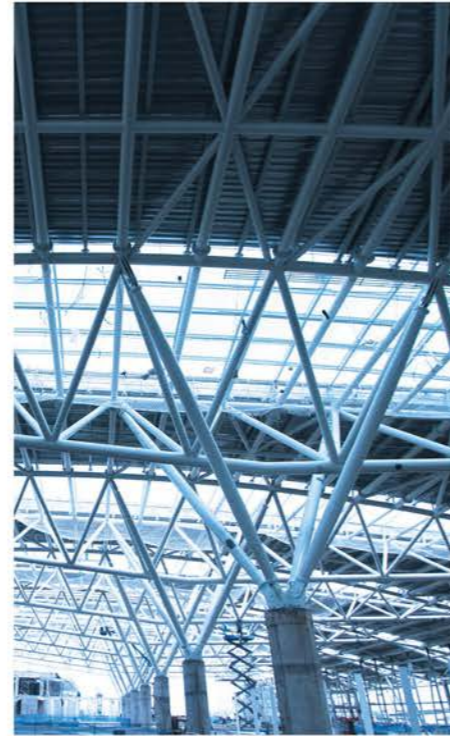
Despite the societal improvements provided by the product of mining, the general public commonly antagonizes mining due to several negative misconceptions towards the industry. Various industries and sectors have benefitted from and progressed due to the products of mining, but the burden of tedious environmental rehabilitation and social development activities are solely carried by the mining companies. Mining companies can only do so much in their endeavors without the support of the community and the government. These companies and the whole mining industry need the sustenance of the community and legislative support from the government to harness the flourishing God-given resources and use these for the common good of the current and future generations.

MARKET OUTLOOK

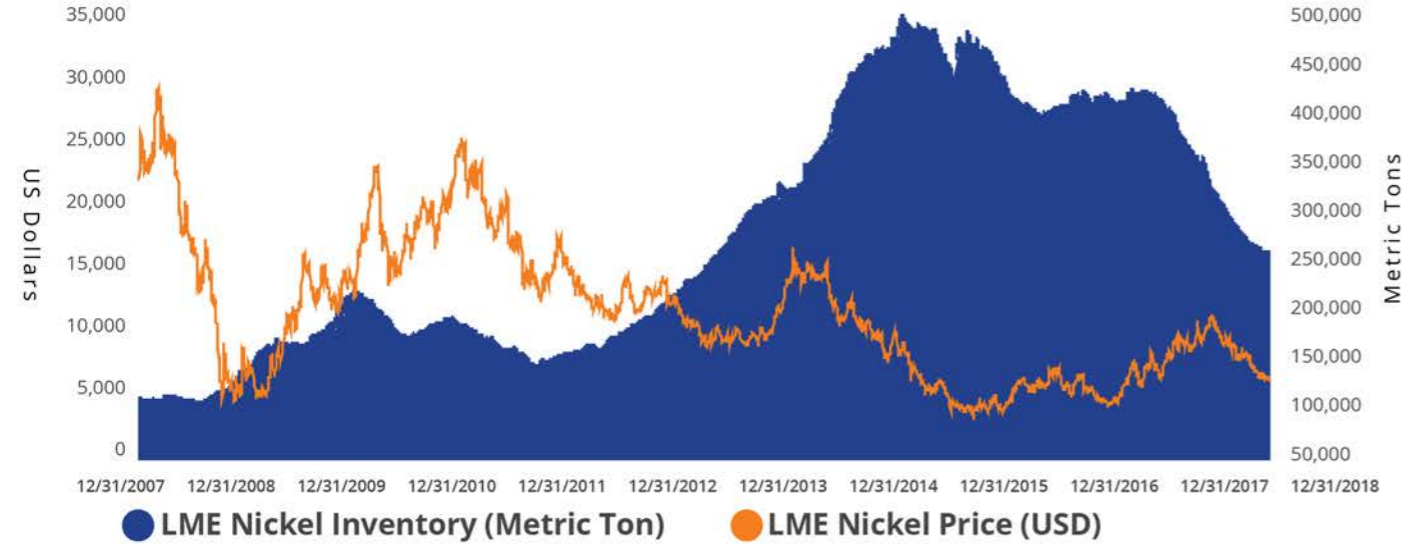
The Nickel industry had its highs and lows in 2018 as industry demand-supply fundamentals continue to play a tug-of-war. On a positive note, demand remains to be resilient alongside the continuous growth of the stainless-steel industry and the emergence of new additional demand for Nickel, amplified by the electric vehicle revolution. While the decline in the inventory of pure Nickel consequently supported the recovery of Nickel price, Nickel ore prices were penalized by the uptick in Nickel ore inventory as Indonesia continues to ramp up its Nickel ore export. Additionally, price weakness was also affected by the investors' sentiment towards the threat of US-China trade war.

Based on the 2018 London Metals Exchange (LME) Index, the average price of pure Nickel showed continuous recovery from the previous year. Nickel prices were concluded at an average price of US\$ 13,118, which is 26% higher than in 2017, despite price hiccups in the latter part of the year. Consequently, LME inventory dropped by 44% to 207k MT in 2018.

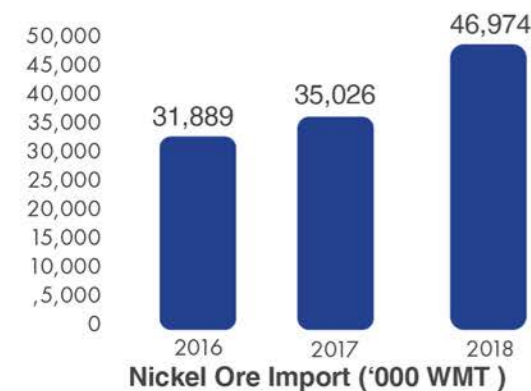
On the other hand, Nickel ore price was a different story. Prices of different Nickel ore grades, as indicated by the Shanghai Metal Exchange Nickel index closed lower as China laterite ore inventory jumped by more than 100% to 9.6 million tonnes. The oversupply of China Nickel ore was driven by the lifting of Indonesia's Nickel ore export ban, which contributed more than 20 million wet metric tons (WMT) of Nickel ore to China in 2018.



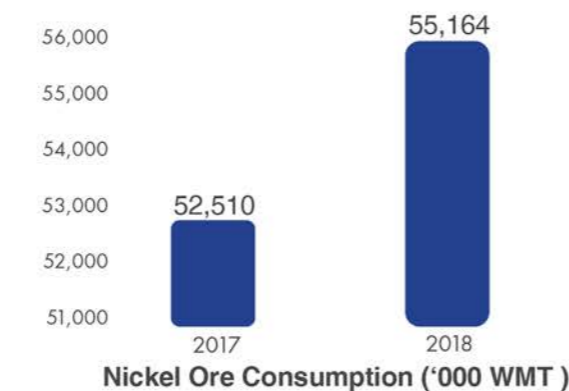
LME Nickel Inventory



China Nickel Ore Import

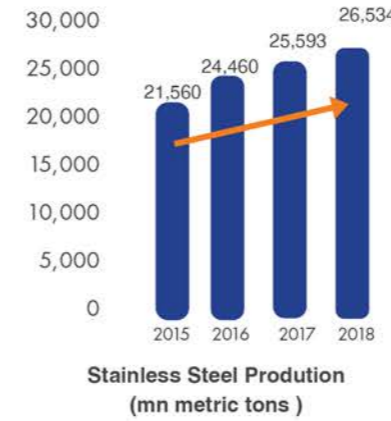


China Nickel Ore Consumption



Average Daily Production Capacity

3-year CAGR: 7.2%



Despite the challenges that the industry faced, the demand for Nickel remains robust as the stainless-steel industry continues to grow. China, the biggest producer of stainless-steel in the world, concluded 2018 with approximately 26.5 million metric tons of stainless-steel outputs equivalent to a 3.7% year-on-year growth. This translates to a stronger Nickel ore import for the same year, which grew by 34.1% and soared up to 47 million wet metric tons (WMT). To further verify the strength of China's Nickel ore demand, local Nickel ore consumption also posted strong year-on-year growth of 5.1% or an equivalent of 55.2 million WMT of Nickel ores for 2018.

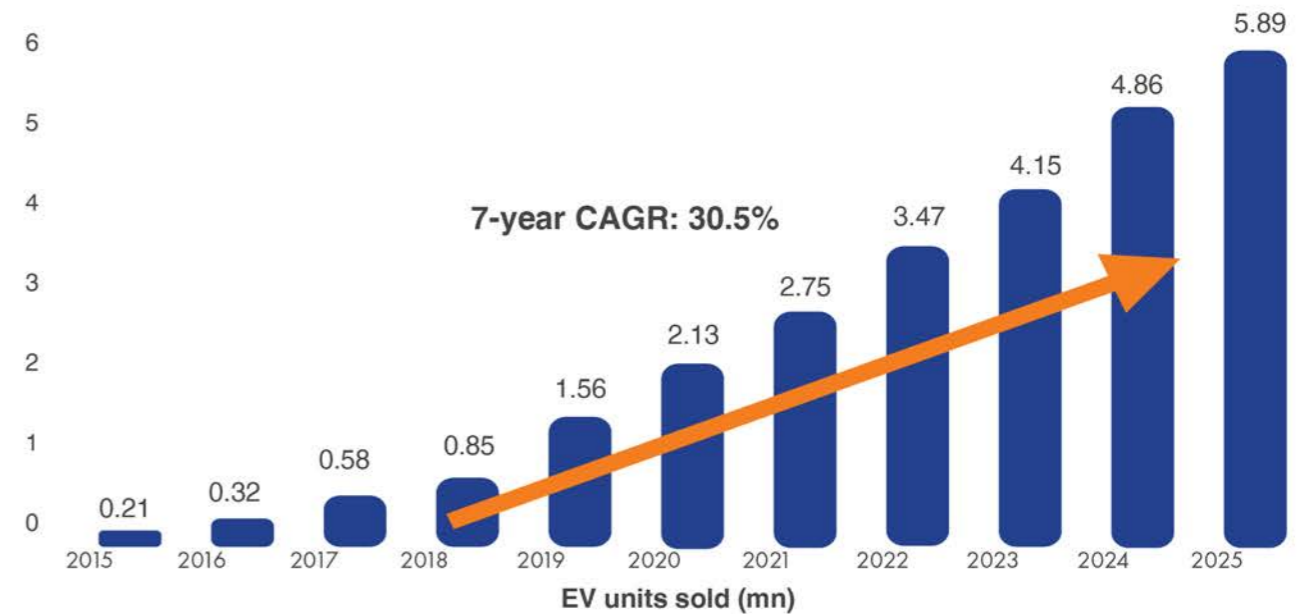
Aside from its massive contribution to the global stainless-steel business, China is also a front-runner in the worldwide production of electric vehicles (EVs). Driven by the advocacy to reduce pollution and decrease its dependence on imported fuel, the government of China promotes the ramp-up production, which targets to sell two million EVs and hybrid vehicles annually by 2020. Vale forecasts that the industry will require an additional Nickel demand of 350,000 to 500,000 tonnes by 2025, with the steady growth momentum and amidst the increasing importance of Nickel in the production of electric batteries due to its durability and affordability. This gives light to the future of Nickel mining companies and the driving force of the industry.

Given the virility of the stainless-steel industry and the emerging presence of electric vehicles, CRU projected that the global deficit for Nickel would persist forecasting a shortage of 34,000 tonnes and 44,000 tonnes in 2019 and 2020, respectively. With the limited and declining inventory of pure Nickel, Nickel ore becomes a natural supply substitute. Consequently, in spite of the observed weakness in Nickel ore price for the past few years, the market landscape shows that prices are poised for future recovery.

In the local scene, the projected cut in Philippine Nickel ore production brought about by the closure of several mining companies serves as a price catalyst to support the Nickel ore price improvement in 2019. Coupled with the strong overseas demand for Nickel ore by Chinese manufacturing industries, the company believes that Nickel ores should experience an upswing in the upcoming years.

Looking ahead towards 2019, we believe the Nickel ore price has already bottomed and would see some recovery in the years ahead mirroring the recovery of LME Index. Based on the latest price forecast of World Bank, Nickel price is expected to climb up to US\$ 13,681 per metric ton from its 2018 closing price of US\$ 10,605 per metric ton. The limited supply and the growing demand and use of Nickel will serve as a cushion to support Nickel price recovery despite the ramp-up of Indonesia's Nickel ore production. With the advancement of technology, other non-traditional uses are to grow, and we expect Nickel to be utilized in a wider variety of products, such as batteries, the cooling system in nuclear powerplants, electronics, transport, and emergency power supply.

Forecast of China EV Sales (mn)





OUR LEADERSHIP

BOARD OF DIRECTORS



(From left to Right)

Francis C. Chua, Edgardo G. Lacson, Mary Belle D. Bituin, David Chua, Dante R. Bravo, Joseph C. Sy, Gu Zhi Fang, Roberto C. Amores, Noel B. Lazaro, Dennis Allan T. Ang

Joseph C. Sy Chairman

Joseph Sy became Chairman of both the Company and PGMC on 6 August 2015 and 10 August 2015, respectively. Prior to this, he was appointed President of the Company on 29 August 2014 and had served as President of PGMC since 2011. Joseph is also a Director of the Ipilil Nickel Corporation, former Treasurer of the Philippine Nickel Industry Association (PNIA), and the Director of Mining for the Philippine Chamber of Commerce and Industry (PCCI). He has more than 16 years of experience in managing companies engaged in mining and mineral exploration and development. Mr. Sy studied management at the Far Eastern University Manila.

Dante R. Bravo President

Dante Bravo became President of both the Company and PGMC on 6 August 2015 and 10 August 2015, respectively. Previously, he held various positions of increasing authority in PGMC, including Corporate Secretary, Chief Finance Officer, and, ultimately, Executive Vice President from 2011 to 2014. He has more than 10 years of corporate management experience. Mr. Bravo served as Senior Associate and Director at SGV & Co.; Professor of Law at San Beda College; Lecturer for the Mandatory Continuing Legal Education Program of the Supreme Court; and Chief Political Affairs Officer of Congressman Narciso R. Bravo, Jr. He is currently the President of the Philippine Nickel Industry Association (PNIA). He is a Certified Public Accountant. He completed his Bachelor of Laws from San Beda College and his Bachelor of Accountancy from the University of Santo Tomas. He placed 10th in the 2001 Philippine Bar Examinations.

Mary Belle D. Bituin Chief Financial Officer

Mary Belle Bituin became a Director of the Company on 22 October 2014, and Treasurer and CFO in January 2015. She was Vice President for Business Transformation at Globe Telecom where she worked since 1998. Ms. Bituin was an International Auditor at the Cooperative for Assistance and Relief Everywhere (CARE) in Atlanta, Georgia, USA, and prior to that was a Senior Auditor at SGV & Co. She is a Certified Public Accountant. Ms. Bituin completed her Bachelor of Science in Business Administration, major in Accounting, from the Philippine School of Business Administration, Manila, in 1988.

Noel B. Lazaro Director

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

David Chua Director

David Chua is the owner and chairman of Summit Investment Partners (SIP) whose principal activity is to invest proprietary capital in growth companies that are seeking to expand. He is also the Chairman of Travellers International Hotel Group, the developer and operator of Resorts World Manila. Previously, he was the President of Genting Hong Kong from 2007 to 2014 and held key management positions in various international securities companies in Malaysia, Singapore, and Hong Kong. Mr. Chua completed his Bachelor of Arts in Political Science & Economics from Carleton University in Canada.

Gu Zhi Fang Director

Gu Zhi Fang became a Director of the Company on 22 October 2014. She has also been a Director and General Manager of Jiangsu Lianhua Paper of Wujiang, Jiangsu Province in China. Ms. Gu completed her degree in International Trade from Suzhou University in 1992.

Dennis Allan T. Ang Director

Dennis Allan Ang became a Director of the Company on 10 August 2015. He is the Founder and President of Engagement, Inc., as well as the Founder of Full Metro Gear Corp. and is the Corporate Secretary of Maxima Machineries. Mr. Ang occupied several key positions at the Asian Institute of Management from 2001 to 2006. He completed his Bachelor of Science in Management Information Systems from the Ateneo de Manila University in 1997 and obtained his Masters in Business Administration from the Asian Institute of Management in 2001.

Francis C. Chua Director

Francis Chua became a Director of the Company on 22 October 2014. He is the Chairman of the Board of Negros Navigation/2Go and a Board of Director/Governor of the Philippine Stock Exchange. He is also the Founding Chairman of the International Chamber of Commerce Philippines (ICCP), Chairman Emeritus of the Philippine Chamber of Commerce and Industry, Inc. (PCCI), Chairman Emeritus of the Employers Confederation of the Philippines (ECOP), Honorary President of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. (FCCCII) and Honorary Consul General of the Republic of Peru in Manila. Mr. Chua also served as Special Envoy on Trade and Investments in China. He completed his Bachelor of Science in Industrial Engineering from the University of the Philippines in 1972 and received doctorate degrees in Humanities and Business Technology from the Central Luzon State University and the Eulogio Amang Rodriguez Institute of Science and Technology, respectively

Roberto C. Amores Independent Director

Roberto Amores became a Director of the Company on 17 March 2015. He has more than 30 years of corporate management experience. He is the Director for SME and Export Services and Committee Chairman for Agriculture at the Philippine Chamber of Commerce & Industry (PCCI), and a member of the Technical Advisory Group for the Agribusiness Office of Secretary Arthur C. Yap in the Department of Agriculture. Mr. Amores is also President of the Philippine Food Processors and Exporters Organization and is a Council Member and Trustee of the Export Development Council in the Philippine Department of Trade and Industry. He completed his Bachelor of Arts from the University of the Philippines in 1976.

Edgardo G. Lacson Independent Director

Edgardo Lacson became a Director of the Company on 29 June 2016. Mr. Lacson is a Director of the Puregold Price Club, Inc. He is also a Trustee of De La Salle University, ADR Institute for Strategic and International Studies, and the Philippine Disaster Recovery Foundation. He is Chairman of the Employers Confederation of the Philippines. Mr. Lacson is the President of MIS Maritime Corporation, Safe Seas Shipping Agency, and Marine Industrial Supply Corporation. He is also a Trustee, Past President, and Honorary Chairman of the Philippine Chamber of Commerce and Industry. He was a Director of the Philippine Stock Exchange from 2011 to May 2018. He completed his Bachelor of Science in Commerce, major in Accountancy, from the De La Salle College.

OUR LEADERSHIP

MANAGEMENT TEAM



(From left to Right)

Mary Belle D. Bituin (Chief Finance Officer), Noel B. Lazaro (Senior Vice President for Legal and Regulatory Affairs and Corporate Information Officer), Joseph C. Sy (Chairman), Carlo A. Matilac (Senior Vice President for Operations), Dante R. Bravo (President), Angelico B. Llabres (Investor Relations Officer), Mario A. Nevado (Compliance Officer), Evert Grace Pomarin-Claro (Corporate Secretary and Alternate Corporate Information Officer)



Sustainability Report



IRMA's Standard for Responsible Mining defines good practices for what responsible mining should look like at the industrial-scale. It provides the list of expectations that independent auditors will use as the benchmark for responsible mines. <https://responsiblemining.net/>



ICMM is an international organization dedicated to a safe, fair and sustainable mining and metals industry and serve as a catalyst for change; enhancing mining's contribution to society. <https://www.icmm.com/>



TSM is the Mining Association of Canada's (MAC) commitment to responsible mining. It is a set of tools and indicators to drive performance and ensure that key mining risks are managed responsibly <https://mining.ca/towards-sustainable-mining>

UN SDGs are the world's best plan



to build a better world for people and our planet by 2030. Adopted by all United Nations Member States in 2015, the SDGs are a call for action by all countries - poor, rich and middle-income - to promote prosperity while protecting the environment. <https://sustainabledevelopment.un.org/>

Our Approach towards Sustainability

As an organization, PGMC has always supported the global initiative for a sustainable mining industry and has been committed to responsible mining. PGMC believes that Sustainability is a shared responsibility for all, not just the job of the government, NGOs, or key individuals. The Company understands that the Sustainability model needs to be a collective effort for initiatives to make a difference and for the UN Sustainable Development Goals (SDGs) to be achieved.

PGMC therefore believes in the principles of sustainability that asks organizations and individuals to go beyond oneself and beyond the present, and weigh the long-term consequences and impact of every decision. PGMC fully recognizes that it is not just the mining operation that matters, but more importantly, it is its people and its stakeholders who make it possible for the business to thrive.

These two fundamental principles guide the Company's business decisions and shape its strategy towards creating the path to a positive future.

PGMC is currently working on its Sustainability framework within the globally recognized standards and goals shared by the **Initiative for Responsible Mining Assurance (IRMA)**, the **International Council on Mining and Metals (ICMM)**, **Towards Sustainable Mining (TSM)**, and the **United Nations Sustainable Development Goals (UN SDGs)**. For this year's reporting purposes, we have measured some of our contributions towards the UN SDGs.



Furthermore, it has chosen to build its Sustainability Reporting framework based on the guidelines of the **Global Reporting Initiative (GRI)** Standards that prescribes a stringent process to ensure that the Company is able to effectively track its progress and benchmark its programs with the rest of the global mining industry.

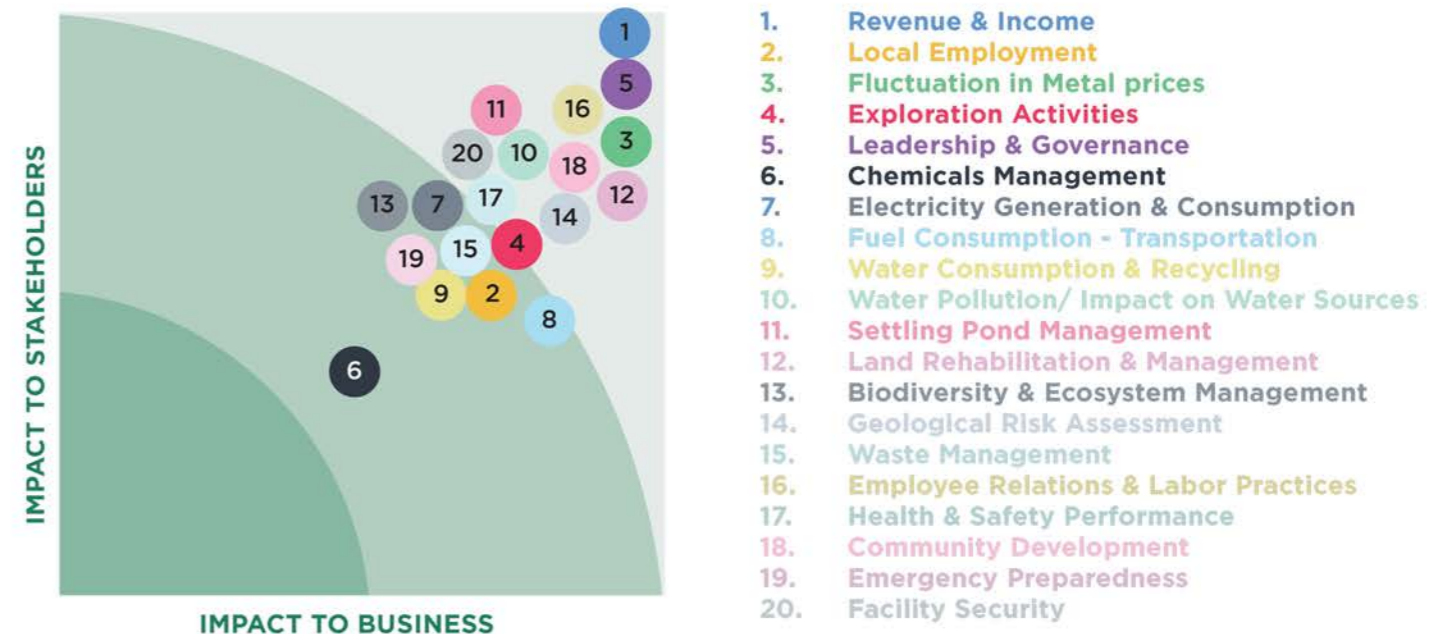
The discipline of Sustainability Reporting is a best practice that helps give sustainability initiatives momentum and keep its process management transparent.

Sustainability Management Process

- 1 Determine the material topics on sustainability that impact operations and stakeholders
- 2 Assess the potential risks that threaten the business
- 3 Commit to the Sustainable Development Goals relevant to the mining business
- 4 Define sustainability strategies aligned to SDG and minimize potential risks
- 5 Implement the programs created based on the defined strategies
- 6 Measure the performance of the programs and its impact
- 7 Communicate to all stakeholders through sustainability reporting

Focusing on What Matters

In 2018, PGMC conducted its Materiality Assessment surveys with stakeholders to define which environmental, social, and economic issues are highly material to their relationship with the Company. The survey conducted by an independent consulting firm resulted in a matrix of materiality ranked according to impact to stakeholders and impact to the business.



MATERIALITY MATRIX

# in Matrix x below	TOPIC	CATEGORY	OVERALL RANKING/ CLUSTERING	RELATED SDG
12	Land management and rehabilitation	EN	1	
1	Financial performance (Revenue and income)	EC	1	
3	Fluctuation in metal prices	EC	1	
5	Leadership and governance	EC	1	
16	Employee relations and labor practices	SO	1	
4	Exploration activities	EN	2	
17	Health and safety performance	SO	2	
10	Water pollution/impact on water sources	EN	2	
14	Geological risk assessment	EN	2	
18	Community development	SO	2	
11	Settling pond management	EN	3	
8	Fuel consumption - transportation	EN	3	
20	Facility security	SO	3	
13	Biodiversity and ecosystem management	EN	3	
19	Emergency preparedness	SO	3	
2	Local employment	SO	4	
7	Electricity generation and consumption	EN	4	
9	Water consumption and recycling	EN	4	
15	Waste management	EN	4	
6	Chemicals management	EN	5	

The highest-ranking five material topics show a balance of economic, environmental, and social aspects. Market trends and fluctuation in metal prices directly impact financial performance, which the company prepares for and adapts to with its strong foundation of leadership and good governance across all areas of operations. PGM also has a strong focus on environmental and social impacts, particularly in land management and rehabilitation and employee relations and labor practices. This is in recognition that the business' success is anchored in the conscientious use of natural resources and the relationship with its people.



Supporting the Global Sustainable Development Goals (SDGs)

The Materiality Assessment exercise also serves to illuminate the SDGs relevant to the business and its stakeholders, providing the Company and its leaders with essential guidance on which programs to prioritize as well as how the programs may be designed for meaningful impact. It also provides insights on how to integrate sustainability into the core business, identifying opportunities for collaboration that leverages on the Company's strengths.

8 DECENT WORK AND ECONOMIC GROWTH



For instance, SDG 8 which advocates for Decent Work and Economic Growth is organically aligned with our stakeholder's support for stimulating local employment and community development along with their concern for fair and inclusive employee relations and labor practices, as well as overall sustainable growth of the company's financial performance.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Meanwhile, SDG 12 which promotes Responsible Consumption and Production is in line with the Company's roll-out of sustainability initiatives, from managing energy and water consumption to eco-conscious waste management.

15 LIFE ON LAND



Another goal directly aligned with the Company's advocacy for responsible mining is SDG

15 which highlights society's concern for protecting the quality of Life on Land.

These concerns are the same aspects that our stakeholders consider highly material, such as our proactive land rehabilitation programs and our innovative biodiversity and ecosystem management approaches.

6 CLEAN WATER AND SANITATION



There is also SDG 6 which advocates for Clean Water and Sanitation, and this concern is an example of how the Company can integrate the global goals into the core business. In this case, through the practice of monitoring water quality. The Company can monitor water sources both near-mine and downstream, it can involve the community in monitoring, and can share water data openly. Collaboration would mean coming up with initiatives such as supporting potable water and sanitation planning and infrastructure and local capacity-building in water and sanitation management.

With key SDGs prioritized, the Company can start to build up its Sustainability Framework with programs that are focused on creating the impact that will have real benefits for stakeholders. This initial step of institutionalizing our Sustainability reporting mechanisms moves the Company forward in assessing its current direction and make data-driven decisions moving forward.

Today, the sustainability monitoring and reporting practice will allow us to reliably assess where we stand, realistically evaluate what needs to be done, and judiciously leverage key strengths to properly integrate our strategies with our key SDGs.

Stakeholder Engagement

The Company seeks to understand and assess potential risks and issues through continuous and constant pro-active engagement with its various stakeholders. PGMC goes the extra mile to reach out to its different communities and provide open communication channels order to ensure that it will remain aware of relevant or emerging issues that would need to be addressed.

STAKEHOLDERS	ENGAGEMENT METHOD	KEY CONCERNS	COMPANY'S RESPONSE
EMPLOYEES	<ul style="list-style-type: none"> Annual Town Hall meetings Monthly bulletins Information drive lectures Company events and celebrations Employee engagement programs 	<ul style="list-style-type: none"> Compensation, benefits, and incentives Employment status Trainings and skills development 	<ul style="list-style-type: none"> Regular performance reviews Regular skills trainings Employee engagement activities and events
COMMUNITIES	<ul style="list-style-type: none"> Consultation for SDMP planning and formulation and IEC MMT, RHNC, FGDs Monthly barangay sessions and project monitoring Job fairs 	<ul style="list-style-type: none"> Fresh water supply and water system Garbage disposal of contractors Skills and development training Values formation Peace and order IP's health Employment, labor, and livelihood Support during calamities and medical emergencies 	<ul style="list-style-type: none"> Water deliveries Trainings and seminars for barangay Support for sociocultural activities Medical support such as supplies and ambulance SDMP execution
CONTRACTORS	<ul style="list-style-type: none"> Regular meetings for environment and safety concerns Orientations, inspections, and reports General Contractors Association Intersport Fest 	<ul style="list-style-type: none"> Limited space for housing Coordination with PGMC for manpower when working overtime Limited space for parking of equipment Proper disposal of waste 	<ul style="list-style-type: none"> Safety and health orientations Safety incentive schemes Environment awareness sessions Report on salaries and government remittances
LOCAL GOVERNMENT	<ul style="list-style-type: none"> MRFC Barangay sessions (as standee), as needed for clarifications or particular concerns, sociocultural activities support, consultations MMT 	<ul style="list-style-type: none"> Program-related concerns Compliance Lack of sanitation facilities 	<ul style="list-style-type: none"> Livelihood programs Timely submission of compliance documents Provision of materials for sanitation facilities
REGULATORY BODIES	<ul style="list-style-type: none"> Regular compliance and accomplishment reports 	<ul style="list-style-type: none"> Compliance 	<ul style="list-style-type: none"> Timely submission of reports and payments
SUPPLIERS	<ul style="list-style-type: none"> Annual vendors' meetings Vendors' accreditation Ocular inspection 	<ul style="list-style-type: none"> Timely payments Fair accreditation policies Delivery 	<ul style="list-style-type: none"> Timely payments Coordination with suppliers Transparent accreditation policies
INDUSTRY ASSOCIATIONS	<ul style="list-style-type: none"> Annual conferences Regular meetings Monthly meetings with CARAGA chapter 	<ul style="list-style-type: none"> Contributions and updates Regional community relations conference 	<ul style="list-style-type: none"> Events sponsorship
CUSTOMERS	<ul style="list-style-type: none"> One-on-one engagements 	<ul style="list-style-type: none"> Product quality 	<ul style="list-style-type: none"> Improvements in extraction process and ore preparations Submission of quality assurance results via third parties
INVESTORS	<ul style="list-style-type: none"> Investor briefings Analyst briefings One-on-one briefings as needed 	<ul style="list-style-type: none"> Dividends and returns Sustainable growth plans and Initiatives Transparency and governance 	<ul style="list-style-type: none"> Annual and quarterly disclosures Sustainability reporting Public disclosures Press releases

Representatives of Host and Neighboring Communities (RHNC)



Multipartite Monitoring Team (MMT)



Community Consultation

PGMC values its relationship with its host community as well as neighboring communities and constantly keeps the lines of communications open especially on important issues such as safety and health of the people. The Company has undertaken an information drive for the communities, conducted by PGMC's Safety and Health staff and Community Relations Office. They initiate a Barangay Pulong-Pulong sessions whenever needed to address any emerging safety or health concerns or issues related to the Company's operations. The open communication channel creates a culture of trust that helps ensure that safety and health issues are immediately addressed for the good of the community.

ECONOMIC PERFORMANCE

INDICATOR	2018
Financial Highlights (in PHP)	
Revenue (economic value generated)	5.5 B
Cost of Sales	2.7 B
Employee wages and benefits	442.8 M
Payments to providers of capital	850.4 M
Excise Taxes and Royalties	727.5 M
Net Income Tax	276.9 M
Community investments	31.0 M
Economic value retained	501.5 M

The Company's economic performance is the direct result of its management programs and initiatives, the quality of leaders' governance and its commitment to efficiency, process innovation, and sustainability. As much as market conditions would clearly impact results, strategic management and response still dictate outcomes.

As such, stakeholders have expressed keen interest in the Company's performance in terms of internal process management and its information, consultation and participation mechanics, ranking them as highly material to how they view the company. These aspects call for policies, practices, and programs that are focused on responsible mining for sustainable growth.

The GRI Standards also provide guidance on this with emphasis on the economic value generated and the support given to local suppliers.

The main supplies the Company and its service contractors require to operate its business include diesel fuel, tires, and spare parts for its mining equipment. The Company buys diesel fuel from Petron Corporation and Phoenix Petroleum Philippines, Inc. and heavy mining equipment such as trucks and excavators from three (3) manufacturers, Komatsu, Caterpillar and Volvo, through their Philippine distributors Maxima Machineries, Monark and Civic Merchandising respectively. Meanwhile, the contractors provide their own mining equipment and supplies necessary for the mining operations.

All of these information are duly reported to the relevant government agencies and regulators. And aside from the Annual Report that is available online at the company website, PGMC also shares information with different stakeholder through a variety of channels. For instance, its mother company FNI regularly conduct Analyst Briefings to share financial performance updates with the investing public. PGMC also shares its stories with the media through Press Releases and through its corporate website at www.gfni.com.ph.

These channels of communication allow the Company to actively engage with people and provide open lines for consultation and participation of its stakeholders.

2018 Contributions

Php 276.9M
Net Income Tax

Php 727.5M
Excise Taxes and Royalties

ENVIRONMENTAL PERFORMANCE



PGMC recognizes its role as a steward of the environment which is a key pillar in its sustainability journey. In fact, adherence to the principles of responsible mining is among the top ranking aspects that stakeholders consider most material for them, mirroring a shared concern for ensuring that the Company is able to effectively manage the environmental impact of its operations, from exploration to rehabilitation.

The Company's mining operations are subject to stringent and extensive environmental regulations which the organization is committed to complying with. The Implementing Rules and Regulations of the Philippine Mining Act require companies to contribute 3.0% to 5.0% of its direct mining costs for the implementation of the annual Environmental Protection and Enhancement Program (EPEP). Activities prescribed and covered by the EPEP include among others: rehabilitation of mine disturbed areas, reforestation, construction and/or maintenance of environmental facilities, solid waste management, hazardous waste management, air quality monitoring and water quality monitoring.

Accomplished

Php190.7 million
Environmental Protection and Enhancement Program

50.33 hectares
Mine Rehabilitation Program

45.46 hectares
Temporary Revegetation Program



The Company’s performance in the implementation of initiatives under the annual EPEP is subject to monitoring and evaluation of the Multipartite Monitoring Team (MMT), a multi-sector group headed by a representative from the MGB and representatives of local government units, other government agencies, non-government organizations, people’s organizations, and other civic organizations including the religious sector. Aside from the funds allocated in support of the annual EPEP programs, the Company also maintains trust funds deposited in a government bank as required by the Philippine Mining Act. As of 31 December 2018, the Company has established a total of Php 239M for Final Mine Rehabilitation and Development Fund (FMRDP) and Php5.7M for Contingent Liability and Rehabilitation Fund (CLRF).

Beyond compliance, the Company goes the extra mile to measure and monitor its resource consumption, with the aim of using the data to strategically develop efficiencies and improve processes.

Monitoring of Resource Consumption

Energy

PGMC purchases its electricity from Surigao del Norte Electric Cooperative (SURNECO). In case of brownouts, the Company has five generators that would supply electricity in the site. However, no monitoring of electricity generated in kWh by the generators had been conducted.

Analysis of raw data shows that combined factors of increasing manpower and man-hours, weather conditions, and on-going construction of new buildings consequently produced a predictable increase in consumption of electricity. Peak production season corresponded to peak consumption.

Meanwhile, PGMC consumed diesel as fuel for generators, transportation, and ancillary activities in the mine site. The Company utilized medium to light services for transportation. Also, the Company consumed fuel for company’s ancillary activities such as mine rehabilitation, road maintenance, construction and maintenance of settling ponds, river bank stabilization, port maintenance, crushing plant, dust suppression, mine production and monitoring, mine security, etc. For the calendar year 2018, peak consumption was experienced during the month of August 2018.

In determining the energy intensity in terms of the Company’s electricity consumption per capita, the computed man-hours worked was used since changes to production and staff occupancy will always affect energy usage. Increasing number of employees means additional appliances/devices are switched on. Meanwhile, in determining energy intensity in terms of fuel consumption per capita, the total material movement in WMT was used.

This ratio is used as a proxy for energy efficiency, one of the pillars of sustainability, and it serves as a benchmark that will help the company track its progress.

MONTH	LITERS/WMT
January	0.00
February	16.00
March	3.41
April	1.96
May	1.53
June	1.24
July	1.23
August	1.34
September	1.41
October	1.24
November	8.34
December	0.00
ANNUAL	1.45

Energy Resource Consumption

2018	IN-HOUSE PGMC	CONTRACTORS
Electricity Consumption (kWh)	796,404	439,004
Fuel Consumption - Transportation, production, and other activities (liters)	2,145,282	11,772,971
Fuel Consumption - Generator sets (liters)	16,621	43,970

Greenhouse Gas (GHG) Emissions

Greenhouse gases (GHG) trap heat in the atmosphere and companies have been monitoring GHG emissions in attempts to control and maintain sustainable levels. The primary sources of GHG emission include electricity production (fossil fuel burning), transportation (fossil fuel burning), industry (fossil fuel burning and certain chemical reaction), commercial and residential activities (fossil fuel burning, use of certain products that contain greenhouse gas, and the handling of waste), and agriculture livestock, agricultural soils and rice production.

As PGMC institutionalizes its Sustainability Reporting practice, it calculates and determines the baseline data that will form the strategies to either maintain or lower emissions and keep the company's carbon footprint within reasonable levels.

Summary of GHG emission for Pure Diesel for Scope 1 emission source

ACTIVITY	DIESEL NO. OF LITERS	EMISSIONS				TOTAL EMISSION, TC02e
		PURE DIESEL	t CO2	t CO2e	t CO2e	
Ore Production & Barging	12,266,079.62	12,020,758.03	32,608.48	36.04096	532.03315	33,176.5573
Ancillary Activities	1,185,555.00	1,161,843.90	3,151.71	3.48347	51.42267	3,206.6181
Transportation	461,539.90	452,309.10	1,226.97	1.35613	20.01899	1,248.3455
Power Generation	60,591.05	59,379.23	161.08	0.17803	2.62810	163.8830
TOTAL	13,973,765.57	13,694,290.26	37,148.24	41.05858	606.10290	37,795.4039

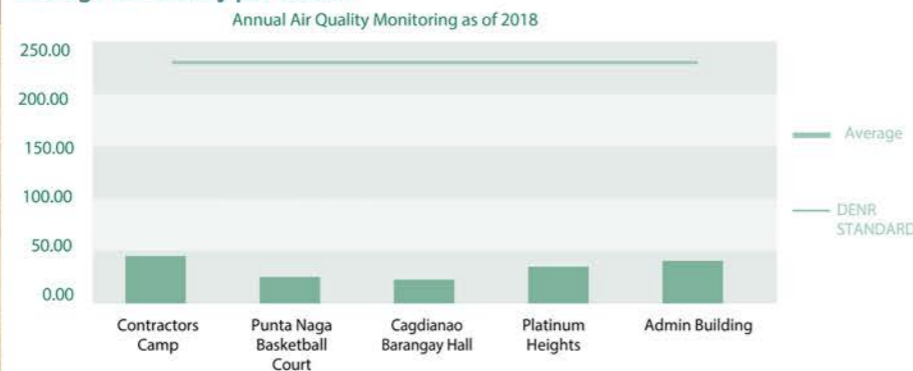
Carbon Dioxide Emission for the Purchased Electricity

FACILITY	2018 electricity consumption(MWH)	Emission Factor (Mindanao Grid)	tCO ₂ e
All Facilities	1,235.41	616 kg CO ₂ /MWH	761.013

Air Quality Monitoring

In order to ensure that our air pollution mitigation strategies are effective, the company monitors the Total Suspended Particulates (TSP) through regular Air Quality Monitoring. Air quality is important for the health and well-being of our people and our mining and neighboring communities. The Company has been pro-active in making sure that its operations are managed properly. In 2018, air quality has been well within the DENR standard.

Average Air Quality per Station



Monthly Air Quality Monitoring Results

LOCATION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Contractors Camp	39	11	49	39	42	44	54	32	51	41	-	-
Punta Naga Basketball Court	28	9	32	28	27	29	27	26	48	26	-	-
Cagdianao Barangay Hall	26	4	26	26	25	27	28	27	48	22	-	-
Platinum Heights	32	8	36	32	34	34	44	27	58	30	-	-
Admin Building	35	11	39	35	35	37	58	30	55	45	-	-
DENR STANDARD	230	230	230	230	230	230	230	230	230	230	230	230

Water Resources

PGMC recognizes that water is an essential and finite resource that requires responsible management to ensure sustainability. The company appreciates the availability of the resource and does not take for granted its significance not only for operations but for the health and well-being of people.

The Company has three (3) shallow wells supplying water to its facilities, namely: Administrative Building, QAQC office, Mine Security Office, HSE Building, and Staff House for domestic uses. Meanwhile, a deep well located at the Contractors area supplies water to contractors premises. There are also two surface water sources located at 4K Area, Mine Base Area, and Platinum Heights which supply water to distant facilities such as Mine Base area, Causeway area, Nurseries, and also to the community (as per request) through water lorry deliveries for domestic and industrial uses. Also, these are the sources of water for the dust control activities of both in-house and contractors. For calendar year 2018, a total of 281,079.75 cubic meters of water were consumed. There were no water sources significantly affected by the withdrawal of water.

Moreover, the Company has been practicing recycling or re-using water from settling ponds for dust control activities but such activities will only be implemented when necessary. For 2018, no water had been withdrawn from the settling ponds since the surface water sources were sufficient to supply the requirement of the water lorries.



Water withdrawal by source

WATER SOURCE	ANNUAL CONSUMPTION in Cubic Meters
Shallow Well	3,163.30
Deep Well	74,959.60
Surface Water	202, 956.85
TOTAL	281,079.75

Effluents and Waste Management

Operating the business produces waste products and materials that require proper handling by the Company and in accordance to the standards set by regulators. This aspect is considered highly material by stakeholders as the impact to the environment can last beyond the present generation.

PGMC has instituted internal standards and processes that address these concerns pro-actively. For instance, to monitor the water quality of water bodies affected by the operation in terms of Total Suspended Solids (TSS), there are 26 waste water sampling stations established that receive the effluent from identified settling ponds.

LOCATION: Sitio Kinalablaban Brgy. Cagdianao Claver, Surigao del Norte
 TYPE OF SAMPLE: Waste Water

ST No.	STATION IDENTIFICATION	DATE SAMPLED	TSS(mg/l)
WW-1	Effluent of SP-5	February 21, 2018	3
		March 31, 2018	1
		April 25, 2018	2
		November 22, 2018	3
		December 4, 2018	<1
		December 6, 2018	52
WW-5	Effluent of SP-14	April 25, 2018	1
WW-6	Effluent of SP-16	February 21, 2018	3
		March 31, 2018	3
		April 25, 2018	1
		December 4, 2018	5
		December 6, 2018	9
WW-7	Effluent of SP-17	March 31, 2018	1
		June 30, 2018	<1
		July 21, 2018	6
WW-8	Effluent of SP-18	December 4, 2018	8
		December 6, 2018	31
WW-14	Effluent of SP-1	March 31, 2018	4
		April 25, 2018	1
		November 22, 2018	5
		December 4, 2018	8
		December 6, 2018	27
WW-21	Effluent of SP-30	June 30, 2018	17
WW-22	Effluent of SP-33	June 30, 2018	8
		July 21, 2018	1
		August 29, 2018	10

List of Settling Ponds that discharge effluent to a water body or to land

OUTLET No.	SP CODE/ NAME	LOCATION	CAPACITY (Cubic meters)	CATCHMENT AREA (hectares)	RECEIVING BODY OF WATER
1	SP 5 ABCDE	Kantugis	63,615	62.847	Kinalablaban River 1
2	SP 11 ABCD	Foot of Caga 2- Linaw	29,697	20.125	Kinalablaban River 1
3	SP 12 A	PY 2	300	15.11	Kinalablaban River 1
4	SP 13 ABC	Foot of Caga 2-Northside	10,944	20.125	Kinalablaban River 2
5	SP 14 AB	PY 5	15,138	5.14	Kinalablaban River 2
6	SP 16 AB	Foot of Caga 2-Terminal	20,715	23.431	Kinalablaban River 2
7	SP 17 AB	Along Adlay Creek	18,072	Runoff not coming from PGMC	Kinalablaban River 2
8	SP 18 A	Along Tandawa Creek	5,565	22.44	Tandawa Creek
9	SP 20 A	Abolished	-	-	Kinalablaban River 2
10	SP 21 A	Along Spillway 2, Kinalablaban River 2	1,836	-	Kinalablaban River 2
11	SP 22 A	PY 2	2,700	8.02	Kinalablaban River 2
12	SP 23 ABC	Foot of Caga 4-Linaw	10,880	28.805	Kinalablaban River 1
13	SP 37 ABC	Foot of Caga 2-Terminal	5,004	7.353	Kinalablaban River 2
14	SP 1 ABCDEFG	Adjacent to CKDI's Motor pool and PY 2B	30,685	31.89	Kinalablaban River 1
15	SP 8	PY 1B	1,620	1.89	Kinalablaban River 1
16	SP 9	PY 1B	792	1.89	Kinalablaban River 1
17	SP 10	PY 1A	4,980	1.89	Hinadkaban Bay
18	SP 24 AB	Linaw-Upstream of Kinalablaban River	15,129	5.80	Kinalablaban River
19	SP 28 AB	PY 4A	8,750	4.00	Kinalablaban River 2
20	SP 29 A	PY 4A	2,499	4.00	Kinalablaban River 2
21	SP 30 ABC	Linaw-Upstream of Kinalablaban River	17,109	15.87	Kinalablaban River
22	SP 33 ABC	Linaw-Upstream of SP 30 AB	22,416	22.47	Kinalablaban River
23	SP 34/ SP 35	Linaw-Upstream of SP 38 AB	9,174	5.99	Kinalablaban River
24	SP 36 AB	Linaw-Downstream of SP 33 ABC	6,834	16.25	Kinalablaban River
25	SP 38 AB	Foot of CAGA 2-Linaw	8,100	6.321	Kinalablaban River
26	SP 39 AB	Linaw-Upstream of SP 34/SP 35	14,511	22.02	Kinalablaban River

The table below shows the result of the TSS Analysis of Waste Water Samples. Meanwhile, waste management follows the principles of Reduce, Reuse, and Recycle. The Company makes sure to monitor and measure waste material and determine the proper disposal procedure for the different categories.

Considered Hazardous Waste is used oil and is handled appropriately, according to the manner prescribed by the DENR. In 2018, a total of 88,924.30 Liters of used oil has been generated from both PGMC In-house and Contractors. Out of the said volume, 68,039 liters of had been disposed last May 31-June 11, 2018 to an accredited transporter.

WASTE GENERATED	2018	
	QUANTITY	DISPOSAL METHOD
Biodegradable waste	27,122.30 kg	Compositing
Residual Waste	31,702.30 kg	Landfill
Recyclable Waste	14,886.80 kg	Storage
Hazardous Waste	Used Batteries - 359 pcs.	Storage
	Toxic Containers - 1,969 pcs	
	Busted bulbs - 1,151 pcs	
	Used filters - 5,705 pcs	
	Cooking Oil - 93.75 L	
Solid Waste	73,711.40 kg (total)	Depends upon waste type
Used Oil	88,924.3 Liters	Storage and treatment

Land Rehabilitation and Reforestation

PGMC implements its Rehabilitation/Reforestation Program for mined-out areas, as well as supports the National Greening Program (NGP) with land development activities that uses organic fertilizer. This process improves the level of the soil's macronutrients and micronutrients. The project aims to promote ecofriendly processes while improving root growth, nutrient absorption and soil quality, which will ultimately provide livelihood for the host community.

**50 hectares
Allocated for
Biodiversity
Conservation**

In 2018, the Company also began an integrated biodiversity management program, allotting 50 hectares within the Mining area of CAGA 5 for flora and fauna biodiversity conservation. The area will serve as the major source seeds and planting materials needed during for future rehabilitation projects. The area is being closely monitored to determine species diversity, abundance, and tagging of potential seed trees for seed collection.

The Company has established a Biodiversity Conservation Nursery and plantation that supplies the needed trees, shrubs and crops in its rehabilitation and NGP activities. Included in the plantation maintenance activities is the vermiculture project, which uses a soil-media mix of organic waste to enhance soil quality and support biodiversity. This project has been proven to increase the quality of trees, crops, and soil structure as well as restore the soil nutrient.

The Biodiversity Nursery maintains a large collection of endemic climax species of seedlings and wildlings for its rehabilitation and reforestation program. The nursery can accommodate at least 200,000 seedlings, wildlings, and cuttings that are carefully maintained until such time that progressive planting of climax species will be scheduled.

**70,000
Endemic Seedlings
Planted**

The company has rehabilitated 99.04 hectares of mined-out area and planted more than 70,000 seedlings of endemic grasses, vines, herbs, and trees for biodiversity conservation. The main goal is to fully restore all plant species present before the mining operation and bring back the previous atmosphere of the area. Majority of endemic species planted were Maribuhok, Mancono, Lokinai, Kamagong gubat, Tiga, Sagimsim, and Kalingag.

Moreover, PGMC donated more than 20,000 endemic seedlings to the local government of Claver and the barangay of Cagdianao and Hayangabon, for their local revegetation projects as well as to DENR-PENRO Surigao del Norte in assistance to their National Greening Program. All donated seedlings will help boost the community's effort to manage the biodiversity conservation.

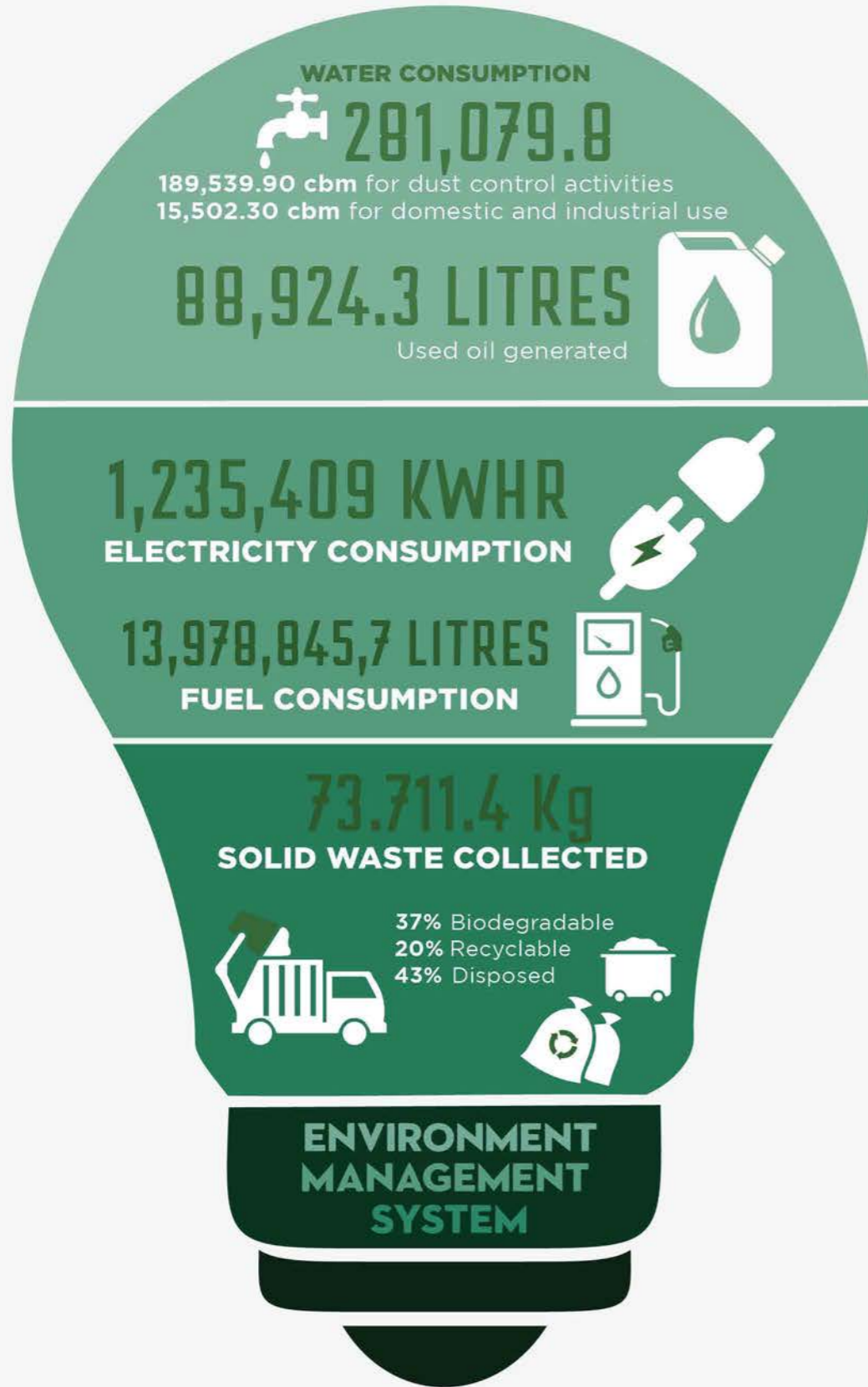


Aside from land reforestation, PGMC is also helping its adopted community in the Lambason Island in barangay Cagdianao with its Coastal Resource Management Plan that aims to sustainably manage its marine resources.

In September 2018, PGMC launched its Coral Rehabilitation Project by initiating the deployment and installation of artificial reef modules at Lambason Island Marine Protected Areas. About 32 modules of concrete cube artificial reefs were sunk at approximately 10-m depth and 6-m distance away from the island.

Artificial reef (AR) is a human-made underwater structure that is built with the specific aim of promoting the marine life by providing hard surfaces to where invertebrates, specifically corals, can attach or to increase biomass and attract marine life by offering a habitat and feeding area. Also, artificial reefs can provide a new location for fishermen of barangay Cagdianao to fish and ease the pressure on natural reefs.

EMS PERFORMANCE 2018



SOCIAL PERFORMANCE



PGMC recognizes that the most important aspect of its business is people – people who contribute to its continued success, people who are impacted by its operation, people who are connected to it in one way or another. Among the three pillars of sustainability, namely economic, environmental, social, it is on the “social” aspect that the Company and its sustainable operations have the most direct and fundamental impact on.

Stakeholders consider the Company’s performance in social aspects as highly material and topics cover the entire range of concerns from fair wages, worker safety, continuous training up to community development. These are issues that the Company addresses with proper policies, programs, and processes that focus on building a culture of trust where credible, transparent, and consistent leadership is able to inspire collaboration and true engagement.

Accomplished

Php 28M

Social Development and Management Program

Php 5.11M

Occupational Safety and Health Program

Employee Demographics

A. By contract type and gender

	MALE		FEMALE		TOTAL
	HEAD OFFICE	MINE SITE	HEAD OFFICE	MINE SITE	
Regular/Probationary	33	80	26	43	182
Seasonal	0	1525	2	147	1673
TOTAL	33	1605	28	190	1855

A. By contract type and gender

	MALE		FEMALE		TOTAL
	HEAD OFFICE	MINE SITE	HEAD OFFICE	MINE SITE	
Regular/Probationary	33	80	26	43	182
Seasonal	0	1525	2	147	1673
TOTAL	33	1605	28	190	1855

A. By contract type and gender

	MALE		FEMALE		TOTAL
	HEAD OFFICE	MINE SITE	HEAD OFFICE	MINE SITE	
Regular/Probationary	33	80	26	43	182
Seasonal	0	1525	2	147	1673
TOTAL	33	1605	28	190	1855

D. From Local Community (mine site)

	MALE	FEMALE	TOTAL
Regular	10	6	16
Probationary	1	1	2
Seasonal	679	84	763
TOTAL	690	91	781
Indigenous People	17	2	19

New Hires and Employee Turnover

A. By gender

	MALE		FEMALE		TOTAL
	HEAD OFFICE	MINE SITE	HEAD OFFICE	MINE SITE	
New Hires	3	4	8	3	18
Attritions/Turnover	5	4	5	7	21

In 2018, the Company recorded a total of 1,856 people in its employ. The employees hail from both the local communities and from other regions. The nature of the business attracts mostly males, majority of whom are seasonal rank & file workers that are called to service on peak months when weather permits the conduct of operations.

PARENTAL LEAVES

ITEM	MATERNAL LEAVE		PATERNAL LEAVE		TOTAL
	MINE SITE		MINE SITE		
Total employees who took parental leave [A]	15		3		3
Number of employees who returned to work after parental leave [B]	15		3		3
Return to work rate (%)	100%		100%		100%
Number still employed one year after their return from parental leave [C]	0		0		

Employee engagement activities

PGMC takes care of its people through comprehensive HR programs and policies designed to sustain employee engagement, providing them with fair compensation and benefits packages that allows them to support their families. The Company looks out for their overall well-being and endeavors to continuously develop their skills, talent, and knowledge for their personal growth and development.



REGULAR	SEASONAL
<ul style="list-style-type: none"> ■ SSS ■ HDMF ■ PHIC ■ Christmas Bonus ■ PPE Bonus ■ Incentive ■ VL and SL Credit Leave ■ HMO 	<ul style="list-style-type: none"> ■ SSS ■ HDMF ■ 13th month ■ Incentive



Health and Safety

PGMC's Occupational Safety and Health Program was approved by the Mines and Geosciences Bureau (MGB) RO-XIII in January 18, 2018. And from the program's 2018 budget of P5.21 M, the Company was able to implement 97.98% of its plans, spending around P5.11 M.

	COMPANY	CONTRACTOR	TOTAL
Total Man-Power	1,465	2,465	3,921
Total Man-Hours Worked	3,450,488	4,485,858	7,936,346
Non-Lost Time Accident	1	3	4
Lost Time Accident (Non-Fatal)	0	0	0
Lost Time Accident (Fatal)	0	1	1
Days Lost due to LTA	0	6,000	6,000
Frequency Rate (FR)	0	0.22	0.13
Severity Rate (SR)	0	1,337.53	756.01
Incident Rate	0.58	0.18	0.13
Equipment Rate	1	4	5
Personal Accident	0	0	0

The program, with the full support of top management, site officials and all service contractors, is designed to create a culture of safety within the company. The OSH standards identified elements to be measured, tracked and reported as it set targets as company is committed to be certified ISO-EMS-2015. The General Safety Rules and Regulations that were configured to the DENR Administrative Order No. 2000-98, also known as the Mine Safety and Health Standard, were distributed to workers as guide in tracking safety while at work.

Meanwhile, in accordance with the DENR Administrative Order No. 2010-21, the Company has Safety and Health staff based on the ratio of workers. These staff have MGB accreditation for Safety Engineers and Inspectors.

At the same time, PGMC established a Safety and Health Committee -- comprised of all the Department Managers/Heads – which was tasked to be the highest governing body for decision making regarding issues on Safety and Health. It has Sub-Committee teams, with specific agendas and each with its own chairman, to ensure all major issues are being addressed.

Safety statistics for 2018 ended with the Combined Company and Contractors' Total Man-hours Worked of 7,936,346.65, with a total man-power of 4,320. As to accident statistics for Vehicle Accident and Personal Accident are 1 and 4 cases, respectively. Sadly, for this year, the company recorded one (1) lost time fatality accident with four (4) non-lost time accidents (NLTA); zero (0) lost time-non fatal accident and zero (0) Occupational Diseases. This loss underlined the extreme importance of our OSH programs and how essential it is for each one to take all safety precautions at all times.

Training and Good Housekeeping

The Company's Safety and Health Policy has been translated to the local vernacular, the Visayan language, and copies are clearly posted at strategic locations around the mine site. This helps ensure that the message is easily understood by all.

The weekly Safety and Health meetings that include contractors play an important role in sharing best practices and information dissemination. There are also daily fifteen (15) minutes-PEP Talk Tool Box sessions conducted before teams are assigned to their respective work sites. Moreover, Safety and Health Orientation for both old and new employees were also institutionalized in our OSH Standard Operating Procedures.

Safety and Health Standard Operating Procedure covers the entire employee lifecycle and begins from pre-hiring, including:

- Pre-hiring requirements such as physical and medical examinations are strictly implemented, to ensure people are fit to work in the mining environment. Work experience requirement was set to three (3) years and operators have additional restriction code of "8" on their professional driver's license
- Safety and Health orientation for all new-hires
- Implementation of Equipment Checklist prior to operation
- Provision of Personal Protective Equipment (PPE) and strict implementation of wearing PPE in the workplace
- Safety reminders in daily "Walk a talk" and "Toolbox" meetings.
- Strict implementation of Violation Ticket for violators.

TRAINING	MINE SITE
Total Training hours	2,862
Total employees trained	56
Average training hours	75

Each employee receives basic training upon employment and, they also receive continuous training during their tenure and at every phase of their work assignments.

In 2018, the company provided a variety of training programs, from general to specialized, including:

- Safety and Health Orientation
- Defensive Driving Training
- Fire Extinguisher Lecture and Demonstration
- First Aid and Basic Life Support with AED Training
- Job Hazards Analysis
- Water Safety Search and Rescue Training
- Food Handlers Training
- BOSH for Nurses Training
- Ambulance Management Training
- Medical Waste Management Training

The Safety and Health Program is supported by a Good Housekeeping Standards in the work site which helps maintain a clean and organized work area to reduce likelihood of accidental injuries and near misses. The Sub-Committee on Good Housekeeping created the “Best in Good Housekeeping Challenge” as an awareness initiative on the practice of “5S”. Daily monitoring and inspection allowed operational supervisors to analyze and identify avoidable hazards in their work sites.

Health Control and Services

PGMC maintains a Health Control and Services facility in the mine site, staffed with health professionals committed to helping maintain good health for all employees. Aside from medical and dental services for the employees, they also provide:

- Flu Vaccine
- Annual Physical Exam
- Health Alerts on emerging health concerns at PGMC mine site
- Monthly Health Sanitary Inspection
- Regular Water Sampling for Drinking Water

MEDICAL CASES	NO. OF PATIENTS CONSULTED	RATE%
Integumentary Disorders	150	4.45
Neurologic Disorders	503	14.91
Ocular Disorders	44	1.30
ENT Disorders	1149	34.06
Dental Disorders	157	34.06
Respiratory Disorders	392	4.65
Cardiovascular Disorders	168	4.98
Gastrointestinal Disorders	445	13.19
Genitourinary Disorders	8	0.24
Musculoskeletal Disorders	357	10.58
TOTAL	3,373	100

Moreover, to safeguard the general health of the population, the facility conducted the following initiatives in 2018:

- Job Hazards Analysis
- Water Safety Search and Rescue Training
- Food Handlers Training
- BOSH for Nurses Training
- Ambulance Management Training
- Medical Waste Management Training
- Safety and Health Orientation
- Defensive Driving Training
- Fire Extinguisher Lecture and Demonstration
- First Aid and Basic Life Support with AED Training

Emergency Preparedness and Response

An essential factor in keeping people safe is helping them prepare for any emergency situation with the knowledge and skills to confidently and smartly act during these high-stress situations. PGMC’s comprehensive Plan therefore includes conducting quarterly drills to train people how to protect themselves and their peers when different emergency situation arises. Examples of drills were: Chemical spill emergency drill, Earthquake and Tsunami drill, First-Aid drill, and Mass Casualties Incident drill.

In 2018, PGMC created an official Fire Fighting and First Aid Response Team and a procured set of fire-fighting equipment and ambulance as well as put up First Aid Stations. With these, the Company was also able to help respond to emergencies in neighboring barangays, grass fires and traffic accidents.



Local Communities

As a responsible mining company, PGMC recognizes its role in addressing societal issues that are important to our host and our neighboring communities in Claver, Surigao del Norte. The Company believes that a shared value approach towards long-term community engagement enables us to operate as a trusted partner to our host communities —supporting them to reach their own development goals.

The Philippine Mining Act of 1995 (Republic Act [RA] No. 7942), requires PGMC to develop and implement a Social Development and Management Program (SDMP) for the host and neighboring barangays. The MGB Caraga Regional Office (RO) reviews, approves, and monitors the implementation of the SDMP.

The Company's SDMP, with its PHP 31,551,000 allocation for 2018, has five main pillars that will effectively enable the community members who need support to pursue improvements in total quality of life or well-being: Education, Health, Public Utilities and Infrastructure, Socio-Cultural, and Livelihood.

We have Community Relations staff and community organizers that help build partnerships within the communities and formulating programs and projects that address local issues and concerns. These programs are designed and implemented in close coordination with relevant local government units and communities. The Representatives of Host and Neighboring Communities (RHNC) -- which is composed of representatives from local government units, government agencies, non-governmental organizations, community organizations, churches, and PGMC – also regularly monitors our performance in implementing our social development and management program.

Education

PGMC believes that quality education is the best tool to fight poverty. That is why we maintain a program that awards scholarships and other forms of aid to deserving students, including students who are members of indigenous groups. These scholarships and other forms of aid include payment of tuition, stipend allowances and provision of school supplies and uniforms.

Education projects also involve the improvement of school facilities, provision of educational materials to schools, teachers' training programs, and payment of teachers' honoraria.

At our Cagdianao Mine, we have constructed a seven classroom school building, a library, and one (1) atrium for the community. The school provides free education and school materials to about 521 students from the Cagdianao and Hayanggabon barangay communities.

In addition, we provide assistance under the Alternative Learning System project, an accredited program under the Department of Education. The Company also provides salaries for six teachers who work with public schools in the communities where our Cagdianao Mine is located. Along with these programs, we have also initiated school to school campaign promoting knowledge in mining and sponsorship for inter-school educational competitions.

Racil B. Erez of Barangay Magallanes, Claver had to drop out of college because the family could not afford his tuition. The second in a brood of six, his parents were farmers who shared his dreams of higher education but simply did not have enough financial resources to support him.

But Racil's passion for education and hopes for a college degree continued to burn bright. So when he found out that PGMC grants full scholarships and financial assistance to qualified students, he immediately sent in his application.

Last May 2018, Racil graduated from the Surigao State College of Technology after successfully completing his bachelor degree in Mechanical Engineering Technology, majoring in Welding and Fabrication.

Two other PGMC scholars successfully obtained their diplomas in 2018: Jerson D. Erez finished Agro-Forestry in the same school while Agnes Malinao graduated from Saint Paul University in Surigao City with a degree in BS in Mining Engineering. She is currently reviewing for the licensure exam. PGMC's scholarship program inspires hope in those who have the passion and the talent to reach for their dreams and make a difference in the community.



Php 4.52M Education Program





Health



Affordable and quality health care is provided to local community members, in addition to our employees and their dependents. PGMC conducts medical missions designed to address the basic medical needs of local community members, including indigenous people and the indigent. The medical missions provide free medicine, basic dental services and ambulance service facilities.

The Company's Health Care program also involves the construction and improvement of Barangay health centers, provision of sanitation latrines for households, and provision of salary to local health workers, midwives, nurses, and a doctor. Outpatients are treated by the medical team and medicine is provided for free. At our Cagdianao Mine, the Company established a maternity clinic that serves and provides pre-natal care not just for pregnant employees but also other members of the immediate community

Php1.6M
Health Program



Livelihood and Training

PGMC believes in the capabilities of the members of the host communities and shows its support through viable livelihood assistance programs whose benefits are wide-ranging and long-term. In 2018, a total of P5.34 M went to financing the livelihood programs.

Members of the local communities in Claver traditionally depend on agriculture and fishing for their livelihood. In support of this economic activity, PGMC provided a total of 45 motorboats to fishermen within the Cagdianao and Hayanggabon barangay communities.

The Company also regularly provides local community organizations with technical and financial assistance in the form of seminars, study tours, financial literacy classes, leadership and management training programs, capital funding, equipment for farming and fishing, and farm inputs for crop production.

PGMC also works with the Technical Education and Skills Development Authority (TESDA) to provide short courses and skills training modules to residents of neighboring communities that show them alternative sources of income for their families. The Company constructed a skills training center and provided equipment for the use of the TESDA participants and trainers.

TESDA offered various training programs such as Beauty Care Training wherein 73 participants successfully finished the course and learned skills in manicure, pedicure, hand and foot spa and now can have individual livelihood operation as beauty care service workers.

The Company also sponsored training courses on Driftwood and Woodcraft Skills. In addition, PGMC established a vegetable training farm to provide training and education for farmers, who may eventually be able to supply and sell their produce to the local markets and generate extra income. For instance, a Chips Making Training courses were conducted in partnership with PhilExport which helped a group of 48 people start up a livelihood project for the production of chips made of Banana, Sweet Potato, and Ube. The Company also helped construct a poultry house and a nursery for various seedlings in support of various groups who are committed to making their businesses flourish.

Eighty people from Brgy. Cagdianao, Claver, Surigao del Norte underwent woodcraft training and learned how to make products such as keychains, decorative items, accessories and other woodcraft items. The trainees belonged to the marginalized sectors of the community and some seasonal workers in the mining industry.

PGMC sponsored the training, partnering with PHILEXPORT Caraga for an effective training program with proper trainers as well as providing the training materials and equipment.

After the training, the participants were able to form a People's Organization that now works with PHILEXPORT Caraga to manage an enterprise focused on production of wood arts and products that PHILEXPORT can distribute and sell. This will help augment family incomes in the community and allow more people to contribute to the shared goal of economic freedom and self-reliance.

Php5.34M
Livelihood Programs

Infrastructure Assistance



Public utilities is an essential factor for community development and PGMC undertakes infrastructure projects -- such as water system projects, construction and improvement of buildings (such as barangay halls, daycare centers, churches and schools), road improvements, and electrification projects -- as part of its social development and management program. For 2018, assistance for infrastructure projects amounted to P1.23 M. These projects were implemented with the involvement of community members so as to foster cooperation and teamwork and impart a sense of ownership among them.

Php 1.23M Infrastructure Program

At our Cagdianao Mine, we funded various infrastructure projects such as the construction of housing for indigent members of the community through a partnership with the Gawad Kalinga organization. The Company also helped in the construction of sea walls to protect the neighboring communities from the effects of erosion, the construction of a multi-purpose community hall in Barangay Cagdianao, some barangay roads and churches, water processing stations, Cagdianao public markets, as well as procurement of materials for the electrification of individual households.

Moreover, we have also provided and constructed shallow water pumps, a weir dam, and an office building at the local water processing stations to support the local water supply system in the nearby communities.



Corporate Social Responsibility



Supporting IT capability-building for the province

PGMC Chairman Joseph C. Sy initiated the donation of P1.6 million worth of computer equipment and software to Siargao Island Institute of Technology (SIIT) in Dapa, Siargao. The donation seeks to equip SIIT's more than 1,000 students with the necessary IT skills to help them excel in their chosen field of expertise and to meet the burgeoning demand of business entities investing in the island.

And in honor of the donation, SIIT has put up a new department aptly named the Joseph C. Sy School of Information Technology which will house the 30 new computers and other IT equipment.

In the turn-over ceremonies, PGMC President Atty. Dante R. Bravo noted that PGMC is committed to helping improve the level of education in the province of Surigao del Norte because there is a need for today's youth to be adept in the use of computer technology in order for them to be competitive in the business world.



Support for IP communities through housing projects

As part of the company's commitment to support the Indigenous People (IP) communities in the area, PGMC is building 58 housing units in Taganito and Urbiztondo in Claver, Surigao del Norte. The company has already completed Phase I of the project and has turned over the initial 16 housing units last March 9, 2018.

During the turn-over ceremonies, tribal council member Joel Hurod formally accepted the completed units in Punta Naga, Barangay Cagdianao on behalf of the tribal leaders, members and beneficiary families.



	2018	2017	2016	2015	2014*
Volume ('000 WMT)	5,708.7	5,970.6	4,308.6	5,351.8	4,193.4
Average Realized Price (US\$)	18.1	19.3	17.9	26.7	48.7
in million Php unless stated					
Sales of Nickel Ore	5,486.6	5,815.6	3,773.7	6,533.2	9,047.5
Operating Income	873.9	1,110.8	210.9	1,256.0	4,931.2
Net Income	509.5	779.7	37.5	1,111.8	4,817.2
Earnings per Share (Php)	0.09	0.14	0.01	0.22	0.97
Current Ratio	3.61	2.12	1.63	1.50	1.53
Debt-to-Equity Ratio	0.39	0.41	0.44	0.39	0.41

* Six months ended December 31, 2014

35.0%
Return on
Equity
(5-year Average)

15.8%
Return on
Asset
(5-year Average)

22.9%
Operating
Margin
(5-year Average)

30.6%
EBITDA
Margin
(5-year Average)

17.7%
Cost Reduction
since 2014

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**


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

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


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

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

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

Signature: 
JOSEPH C. SY
CHAIRMAN

Signature: 
ANTE R. BRAVO
PRESIDENT

Signature: 
MARY BELLE D. BITUIN
CHIEF FINANCE OFFICER

Signed this 21st day of March 2019

SUBSCRIBED AND SWORN 2019 BEFORE ME ON
THIS DAY OF APR 15 IN THE CITY
OF MAKATI CITY HAVING SUBMITTED TO ME
HIS/HER OTC NO. _____ ISSUED
ON _____ ISSUED AT _____


ATTE JOSH DOMESTICO L. PONCE, JR.
NOTARY PUBLIC
APPOINTMENT No. M-92 / MAKATI CITY
UNTIL DECEMBER 31, 2020
PTR No. 7333123 / 01-3-2019 / MAKATI CITY
RP No. 088000 / 11-27-2018 / RIZAL
RICE COMPLIANCE No. V-0023359 / 08-03-2016
MNL No. 30452 / TIN No. 905-098-102-000
Unit G-14 Makati Executive Tower 3
8888 G.H. Fuyat Avenue, Fidei Plaza
Makati City, Metro Manila

Doc. No. 404
Page No. 67
Book No. 142
Series of 2019

**Global Ferronickel Holdings, Inc. and
Subsidiaries**

Consolidated Financial Statements
as at December 31, 2018 and 2017
and for the Years Ended December 31, 2018,
2017 and 2016

and

Independent Auditor's Report



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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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



- 3 -

Audit Response

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

Recoverability of Deposits for Future Acquisition

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

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

Audit Response

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





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Adoption of PFRS 15, Revenue from Contracts with Customers

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

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

Audit Response

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

Other Information

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

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

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

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

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



- 5 -

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.





- 5 -

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Eleanore A. Layug

Partner

CPA Certificate No. 0100794

SEC Accreditation No. 1250-AR-2 (Group A),

February 28, 2019, valid until February 27, 2022

Tax Identification No. 163-069-453

BIR Accreditation No. 08-001998-97-2018,

February 2, 2018, valid until February 1, 2021

PTR No. 7332561, January 3, 2019, Makati City

March 21, 2019



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

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

See accompanying Notes to Consolidated Financial Statements.



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Earnings per Share)

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

See accompanying Notes to Consolidated Financial Statements.



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Thousands)

	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Treasury Shares (Note 20)	Equity Reserve (Note 20)	Valuation Gain Available-for-sale Financial Assets (Note 13)	Fair Value Reserve of Financial Asset at Fair Value through Other Comprehensive Income (Note 13)	Remeasurement Gain (Loss) on Retirement Obligation	Cumulative Translation Adjustment	Retained Earnings (Note 20)	Total
Balances at December 31, 2015	P6,113,455	P-	(P18)	P-	P-	P-	P2,277	P-	P422,160	P6,537,874
Net income	-	-	-	-	-	-	-	-	37,494	37,494
Other comprehensive income (loss) - net of tax	-	-	-	-	-	-	-	(14,106)	-	(11,041)
Total comprehensive income (loss)	-	-	-	-	-	-	-	(9,355)	37,494	26,453
Issuance of common stock (Note 20)	20	-	-	-	-	-	-	(14,106)	-	20
Purchase of treasury shares (Note 20)	-	-	(17,788)	-	-	-	-	-	-	(17,788)
Balances at December 31, 2016	6,113,475	-	(17,806)	-	-	-	5,342	(14,106)	459,654	6,546,559
Net income	-	-	-	-	-	-	-	-	779,689	779,689
Other comprehensive income (loss) - net of tax	-	-	-	-	-	-	-	9,355	-	16,110
Total comprehensive income (loss)	-	-	-	-	-	-	-	9,355	779,689	795,799
Purchase of treasury shares in relation to buyback program (Note 20)	-	-	(91,496)	26,462	(464)	(464)	7,219	9,355	-	(964,516)
Stock grant expense (Note 20)	-	-	-	-	-	-	-	-	-	26,462
Issuance of treasury shares in relation to stock grant (Note 20)	-	-	28,232	(26,492)	-	-	-	-	(1,770)	-
Balances at December 31, 2017	P6,113,475	P-	(P95,494)	P-	(P494)	P-	P12,591	(P4,751)	P1,237,573	P6,404,304



See accompanying Notes to Consolidated Financial Statements

	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Treasury Shares (Note 20)	Equity Reserve (Note 20)	Valuation Gain Available-for-sale Financial Assets (Note 13)	Fair Value Reserve of Financial Asset at Fair Value through Other Comprehensive Income (Note 13)	Remeasurement Gain (Loss) on Retirement Obligation	Cumulative Translation Adjustment	Retained Earnings (Note 20)	Total
Balances at December 31, 2017	P6,113,475	P-	(P95,490)	P-	(P464)	P-	P12,561	(P4,751)	P1,237,573	P6,404,304
Effect of adoption of Philippine Financial Reporting Standards 9, <i>Financial Instruments</i> (Notes 2 and 13)	-	-	-	-	464	(4,849)	-	-	4,385	-
Balances at January 1, 2018 (As restated)	6,113,475	-	(95,409)	-	-	(4,849)	12,561	(4,751)	1,241,958	6,404,304
Net income	-	-	-	-	-	-	-	-	509,528	509,528
Other comprehensive income (loss) - net of tax	-	-	-	-	-	-	(42)	(9,737)	-	7,663
Total comprehensive income (loss)	-	-	-	-	-	-	(42)	(9,737)	509,528	517,191
Issuance of:										
Common stock (Note 20)	262,500	255,000	-	-	-	-	-	-	-	517,500
Treasury shares in relation to stock grant (Note 20)	-	-	29,823	(16,533)	-	-	-	-	(13,290)	-
Treasury shares in relation to property dividends (Note 20)	-	-	859,961	-	-	-	-	-	(859,961)	-
Transaction costs on issuance of shares (Note 20)	262,500	255,000	889,784	(16,533)	-	-	-	-	(873,251)	517,500
Purchase of treasury shares in relation to buyback program (Note 20)	-	(15,988)	-	-	-	-	-	-	-	(15,988)
Acquisition of treasury shares from shareholders in relation to declaration of property dividends (Note 20)	-	-	(636,904)	-	-	-	-	-	-	(636,904)
Stock grant expense (Note 20)	-	-	-	16,533	-	-	-	-	-	16,533
Balances at December 31, 2018	P6,375,975	P239,012	(P1,116,340)	P-	P-	(P4,891)	P2,824	P12,691	P878,235	P6,387,506

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

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

See accompanying Notes to Consolidated Financial Statements.

GRI CONTENT INDEX FOR "IN ACCORDANCE" - CORE OPTION

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GRI 102-2	▪ Activities, brands, products, and services	4,11
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GRI 102-10	▪ Significant changes to the organization and its supply chain	No significant changes in supply chain
GRI 102-11	▪ Precautionary Principle or approach	None
GRI 102-12	▪ External initiatives	Not Applicable [No such initiatives]
GRI 102-13	▪ Membership of associations	None
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GRI 102-48	▪ Restatements of information	None
GRI 102-49	▪ Changes in reporting	None
GRI 102-50	▪ Reporting period	2018
GRI 102-51	▪ Date of most recent report	Not Applicable
GRI 102-52	▪ Reporting cycle	Annual
GRI 102-53	Contact point for questions regarding the report	Investor Relations
GRI 102-54	Claims of reporting in accordance with the GRI Standards	86
GRI 102-55	GRI content index	86
GRI 102-56	External Assurance	Not Applicable

MATERIAL TOPICS		PAGE No.	OMISSION
Economic Performance			
GRI 103: Management Approach 2016	GRI 103-1 ▪ Explanation of the material topic and its Boundaries	36	
GRI 201: Economic Performance 2016	GRI 201-1 ▪ Direct economic value generated and distributed		Refer to Financial Highlights
	GRI 201-2 ▪ Financial implications and other risks and opportunities due to climate change	54	
GRI 202: Market Presence 2016	GRI 202-1 ▪ Ratios of standard entry level wage by gender compared to local minimum wage		PGMC complies with the government standards on the wages and labor practices
	GRI 202-2 ▪ Proportion of senior management hired from the local community	51	
GRI 203: Indirect Economic Impacts 2016	GRI 203-1 ▪ Infrastructure investments and services supported	18	
	GRI 203-2 ▪ Significant indirect economic impacts	18	
Compliance			
GRI 103: Management Approach 2016	GRI 103-1 ▪ Explanation of the material topic and its Boundaries	28-32, 36	
GRI 205: Anti-corruption 2016	GRI 205-1 ▪ Operations assessed for risks related to corruption	None	
	GRI 205-3 ▪ Confirmed incidents of corruption and actions taken		There were no such incidents
GRI 206: Anti-competitive Behavior	GRI 206-1 ▪ Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		Monopoly is against the values of the company
GRI 307: Environmental Compliance 2016	GRI 307-1 ▪ Non-compliance with environmental laws and regulations	None	
GRI 308: Supplier Environmental Assessment 2016	GRI 308-1 ▪ New suppliers that were screened using environmental criteria	None	
	GRI 308-2 ▪ Negative environmental impacts in the supply chain and actions taken	None	

Energy			
GRI 103: Management Approach 2016	GRI 103-1	▪ Explanation of the material topic and its Boundaries	57
GRI 302: Energy 2016	GRI 302-1	▪ Energy consumption within the organization	55
Water			
GRI 103: Management Approach 2016	GRI 103-1	▪ Explanation of the material topic and its Boundaries	56, 58
GRI 303: Water 2016	GRI 303-1	▪ Water withdrawal by source	56, 57
	GRI 303-2	▪ Water sources significantly affected by withdrawal of water	None
	GRI 303-3	▪ Water recycled and reused	57
Biodiversity			
GRI 103: Management Approach 2016	GRI 103-1	▪ Explanation of the material topic and its Boundaries	58
GRI 304: Biodiversity 2016	GRI 304-1	▪ Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None of the operational mining sites are located in, or near any areas of high biodiversity
	GRI 304-2	▪ Significant impacts of activities, products, and services on biodiversity	29
	GRI 304-3	▪ Habitats protected or restored	59
Effluents and Waste			
GRI 103: Management Approach 2016	GRI 103-1	▪ Explanation of the material topic and its Boundaries	27,28
GRI 306: Effluents & Waste 2016	GRI 306-1	▪ Water discharge by quality and destination	58
	GRI 306-3	▪ Significant spills	None
	GRI 306-5	▪ Water bodies affected by water discharges and/or runoff	57
Labor Practices & Employee Relations			
GRI 103: Management Approach 2016	GRI 103-1	▪ Explanation of the material topic and its Boundaries	62
GRI 402: Labor/Management Relations 2016	GRI 402-1	▪ Minimum notice periods regarding operational changes	Minimum notice periods regarding operational changes is implemented
GRI 403: Occupational Health & Safety 2016	GRI 403-1	▪ Workers representation in formal joint management -worker health and safety committees	66, 67
	GRI 403-2	▪ Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	66, 67
	GRI 403-3	▪ Workers with high incidence or high risk of diseases related to their occupation	69
GRI 404: Training & Education 2016	GRI 404-1	▪ Average hours of training per year per employee	65
	GRI 404-2	▪ Programs for upgrading employee skills and transition assistance programs	67
GRI 405: Diversity & Equal Opportunities 2016	GRI 405-1	▪ Diversity of governance bodies and employees	40-43, 64
	GRI 405-2	▪ Ratio of basic salary and remuneration of women to men	The ratio of salary is based on performance and position and not on gender

GRI 406: Non-discrimination 2016	GRI 406-1	Incidence of discrimination and corrective actions taken	There were no such incidents
GRI 407: Freedom of Association & Collective Bargaining 2016	GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	None
GRI 408: Child Labor 2016	GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	PGMC ensures that none of our as well as our local suppliers have any incidents of child labor practice
GRI 409: Forced or Compulsory Labor 2016	GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	None
GRI 410: Security Practices 2016	GRI 410-1	Security personnel trained in human right policies or procedures	All our security personnel are outsourced and are regularly trained by agency on human rights topics
GRI 411: Rights of Indigenous Peoples 2016	GRI 411-1	Incidents of violations involving rights of indigenous peoples	None
GRI 412: Human Rights Assessment 2016	GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	None
	GRI 412-2	Employee training on human rights policies or procedures	67
Community Development			
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundaries	17
	GRI 103-2	The management approach and its components	17
GRI 413: Local Communities 2016	GRI 413-1	Operations with local community engagement, impact assessments, and development programs	19-26
	GRI 413-2	Operations with significant actual and potential negative impacts on local communities	None
GRI 414: Supplier Social Assessment 2016	GRI 414-1	New suppliers that were screened using social criteria	Key suppliers
GRI 416: Customer Health & Safety 2016	GRI 416-1	Assessment of the health and safety impacts of product and service categories	None
	GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	None
Customer Service			
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundaries	56
GRI 417: Marketing & Labeling 2016	GRI 417-1	Requirements for product and service information and labeling	11
	GRI 417-2	Incidents of non-compliance concerning product and service information and labeling	None
	GRI 417-3	Incidents of non-compliance concerning marketing communications	None
GRI 419: Socioeconomic Compliance 2016	GRI 419-1	Non-compliance with laws and regulations in the social and economic area	None



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