



Global Ferronickel Holdings, Inc.

2019

Integrated Annual Report



OUR VISION

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

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 VALUES

Integrity

Social responsibility

Caring for the environment

Meritocracy

Teamwork and synergy

Taking care of our people

Accountability

Fiscal responsibility



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At a Glance

MINE SITE

Sitio Kinalablaban,
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

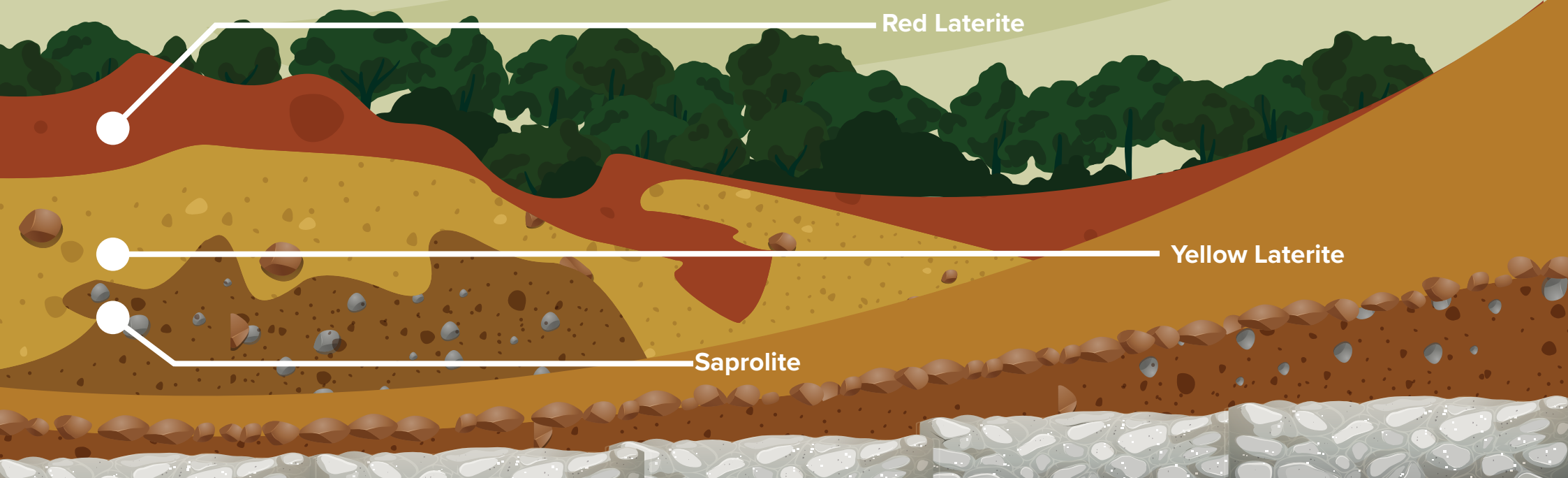
4,376 hectares
Additional mine site of 843
hectares (covered by
EPA-000101-XIII) adjacent to
our existing mine site

RESOURCES

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

RESERVES

43.9 million WMT



Red Laterite

Yellow Laterite

Saprolite

Our Process



1 Clearing/Grubbing and Topsoil Removal



2 Bench Forming



3 Ore Mining



4 Ore Beneficiation and Stockpiling



5 Ore Barge/ LCT Loading



6 Vessel Loading



Progressive Rehabilitation



Temporary Revegetation Program



Dust Control



Siltation Mitigation Measures



Drainage Management

GRI 102-14

MESSAGE FROM OUR LEADERS

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.

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

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

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 unflagging 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.

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Atty. Dante R. Bravo
President

PRESIDENT'S REPORT

Global Ferronickel Holdings, Inc. | President | **Atty. Dante R. Bravo**

This culture of constant improvement enhances our capability to maximize the opportunities that emerge in prevailing market prices. It also produces significant savings. For instance, expenses in general and administrative items in 2019 decreased by 15% – with Php 674.2 million against the Php 795.7 million spent in 2018. Notable savings were recorded in personnel costs, taxes and licenses, office supplies, communication, and rentals.

Savings can also be seen with shipping and distribution costs, with a total of Php 424.8 million in 2019, compared with the Php 432.9 million in 2018. This can be attributed mainly to lower barging costs which was about P17.8 million less than the previous year.

As in the previous year, mining months for 2019 were from April to October and we had a total of ___ mining days. It is worthy to note that we began commercial operation of CAGA 3 and this had a positive impact on our production results.

The Company contributed 19% of the total Philippine Nickel Production in terms of Estimated Value of Shipped Ore for 2019. As a result, the Company had a 15% contribution to the cumulative Estimated Value of Shipped Ore of the total Philippine Nickel Production from 2014 to 2019.

We engaged the services of eight (8) contractors to operate the mining activities within CAGA 2, 3, and 4. The contractors were paid on a per metric ton basis, depending on the grade of the ore shipped. The total contract hire incurred for CAGAs 2, 3, and 4 amounted to Php 1.94 million, which was just around 5% higher than the previous year.

As a result, Net Income for 2019 stood at Php 1.30 billion, more than double the Php 512 million recorded in 2018. Revenue was Php 6.66 billion.

2019 was also the year when we decided that it was time to diversify into other businesses. In November 2019, we started exploration activities in the

limestone area in CAGA ___ and we are very optimistic that we will be able to go full blast there very soon.

We are also in the process of setting up a steel plant in Mariveles, Bataan to produce steel rebars. To support the operations of the steel plant, we have acquired a 40% stake in the port operator of the Freeport Area of Bataan (FAB).

We are very optimistic that these investments will reap benefits for our stakeholders in the very near future. This will bring our Company to new heights as we look forward to being known not only as one of the country's top nickel producers but also as a leading steel manufacturer and port owner.

With the increase in nickel ore price and volume shipped in 2019, we were also able to increase the funding for our Social Development and Management Program (SDMP) by 34% or about Php 10 million for the same year. Excise taxes and royalties have also increased by Php 115 million. This demonstrates how the Company's growth translates to more benefits to the community.





the Company recorded expenses



15% decrease
compared to 2018

Total contract hire



amounted to P1,935.00
compared to P1.836.00
in 2018

Total shipment



5 more than
what was recorded
in 2018

Net Income



more than double
that the previous
record in 2018

Indicator	2019	2018
Direct Economic Value Generated	6,655	5,487
Direct Economic Value Distributed	2,610	3,273
Operating Tsts	824	944
Employee wages and benefits	454	443
Excise Taxes and Royalties	843	728
Net Income Tax	452	277
Community Investments	38	31
Economic Value Retained	4,045	2,214
Cost of sales	2,738	2,700

Financial Highlights

	2019	2018	2017	2016	2015	2014
Volume ('000)	5890.2	5708.742	5970.613	4308.6	5351.8	4193.4
Average Realized Price (USD)	21.87	18.07	19.29	17.9	26.7	48.7
Sales of Nickel ore	6654.6	5486.619	5815.596	3773.7	6533.2	9047.5
Operating Income	1973.7	873.906	1110.818	210.9	1256	4931.2
Net Income	1303.6	509.528	779.689	37.5	1111.8	4817.2
Earnings per Share	0.24	0.09	0.14	0.01	0.22	0.97
Current Ratio	3.14	3.61	2.12	1.63	1.5	1.53
Debt-to-Equity Ratio	0.4	0.39	0.41	0.44	0.39	0.41

35%

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 2015

* Six months ended December 31, 2014.

DIVERSIFYING INTO THE STEEL PRODUCTION BUSINESS



GFNI is investing US\$50 million to build a Rebar Steel Rolling Plant in Mariveles, Bataan, under the company name FNI Steel. This venture is in partnership with Hong Kong-based Huarong Asia Limited who is expected to shell out an additional US\$25 to US\$30 million to jumpstart operations by 2021.

The plant is expected to produce 600,000 metric tons of carbon steel rebars every year which roughly constitutes a 6% market share in an industry that utilizes ten (10) million metric tons of steel annually.

Critical to the success of the steel plant is having access to a port as the Company will be importing large quantities of raw materials to save on production costs. Thus, the Company acquired a 40% stake in Seasia Nectar Port Services (SNPSI) by subscribing to 1.67 million shares of SNPSI valued at Php 450 million.

SNPSI operates the first purpose-built Dry Bulk Terminal located within the Freeport Area of Bataan (FAB) in Mariveles. The terminal handles shipments of coal, clinker, silica sand and cement raw materials, as well as steel, fertilizer and other dry bulk cargo. It is a joint venture company of Seasia Logistics Philippines Inc., Nectar Group Ltd., and Web Technologies Inc.

We are positive that our investment in SNPSI will pave the way for the successful operations of our steel processing plant as it will help ensure easy and steady access to port services for FNI Steel. Apart from that, we also have plans of expanding the port which would mean additional income for the Company.

The decision to open the steel plant and invest in the port is also influenced by our belief in the development potential of the province, considering its proximity to Metro Manila. It would only be a matter of time before other businesses realize that Bataan is one of the best places to invest in the country



FNI STEEL CORPORATION

The government has always encouraged GFNI to go into value added processing to complement our nickel mine operation. However, that undertaking is not yet feasible given the poor infrastructure and high electricity costs that currently exist. A very large investment would be needed to make it a viable proposition.

Even so, the Company recognizes the wisdom, and has always been on the lookout for other opportunities to make a difference in the Philippine economy. One such opportunity we studied was the steel manufacturing business to support the national government's Build, Build, Build program.

INSTITUTIONAL ACHIEVEMENTS

Awards and Recognition

GFNI was awarded the 2019 Presidential Mineral Industry Environmental Award (PMIEA) Platinum Achievement Award in the Surface Mining Operation Category. The award is bestowed upon deserving companies for their outstanding levels of dedication, initiatives and innovations in the pursuit of excellence in environmental protection, safety and health management and social and community development. The award is a testament to our being a responsible and responsive mining company that adheres to the best global practices in all facets of our operations.



Meanwhile, PGMC also received recognition as the Top Exporter for the Minerals Sector during the 2019 National Export Congress, an event jointly organized by the Department of Trade and Industry-Export Marketing Bureau, Export Development Council and the Philippine Exporters Confederation Inc. The citation was based on the value of the company's export transactions provided by the Philippine Statistics Authority for 2018 which stood at 5.71 million WMT.



Renewed ISO Certification

The Company successfully renewed our ISO certification, proving our commitment to measuring and improving our environmental impact. The ISO 14001:2015 certification for Environmental Management System, valid for a period of three years, was awarded with no issues found at the time of the audit made by Intertek, a global company specializing in testing, inspecting and certifying products and services.

The renewal attests to the Company's performance as the auditor thoroughly reviewed documents and records to ensure we were following the system properly and was able to demonstrate constant improvement, a central theme and goal of the ISO 9001 system.



Taking care of our employees

The well-being of our employees are our primary concern and we have a lot of programs in place that promote a happy and healthy workplace. Wellness initiatives include free annual physical examinations as well as the encouragement of sports and fun activities such as “the biggest loser” weight-loss challenge. To help keep their minds at ease during medical emergencies, we have expanded our medical coverage to include dependents and beneficiaries.

The Company has set up a trustee fund to guarantee employees will have more benefits they can depend on.. We have also introduced stock options to be offered to consistently high-performing employees.

We also promote a vibrant and engaging workplace through skills development programs, especially those relating to mining operations, safety and taking care of the environment. We regularly conduct team building activities and encourage employees to participate in management and industry conferences in order for them to unlock new perspectives and learn new ways of doing things. These result in faster personal and professional development and fosters a harmonious working environment.



New accounting system in place

“Improving efficiency is always our goal at GFNI, and we consider the entire production cycle, including back-office administration and operation. We, therefore, introduced a new accounting system so that we have timely and more accurate reports that enable better decision-making based on reliable data and information. Our new accounting system is also also more environment-friendly as it allows us to use less paper in our daily operations.



Supply Chain Management GRI 103-1, GRI 103-2, GRI 103-3, GRI 204-1

PGMC chooses to work only with vendor partners that share the same principles, standards, and best practices that the Company adheres to. Any and all contracts and agreements that the Company enters into includes provisions on adherence to social and labor laws and the Company's Anti-Corruption Policy and Environmental Policy. Violation of these provisions is a ground for termination of contract.

There is a prescribed Supplier Accreditation process being implemented to ensure that PGMC will conduct business only with trustworthy and reliable suppliers that would help the Company in attaining our targets. In evaluating potential suppliers of products and/or services, we also look into their past performance to seek for quality standards and discipline of excellence. Over 95% of the Company's procurement budget was estimated to be spent on local suppliers or those based in the Philippines as we make an effort to support the local economies as well as lower our carbon footprint. Purchases from suppliers abroad are made mainly because of the recommendation of local partners when our supply requirements are not in stock or not available in the Philippines.

PGMC engages with our suppliers and builds a productive relationship through annual vendors' meeting, vendors' accreditation, and ocular inspection. These activities allow the Company to easily coordinate with them on issues such as timely delivery and payments. In turn, the Company put in place fair and transparent accreditation policies for a level playing field.”

MAKING A DIFFERENCE IN THE MINING COMMUNITIES



Livelihood programs

GFNI is mandated to spend 1.5% of our operating costs on social development programs for impact communities in Claver, Surigao del Norte. When we started operations in 2006, majority of the funds were spent on education and health.

Over the last two years, however, the focus of our initiatives has begun to shift towards developing the entrepreneurial skills of the local community. This was in response to the directive issued by the Mines and Geosciences Bureau (MGB).

We fully supported the MGB directive because we recognized the value of investing funds to empower the local community with self-reliance and entrepreneurship.. The most notable livelihood programs implemented are the handicraft, egg production, chip making, and the Grow Negosyo Center.

Handicraft plays a vital role in providing an alternative source of income as the CARAGA region is abundant with raw materials for the handicraft business. To develop this potential, we partnered with Cebu-based Grant Q Exports, one of the country's top manufacturers and exporters of Philippine handicraft made from indigenous materials. The goal is to make Claver the center of handicraft

production in CARAGA and to be known worldwide for its outstanding quality, unique designs and competitive costs. Successfully kicking off the program were 62 residents between the ages of 29 to 65 years old, from Barangays Cagdianao and Hayanggabon who underwent training from industry experts. Today, many of their products are already being sold for export..

Moreover, after the success of the egg production project with the Punta Naga Sustainable Livelihood Association (PUNASULA) in Barangay Cagdianao, we decided to replicate the program outside our host community. Last year, we turned over a Php 1 million worth project to Sabang Tayaga Poultry Livelihood Association, making it the first every big ticket livelihood project implemented outside our host communities.

Last year also witnessed the turnover of the production facility and display center for the Cagdianao Woodcraft Association. Other accomplishments include the turnover of the Grow Negosyo Center which will serve as a one-stop-shop for Barangay Hayanggabon's printing needs.



Education and Health

Although the focus has shifted to providing livelihood programs, our commitment to provide education and health in the local communities remains steadfast. Such initiatives include scholarship programs, donation of school facilities, computers, and materials for schools such as books, bags, and school supplies.

Through the Access to Education and Educational Support Program, we extended financial assistance to 21 college scholars from Cagdianao and nine (9) from Hayanggabon. We also have 55 College Assistance grantees and three (3) full scholars. Assistance was also extended to two (2) volunteer daycare teachers of Cagdianao and GK Sibol Day Care Centers and to two(2) high school teachers.



Uplifting the lives of Indigenous Peoples

In 2019, almost Php 54 million was allocated for programs to uplift the lives of the Indigenous People (IP) who reside within the impact communities. our commitment to provide education and health in the local communities remains steadfast. Such initiatives include scholarship programs, donation of school facilities, computers, and materials for schools such as books, bags, and school supplies. Royalty from the Company's gross revenue of the sale of minerals as mandated by the Indigenous Peoples Rights Act (IPRA). The IP community has benefited from the close to Php 600 million royalties paid up since the Company began operations in 2006.

We have been working very closely with the National Commission for Indigenous Peoples (NCIP) and supporting the Community Royalty Development Plan (CRDP) to come up with better and more meaningful ways to spend the funds.. Apart from feeding and healthcare programs, we look forward to introducing successful livelihood programs and enabling them for self-reliance. Giving them access to quality education also plays an integral part in building a bright future.

54 MILLION PHP

allocated for programs for the IP community

LOOKING AFTER MOTHER EARTH

For 2019, we accomplished our Environmental Protection and Enhancement Program (EPEP) with a total cost of Php 100,118,564. Major programs that were carried out include the following:



Rehabilitation and Reforestation



Php 45,938,900 was spent on the rehabilitation and reforestation of the mined-out areas within CAGA 2 and CAGA 4



Top Soil Management



Php 24,354,900 was spent for top soil management where a total of **231,000 cubic meters** of top soil were properly set aside



Sloping Areas



1.92 hectares of sloping areas were installed with coconets while **2.5 hectares** of sloping road side areas were planted with grass.



Seedlings and Wildlings

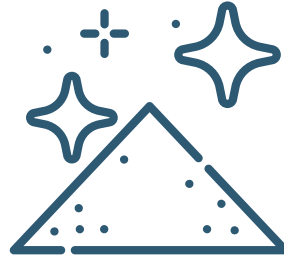


338,033 seedlings and wildlings were raised and maintained at the company's 4 nurseries at a cost of **Php 3,599,988**.



Water Resources and Quality

The bulk of the **Php 16,780,071** budget was used for the desilting of settling ponds, in-pit check dams, check dams, draining canals and collector sumps.



Dust Suppression and Control

Water spraying, street sweeping, and air quality monitoring were undertaken for dust suppression and control, taking up **Php 12,293,537** of the budget.



Environmental Research

For environmental research, we shelled out **Php 655,000** to set up a plantation of selected bamboo species that would have economic value for the community.



DISASTER RESPONSE

The Company has set up an Emergency Response Team (ERT) that allows us to extend immediate support to the community in times of crisis. Members of the ERT undergo rigorous training and enjoy the full support of the Company in terms of equipment and materials.

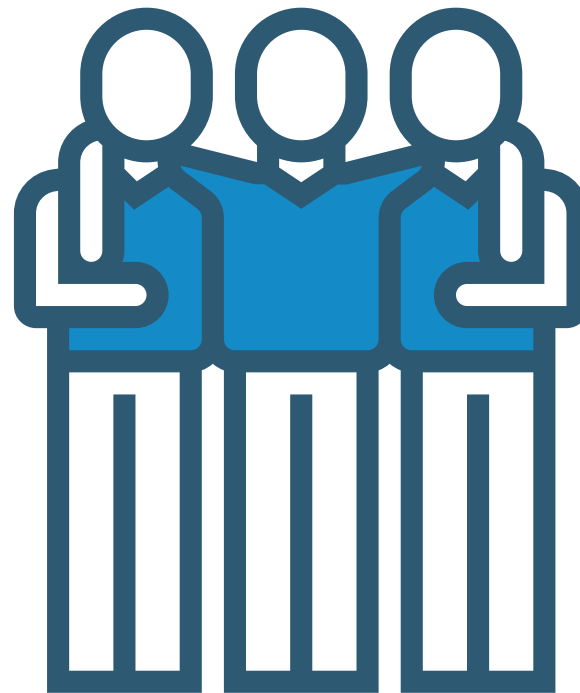
Below are some of the accomplishments in terms of disaster response and preparedness:



Conducted rescue and relief operations in November 2019 in Barangays Armas, Kidapawan and Makilala, South Cotabato following a 6.6 magnitude earthquake;



Conducted rescue and relief operations in December 2019 in Padada, Digos, Davao del Sur in the aftermath of a 6.7 magnitude earthquake.



Responded to three (3) separate motorcycle accidents and nine (9) fire accidents



Conducted a fire drill in April, an earthquake drill in June, a tsunami drill in July and first aid training in October



INDUSTRY APPRECIATION

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.



#998382709

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

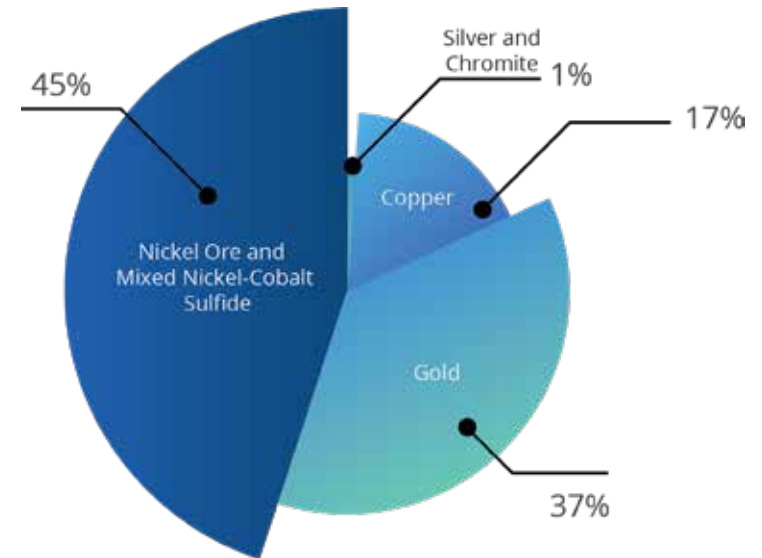


Nickel is mined using surface mining, specifically contour mining, due to the shallow placement of the deposits. With this type of mining method, the overburden spoil is removed by creating benches alongside the terrain of the mountain and deposits are mined using simple hauling and loading equipment.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

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.

2018 PH Metallic Production by Value



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.



Use of Nickel and its Emerging Demand

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 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.



Francis C. Chua

Mary Belle D. Bituin

Edgardo G. Lacson

Atty. Dante R. Bravo

Joseph C. Sy

Gu Zhi Fang

Roberto C. Amores

Atty. Noel B. Lazaro

Dennis Allan T. Ang

OUR LEADERSHIP

GRI 102-18

Joseph C. Sy

Chairman

Joseph Sy became Chairman of both the Company and PGMCO 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 PGMCO since 2011. Joseph is also a Director of the Ipilan 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 PGMCO on 6 August 2015 and 10 August 2015, respectively. Previously, he held various positions of increasing authority in PGMCO, 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 PGMCO 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.



MANAGEMENT TEAM



SUSTAINABILITY FOR PGMC





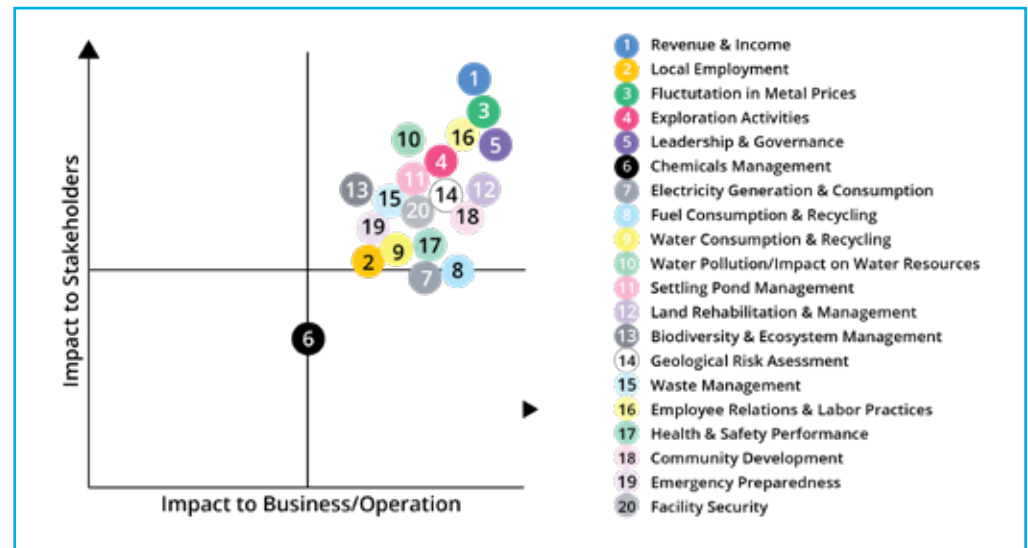
In 2019, the Philippine Mine Safety and Environment Association (PMSEA) recognized the Platinum Group Metals Corporation (PGMC) for its responsible mining practices during the Awards Night of the 66th Annual National Mine Safety and Environment Conference in Baguio City last November.

This award reflects PGMC's abiding belief in responsible mining and its commitment to operate under the principle of sustainability as a shared responsibility for all. The Company recognizes its potential and practical impact on people and communities and knows that its performance in environmental, social and governance aspects is important to its stakeholders.

The Company began our practice of Sustainability reporting in 2018 and has since continued to strive to maintain relevance and usefulness of this best practice through ensuring coverage of aspects that stakeholders consider material and critical for their relationship with PGMC. This report is prepared in accordance with the Global Reporting Initiative Standards: Core Option.

A Materiality Assessment was conducted at the PGMC mine site wherein representatives from different departments participated. Through this exercise, the Company was able to identify highly critical or essential topics related to economic and environmental factors, governance, and community development. Each aspect was weighed for both its impact to on the business and stakeholders' relationship with the Company.

The resulting matrix reveals that the topics our stakeholders consider material are those that are closely related to the Company's mission of "delivering 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."



Sustainability Framework

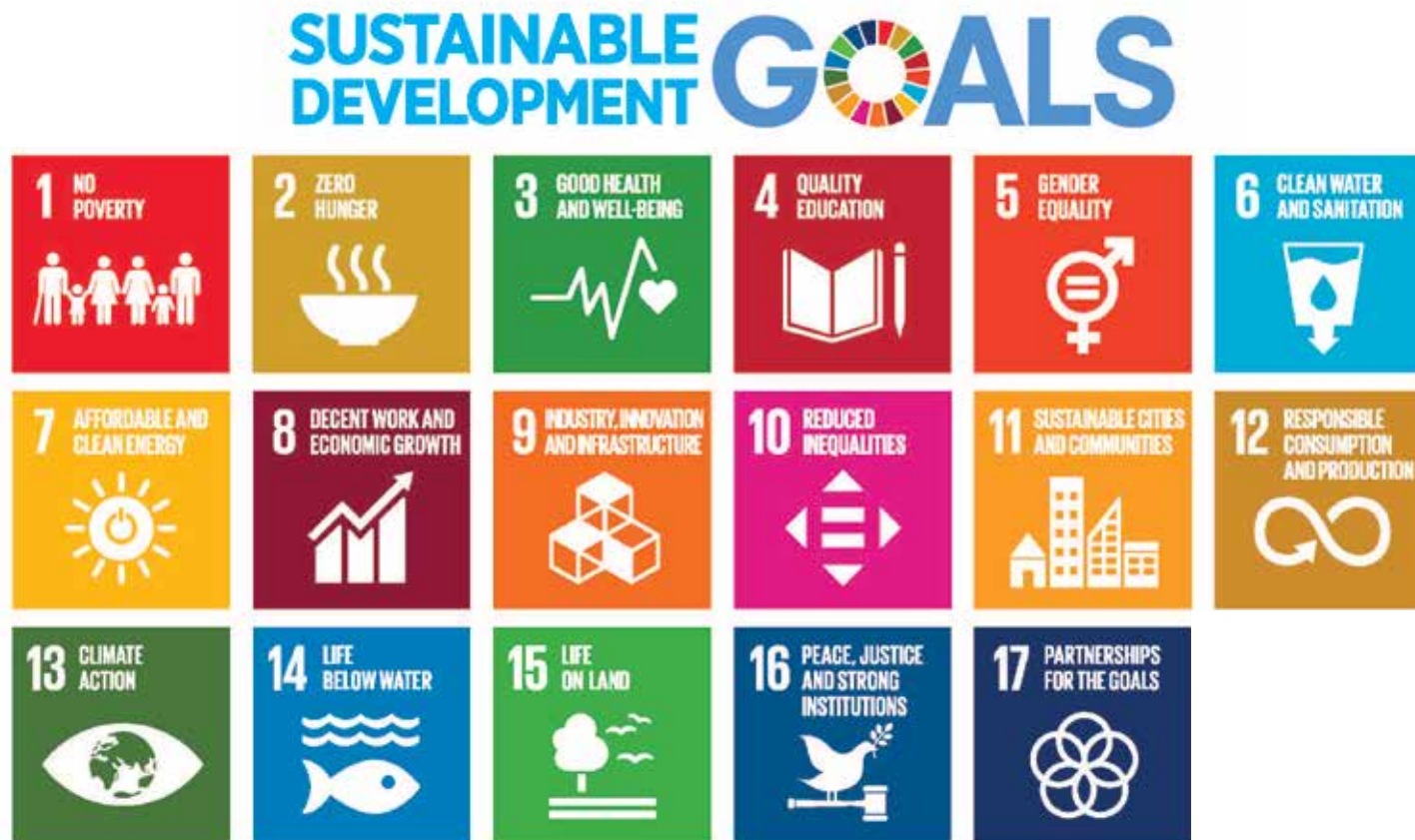
In response to the insights gathered from the materiality assessment, the Company continued to firm up our Sustainability Framework as we sought to closely align with global standards and goals, namely with those of the Initiative for Responsible Mining Assurance (IRMA), the International Council on Mining and Metals (ICMM), Mining Association of Canada's Towards Sustainable Mining (TSM) framework, and the United Nations Sustainable Development Goals (UN SDGs).

Guided as such, PGMC understood that it is essential for our sustainability framework to be anchored on the Company's mission and corporate values. Therefore, the triple bottom line of People, Planet, and Profit form the main pillars of



the framework, serving to integrate and focus all initiatives, programs, and projects, whether big or small, and direct it towards a common direction.

The Company began building up the framework in 2018 to effectively support the areas of global concern as indicated in the UN SDGs. We believe that this is how the industry will be able to make the most significant impact and help move the country to a sustainable momentum of inclusive progress and development.





In 2019, the Company's SDMP projects, as well as operational processes and standards, were evaluated and designed to align with these key areas of improvement for the benefit of people, communities, and other stakeholders.








Contribution to the Economy

Goals	Material Topics	Relevant SGDs	Specific SDG Target
<p>To maximize the use of our assets, avoiding excesses and waste, through fiscal responsibility. We manage our costs and expenses to gain optimal returns and benefits for our stakeholders: investors, employees, local community, and local government.</p>	Revenue & Income		8.4 Improve progressively the global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation
	Fluctuation in Metal Prices		17.1 Strengthen domestic resource mobilization to improve domestic capacity for tax and other revenue collection

Environmental Performance – Stewards of the Environment

Goals	Material Topics	Relevant SGDs	Specific SDG Target
<p>To practice responsible stewardship by protecting and caring for the environment in a sustainable manner, for generations to come. We follow the best practices in environmental management in mining and the 5Rs - Rehabilitate, Reforest, Reduce, Reuse, and Recycle. These guide all our activities that impact the environments or locations we work in.</p>	Exploration Activities		6.3 Improve water quality by reducing pollution, eliminating dumping, and minimizing release of hazardous materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse
	Chemicals Management		12.4 Achieve the environmentally sound management of all wastes throughout their life cycle and significantly reduce their release to air, water, and soil in order to minimize their adverse impacts on human health and the environment
	Electricity Generation & Consumption		12.5 Substantially reduce waste generation through prevention, reduction, recycling, and reuse
	Fuel Consumption - Transportation		
	Water Consumption & Recycling		
	Water Pollution/Impact on Water Sources		13.2 Integrate climate change measures into policies, strategies and planning
	Settling Pond Management		15.1 Ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services
	Land Rehabilitation & Management		15.2 Promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation
	Biodiversity & Ecosystem Management		15.4 Ensure the conservation of mountain ecosystems, including their biodiversity, in order to enhance their capacity to provide benefits that are essential for sustainable development
	Geological Risk Assessment		15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity, and protect and prevent the extinction of threatened species
Waste Management			

Social Performance – Putting People First

Goals	Material Topics	Relevant SGDs	Specific SDG Target
<p>We believe in putting our employees first and giving back to the communities we work in and work with. We invest in our employees' health, safety, and development to maintain a highly energetic, self-motivated, and productive workforce.</p>	<p>Local Employment</p> <p>Employee Relations & Labor Practices</p> <p>Health & Safety Performance</p> <p>Community Development</p> <p>Emergency Preparedness</p> <p>Facility Security</p>	    	<p>3.1 Reduce the global maternal mortality ratio to less than 70 per 100,000 live births</p> <p>3.3 End the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases</p> <p>3.4 Reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being</p> <p>3.8 Access to quality essential health-care services and safe, effective, quality, and affordable essential medicines and vaccines for all</p> <p>3.C Substantially increase health financing and the recruitment, development, training, and retention of the health workforce</p> <p>4.1 Ensure that all girls and boys complete free, equitable and quality primary and secondary education</p> <p>4.3 Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university</p> <p>4.4 Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs, and entrepreneurship</p> <p>5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life</p> <p>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</p> <p>8.5 Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</p> <p>8.8 Protect labour rights and promote safe and secure working environments for all workers</p> <p>11.1 Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums</p>

Stakeholder Engagement GRI 102-46, GRI 102-47, GRI 102-54

PGMC recognizes that the success of our sustainability strategies and the framework relies deeply on the quality of the stakeholder engagements and our ability to connect and communicate with stakeholders in a timely and effective manner through channels that are accessible, convenient, and inclusive.

The Company remains pro-active and makes every effort to reach out to stakeholders and provide open communication channels that allow us to remain aware and informed of any and all emerging concerns and issues that we need to address.

Stakeholders	Engagement Method	Key Concerns	Company's Response
Employees	<ul style="list-style-type: none"> Weekly and monthly departmental meetings to address pressing issues Annual Town Hall meetings Monthly bulletins Company events and celebrations Employee engagement programs 	<ul style="list-style-type: none"> Employee overtime Manpower complement Other de minimis benefits 	<ul style="list-style-type: none"> Full implementation of HRIS Provision of needed manpower with proper justification Quarterly review of Performance Plan and Evaluation
Communities	<ul style="list-style-type: none"> Consultation for SDMP planning and formulation and Information, Education and Communication (IEC) campaigns Multipartite Monitoring Team (MMT) activities Representatives of Host and Neighboring Communities (RHNC) Focus Group Discussions (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
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

Stakeholders	Engagement Method	Key Concerns	Company's Response
Local Government	<ul style="list-style-type: none"> • Mine Rehabilitation Fund Committee (MRFC) activities • Barangay sessions (as standee), as needed for clarifications or particular concerns, sociocultural activities support, consultations • MMT activities 	<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



Community Consultation

We consider our host and neighboring communities as integral partners and their viewpoints are important and of consequence. The Company ensures that lines of communications are always open, especially on issues such as health, safety, and security of the people. PGM continues to hold information drives for the communities to share updates and reminders, conducted by our Safety and Health staff and Community Relations Office.

PGMC would also initiate a Barangay Pulong-Pulong session whenever the need to address emerging safety or health issues related to the Company's operations arises. The practice of open communication has helped create a culture of trust that ensures all safety and health issues that may affect the community are immediately addressed.





SOCIAL PERFORMANCE – PUTTING PEOPLE FIRST

3 GOOD HEALTH
AND WELL-BEING



4 QUALITY
EDUCATION



5 GENDER
EQUALITY



8 DECENT WORK AND
ECONOMIC GROWTH



11 SUSTAINABLE CITIES
AND COMMUNITIES



Employee Welfare – Hiring and Benefits GRI 103-1, GRI 103-2, GRI 103-3

We consider our employees as its greatest asset, and we endeavor to ensure our People Management approaches use best practices to create good employee experience at all levels. From hiring practices, compensation and benefits packages, and employee engagement and people policies, PGMC goes beyond compliance and makes every effort to demonstrate our high regard for the people who are all working together to sustain our growth.

In 2019, we recorded a total of 1,667 people in our employ, which is about 10% lower than the previous year. The employees hail from both local communities and other regions.

As an equal opportunity employer, the Company is happy for the opportunity to provide employment to the local communities and indigenous peoples within our area. We prioritize offering jobs to local applicants and make sure that our host and neighboring communities are aware of the opportunities available.

And because of the nature of work, the mining industry is traditionally more attractive for male applicants. Nonetheless, PGMC has a non-discrimination policy in the recruitment process. This ensures that everyone, regardless of their gender, race, religion, ethnicity, or educational attainment is given the same opportunity as long as they are qualified for the position. Predictably, male to female ratio still shows there's about 7 males for every 1 female employee in the Company's workforce.

The nature of work also dictates that mining operations are mostly conducted during the dry season, hence, the Company employs seasonal rank and file workers who are called into service during peak months. The seasonal workers are also provided with benefits such as SSS, HDMF, 13th month pay, and incentives.

With this, the Company aims to manage attrition rate, which the annual level for 2019 was pegged at 4%, commonly caused by redundancy, opportunities abroad, and further studies.

PGMC works on building a good relationship with employees through our comprehensive People Programs and policies designed to sustain employee engagement. This includes competitive salaries and benefits such as the provision of health insurance, meals, uniforms, and bonuses. With this good relationship, employees can remain engaged and build a long-term career with the Company where they get continuous training and development.



By Contract Type and Gender

Employee Breakdown GRI 102-7, GRI 102-8, GRI 405-1

Contract Type	Male		Female		Total
	Head Office	Mine Site	Head Office	Mine Site	
2019					
Regular/Probationary	38	89	32	41	200
Seasonal	0	1,325	2	140	1,467
TOTAL	38	1,414	34	181	1,667
2018					
Regular/Probationary	33	80	26	43	182
Seasonal	0	1,525	2	147	1,674
TOTAL	33	1,605	28	190	1,856

By Position and Gender

Rank	Male		Female		Total
	Head Office	Mine Site	Head Office	Mine Site	
2019					
Senior Management	4	1	1	0	6
Managers	10	10	4	1	25
Supervisors	8	92	10	27	137
Rank and File	17	1,311	18	153	1499
Total	39	1,414	33	181	1,667
2018					
Senior Management	6	1	1	0	8
Managers	5	9	5	1	20
Supervisors	6	56	6	25	93
Rank and File	15	1,539	16	164	1,734
Total	32	1,605	28	190	1,855

By Position and Age Group

Rank	Below 30 yrs old		30 to 50 yrs old		Over 50 yrs old		Total
	Head Office	Mine Site	Head Office	Mine Site	Head Office	Mine Site	
2019							
Senior Management	0	0	3	1	2	0	6
Managers	0	0	9	0	5	2	16
Supervisors	4	26	11	86	3	7	137
Rank and File	9	785	25	588	1	91	1,499
Total	13	811	48	675	11	100	1,658
2018							
Senior Management	0	0	4	1	3	0	8
Managers	0	1	8	8	2	1	20
Supervisors	0	25	0	47	0	9	81
Rank and File	1	919	9	663	1	121	1,714
Total	1	945	21	719	6	131	1,823

From Local Community

Contract Type	Male	Female	Total	Contract Type	Male	Female	Total
2019				2018			
Regular/Probationary	11	5	16	Regular/Probationary	11	7	18
Seasonal	432	43	475	Seasonal	679	84	763
Total	443	48	491	Total	690	91	781
Indigenous People	19	6	25	Indigenous People	17	2	19

Hiring Statistics

Indicator	Male		Female		Total
	Head Office	Mine Site	Head Office	Mine Site	
2019					
New Hires	3	174	5	11	193
Attritions/Turnover	2	111	1	4	118
Attrition Rate	3%	4%	13%	4%	4%
Ratio of lowest paid employee against minimum wage	1:1	1:1	1:1	1:1	1:1
2018					
New Hires	3	4	8	3	18
Attritions/Turnover	5	4	5	7	21
Attrition Rate	15%	0%	18%	4%	1%

Availment of Benefits

Indicator	% of Male Employees who Availed for 2019	% of Female Employees who Availed for 2019
SSS (sickness and loan)	10	8
PhilHealth (CSF confinement)	2	1
Pag-IBIG (HDMF loan)	31	9
Vacation Leaves***	2	0
Sick Leaves***	6	5
Medical benefits* (Aside from PhilHealth)	2	5
Housing assistance (Aside from Pag-ibig)	2	5
Company stock options	1	5
Telecommuting	2	15
Flexible-working hours	1	0

***regular employees only

EMPLOYEE WELFARE – ENSURING GOOD LABOR PRACTICES



The Company consistently promulgates adherence to labor laws and promotes best practices in labor relations as indicated in the Employees' Manual. We ensure appropriate hiring processes which specify that only those 18 years old and above may apply and be hired.

PGMC also has clear non-discrimination tenets for our recruitment process, ensuring that everyone – regardless of gender, race, religion, ethnicity, or educational attainment – is given the same opportunities as long as they have the qualifications for the role or position. The Company's Code of Conduct promotes a culture of respect where employees treat each other with courtesy and consideration.

The Code of Conduct also clearly states the Company's anti-corruption policies, which are reiterated in training sessions, orientation sessions, seminars, and reminder emails. Contracts and agreements entered into by PGMC specifically include provisions for adherence to the Company's anti-corruption policies, the violation of which is a ground for suspension or termination of the contract.



EMPLOYEE WELFARE – HEALTH AND SAFETY GRI 103-1, GRI 103-2, GRI 103-3, GRI 403-1, GRI 403-4



Health and safety are integral parts of PGMC’s personnel policies. The Company’s comprehensive safety program is designed to minimize health risks arising out of work activities and to assure compliance with occupational health and safety standards and rules and regulations that apply to our operations.

For 2019, the recorded Total Man-hours Worked was 7,260,500 with happily zero (0) fatalities, albeit there was one (1) lost time accident and six (6) occupational injuries/illnesses which resulted in three (3) lost days in total for the year.

These data points are closely monitored as we have institutionalized our Occupational Safety and Health Program which helps create a culture of safety within the Company. With this, PGMC is committed to be ISO 14001:2015 certified. We, therefore, established a Safety and Health Committee, composed of all Department Managers and Heads, to be the highest governing body for decision-making on issues of Safety and Health. It has Sub-Committees with specific agendas in order to ensure all major issues are being fully addressed.



Health and Safety Statistics GRI 403-8, GRI 403-9, GRI 403-10

Indicator	2019	2018
No. of employees in health & safety committee	33	35
Total Man Hours		
Lost time accidents	7,260,500	7,936,346
Number of occupational injuries/illnesses	1	1
Incidence Rate	6	4
Severity Rate	0.96	0.13
Lost days	0.087	756.01
Fatalities	3	6,000
Work-related fatalities	0	1
No. of safety drills	0	1
	5	4/quarter in a year

The Company has Safety and Health staff, accredited Safety Engineers and Inspectors by the MGB, based on the ratio of workers. This is in accordance with DENR Administrative Order 2010-21. At the same time, managers and supervisors regularly conduct safety briefings and new employees undergo safety orientation. During these briefings, safety topics are reiterated to employees, including the following:

- **Enforcement of two-driver or operator policy to consider the work-time limit of workers and avoid worker exhaustion that might lead to accidents**
- **Establishment of safety rules and regulations for driving to prevent overspeeding and accidents from lack of discipline**
- **Provision of guidelines on the proper usage of fire trucks in case of emergencies**
- **Observance of safety signages, restrictions, and warnings to promote awareness on work-related hazards**

PGMC also implements a Work Environment Measurement program which identifies the level of air pollutants, water, and noise to determine if they are within healthy range. It also established environmental structures to mitigate the negative effects of its operations, providing medical aid and medicines to workers on site through our health practitioners.

First aid and emergency equipment are installed strategically in all work areas and PGMC's Emergency Response Team (ERT) stands ready 24/7.

EMPLOYEE WELFARE – TRAINING AND GOOD HOUSEKEEPING

GRI 403-4, GRI 403-5, GRI 403-7, GRI 404-2



PGMC upholds a set of standards for Safety and Health throughout the employee life cycle which begins even at pre-hiring. 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' professional driving licenses must have the additional restriction code of "8" as proof they are able to handle the vehicles and equipment in the site.

When new hires join the company, they undergo a Safety and Health orientation where they are informed of important processes and procedures, including:

- **Implementation of Equipment Checklist**
- **Provision of Personal Protective Equipment (PPE) and strict implementation of wearing PPE in the workplace**
- **Safety reminders in the daily “Walk a talk” and “Toolbox” meetings**
- **Strict implementation of Violation Ticket for violators**

Operations hold weekly Safety and Health meetings that include contractors, plus daily 15-minute PEP Talk Tool Box sessions before teams are assigned to their respective work sites. Copies of the Company's Safety and Health Policy translated in the vernacular are also clearly posted at strategic locations around the mine site, to ensure the message is clearly understood and appreciated by everyone.

Aside from the basic training each employee receives upon employment, PGMC ensures that employees also receive continuous training during their tenure and in their different work assignments. For 2019, the Company continued our various training programs which included the following topics:

- **Defensive Driving Training**
- **Fire Extinguisher Lecture and Demonstration**
- **First Aid and Basic Life Support with AED Training**
- **Job Hazards Analysis**
- **Food Handlers Training**
- **Basic Occupational Safety and Health (BOSH) for Nurses Training**



All these are supported by Good Housekeeping Standards – the practice of “5S” in the work site that maintains a clean and organized work area to reduce likelihood of accidents. There is daily monitoring and inspection by operational supervisors, keeping them on top of avoidable hazards in the work sites.

The good housekeeping practice ensure that the following policies are strictly implemented:

- **Issuance of Personal Protective Equipment (PPE). No PPE, No Work policy**
- **No work under the influence of liquor**
- **No badge identification, no work**
- **No unauthorized driving**

GRI 403-3, GRI 403-6 GRI 403-5

EMPLOYEE WELFARE – HEALTH CONTROL AND SERVICES

The mine site features a Health Control and Services facility, staffed with health professionals who are able and equipped to help employees maintain their good health. Aside from medical and dental services, employees are also provided the following services:

- **Flu Vaccine**
- **Annual Physical Exam**
- **Health alerts on emerging health concerns**
- **Monthly health and sanitation inspection**
- **Regular water sampling for drinking water**

In 2019, the Company began offering free health lectures to increase people's knowledge and skills in taking care of their physical and mental well-being. The lectures were geared towards promoting a healthy lifestyle for long-term quality of life benefits.

EMPLOYEE WELFARE – EMERGENCY PREPAREDNESS AND RESPONSE GRI 403-5

PGMC underlines the value of accountability when it comes to health and safety. Each individual must equip himself with the knowledge and skills to take care of himself should emergencies occur. The Company therefore ensures that employees are not only supported with equipment and infrastructure, but also with training and development so each will be prepared and able to properly respond in an emergency.

In 2019, the PGMC conducted quarterly drills to train people how to protect themselves and their peers when faced with various kinds of emergency situations. Some of the drills conducted were fire drill, earthquake drill, and tsunami drill. The people are also trained on how to use the first-aid and emergency equipment installed strategically in all work areas.

What's more, PGMC's Emergency Response Team (ERT) stands ready 24/7. In fact, PGMC's ERT can always be counted upon to assist in emergencies outside the confines of the mine site. During the recent earthquake in North Cotabato, PGMC's ERT was one of the first responders and assisted in rescue operations and the packing and distribution of relief goods and drinking water.

As testament to their professionalism, the team won 1st Runner-up honors in the Fire Brigade Competition during the Safety Field Competition in connection with the 66th Annual National Mine Safety and Environment Conference in Baguio City.

GRI 103-1, GRI 103-2, GRI 103-3, GRI 203-2, GRI 413-1

COMMUNITY WELFARE AND DEVELOPMENT – SDMP



As mandated by the Philippine Mining Act of 1995, PGMC develops and implements a Social Development and Management Program (SDMP) for our host community and neighboring barangays. The MGB Caraga Region Office is tasked to review, approve and monitor how effectively the Company is able to achieve the goals. Through the SDMP, with a budget allocation of about Php 51 million, PGMC is able to initiate worthwhile projects that the community needs in terms of Education, Health, Public Utilities and Infrastructure, Socio-Cultural, and Livelihood.

The Community Relations team works with community organizers to build partnerships to formulate and design programs and projects that directly address the actual concerns in the community. These programs are also closely coordinated with relevant local government units and agencies.





There is a group called the Representatives of Host and Neighboring Communities (RHNC), composed of representatives from local government units, government agencies, non-governmental organizations, community organizations, churches, and PGMC, which regularly monitors the implementation of the SDMP and ensures that it is able to be maximized and have the most impact for the communities.



Social Development and Management System

SDMP Spending (in Php)

Indicator	2019	2018
Required Spending	51,437,406	36,561,969
Actual Spending	37,573,461	28,127,536

SDMP Breakdown (in million Php)

Area	2019	2018
Education	10.20	4.53
Health	3.35	1.60
Livelihood	8.66	5.34

Impact on Local Communities ^{GRI 413-2}

Operations with significant impacts on local communities	PGMC Mining Operations
Location	Sitio Baybay, Cagdianao, Claver, Surigao del Norte
Vulnerable groups	35 households which are considered as informal settlers
Community Concern	Health and safety risks as the area is prone to big waves/sea rising and dust from nearby mines/causeway operation
Mitigating measures	Relocated the residents to a safer location in close coordination with Barangay and LGU officials



For every family, providing education for their children is the bridge to ensuring a brighter future for them. That is why PGMC continues to maintain our scholarship program that provides aid to deserving students, including members of the indigenous groups. At the same time, PGMC provides financial assistance for the honoraria of the volunteer day care, high school, and elementary teachers.

The scholarship program helps pay for tuition, gives stipend and provides allowances for school supplies and uniforms. It currently supports 122 scholars and produced 29 graduates last May 2019 to which PGMC hosted a party to celebrate their graduation, recognizing their perseverance and sacrifice to attain their educational dreams.

Grateful parents expressed their appreciation for the Company's support. "PGMC shouldered my daughter's tuition and provided a minimum of Php 6,000 monthly



allowance and an additional Php 10,000 assistance for her to complete her thesis. An additional Php 5,000 in incentives during graduation were also provided for all scholars. Even after graduation, PGMC's generosity still extended to my daughter by providing Php 28,000 financial assistance for her review in San Jose Recoletos in Cebu City," said Mrs. Elizabeth E. Sarmiento, mother of full scholar grantee Michelle Anne Sarmiento, BS Accountancy graduate of Saint Paul University in Surigao City.

The SDMP's education projects also include the provision of equipment. In 2019, among the program's beneficiaries were the Cagdianao Elementary School, Punta Naga Elementary School, Hayanggabon Elementary School, Hayanggabon Day Care, as well as schools in the ten nearby non-mining barangays.

Meanwhile, for Barangay Cagdianao, PGMC donated a brand-new school bus worth over Php 3.4 million. The school bus will cater to students of the barangay who live far from their schools. These students usually walk two (2) to four (4) kilometers every day, requiring them to wake up early to get to school on time or spend 20 pesos a day for transportation, a burdensome amount especially for those who come from very poor families. With the school bus helping get them to school on time and conveniently, the children can focus their energies on learning.

PGMC employees also volunteered for the Department of Education's annual program called Brigada Eskwela. There were 78 employees who volunteered in the project, and for six (6) days they helped with cleaning, repairing, and painting public schools and their facilities to get them ready for the children. Aside from the time and efforts of the volunteers, the Company had also purchased Brigada Eskwela materials for 23 schools.

EDUCATION PROGRAM



PGMC donated a brand-new school bus worth over

PHP 3.4 million

45

Scholars

71

college students provided with college assistance

23

schools supported for Brigada Eskwela



HEALTH PROGRAM



worth of medical supplies
and equipment donated

Php 608,729

871

patients served by clinic

163

sanitary latrines provided

297

patients served by medical
mission

28

barangay health workers
supported



SDMP projects in support of community health are continuously implemented throughout the year as PGMC provides assistance to barangay health workers, midwives, nurses, and doctors. We also provide medicines to barangay health centers that serve Cagdianao and Hayanggabon residents. Meanwhile, the maternity clinic at the mine site continues to serve and provide prenatal care for pregnant employees and other members of the mine site community.

In 2019, the Company continued our drive for health and sanitation through the provision of construction materials for 163 latrines for the community residents.

We also support medical missions in the area. For instance, we sponsored the eyeglasses supply for the Grand Medical Mission & Pap Smear 2019 activity. We also provided allowance, meals and snacks for the beauty care graduates who conducted free treatments.

Furthermore, in partnership with the Department of Health and the local government units, PGMC supported the Dengue Prevention and Control Program and Nutrition and Feeding Program in the communities.

PGMC was also happy to provide community assistance for the community midwife and community doctor to attend key events and conferences where they could learn new skills and knowledge to share with the community. In 2019, the health practitioners were able to attend the 20th National Assembly of the Philippine League of Government and Private Midwives, Inc. and the World Organization of Family Doctors (WONCA) Asia Pacific Conference 2019.





Aside from providing employment opportunities, PGMC is able to contribute to the progress and development of host communities and neighboring barangays through livelihood assistance programs that provide long-term benefits. Through these projects, the Company encourages the spirit of entrepreneurship, capacitates people with tools and knowledge, and ensures that the communities build their strength and ability to support sustainable growth for their families.

For instance, PGMC is helping make Claver, Surigao del Norte the center of handicraft production in the CARAGA region, as it is abundant in raw materials. To develop this potential, PGMC partnered with Cebu-based Giant Q Exports, one of the country's top manufacturers and exporters of Philippine handicraft made from indigenous materials.

PGMC allocated Php 1 million into developing a handicraft livelihood program which kicked off with hands-on training to residents of Barangays Cagdianao and Hayanggabon. 62 beneficiaries, between the ages 29 to 65 years old, underwent training through the guidance of industry experts. At present, many of their products are already being sold for export.

Other good examples are the sustainable Egg Laying/Farming livelihood project turned over to Punta Naga Sustainable Livelihood Association (PUNASULA) and the Seedling Production livelihood project provided to Punta Naga Villagers for Sustainable Livelihood Association (PNVISLA). Totalling almost Php 2.7 million, these projects benefited 62 households and are making a significant difference to the lives of the members of the organization and their families.

Another major project turned over in 2019 was the Php 1 million Egg Production project for the Sabang Tayaga Poultry Livelihood Association (SATAPOLA). It was PGMC's first-ever big-ticket livelihood project implemented outside our host communities. Inspired by the success of a similar project with PUNASULA in Barangay Cagdianao, PGMC was encouraged to replicate the project to other non-mining barangays in Claver.

"In spite of being a non-mining barangay, we are able to receive this livelihood project. We assure PGMC that we will work hard for the success of this project," said Ancelmo Olvez, SATAPOLA President. Members of SATAPOLA also received a series of trainings accredited by TESDA, such as Philippines BizCamp and a 1-month actual farm management training in Adlay, Carrascal, Surigao del Sur.

For other groups, PGMC sponsored a 20-day training on body massage, body scrub, facial treatment and facial make-up. It was attended by a total of 30 trainees from six (6) non-mining barangays. The participants will be able to undergo assessments

LIVELIHOOD AND TRAINING



PGMC donated a brand-new school bus worth over

PHP 3.4 million.

7

people's organizations supported

170

participants for 5 livelihood trainings



after the training, for them to obtain a National Certificate Level 2 (NC II). This will help them pursue a range of occupations associated with beauty care services, such as shampooing, hand and foot spa, body massage, body scrub, facial treatment, manicure, pedicure and facial make-up.

The Company also supported skills development training on Heavy Equipment Operator - Off Highway Dump truck NC II and Hydraulic Excavator NC II for 76 beneficiaries and training workshop on project management for Philippine Bizcamp.

Various livelihood projects continue to be rolled-out for the communities, and ongoing projects include:

- Tourist passenger boat
- Lemon grass plantation/ production
- General merchandising
- Auto services, supplies, and accessories
- Candle-making
- Malunggay production project
- Mushroom production
- Vegetable farming
- Lambaklad fishing
- Biochar production





Strengthening the community through the provision of essential infrastructure is an important part of the SDMP. The projects were chosen in consultation with the communities, to ensure that their actual concerns are being addressed.

In 2019, PGMC funded the construction of the 2-storey building with four (4) classrooms for Hayanggabon Elementary School. The Company also provided financial assistance for the establishment of Grow Negosyo Center – a one-stop shop for Barangay Hayanggabon's printing needs.

PGMC has a Memorandum of Agreement with the IPs which states that the benefits to be provided by the Company should 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; provision of transportation such as ambulance, cargo truck, and motorcycles; and providing computers. With these benefits, the tribes' respective villages are now organized with facilities catering to their health, educational, and socio-cultural needs.

Meanwhile, the Chipmakers Association of Cagdianao (CMAC) and the Cagdianao Woodcraft Association (CWA) were happy to receive the turn-over of a production facility and display center for their use. And as another source of livelihood for the community, the Company constructed a Mangrove Trail as a potential ecotourism destination in the area.



INFRASTRUCTURE ASSISTANCE



INDIGENOUS PEOPLES SUPPORT



ENVIRONMENTAL PERFORMANCE STEWARD OF THE ENVIRONMENT



6 CLEAN WATER AND SANITATION



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



15 LIFE ON LAND





As the mining industry has an abiding reliance on natural resources, PGMC places great importance to this pillar of sustainability where we have opportunities to apply the principles of responsible mining.

The Company's mining operations comply with stringent and extensive environmental regulations set forth in the Philippine Mining Act of 1995. Part of these is the requirement for the establishment of the Annual Environmental Protection and Enhancement Program (AEPEP) which will cover activities such as rehabilitation of mine disturbed areas, reforestation, construction and maintenance of environmental facilities, solid waste management, hazardous waste management, air quality monitoring, and water quality monitoring.



Environmental Protection and Enhancement Program

EPEP Spending (in Php)



Land Protection

2018	2019
57,224,865.00	44,559,652



Air Protection

2018	2019
16,373,805.00	12,264,815



Water Protection

2018	2019
41,714,842.00	26,282,968



Environmental Monitoring

2018	2019
1,143,356.00	1,240,621



Conservation Values

2018	2019
2,482,904.00	2,193,835



Waste Management

2018	2019
766,400.00	1,005,092



Construction of Environmental Facilities

2018	2019
66,261,031.00	10,245,780



Environmental Researches/ Trainings/IEC

2018	2019
4,716,800.00	2,325,800

Total Spending:

2018	2019
190,684,003	100,118,564

PGMC’s environmental commitments stated in our Environmental Protection and Enhancement Program (EPEP) are the following:

- **To comply with control measures stipulated in our EPEP/ Potential Environmental Impact Report (PEIR)**
- **To comply with control measures stipulated in our AEPEP**
- **To utilize our Resource Capital Funds and/or Monitoring Trust Fund**
- **To undertake research recommended by the regulatory bodies**

True to our promises, the Company properly implemented all major commitments and programs stated in our EPEP for 2019. This has been under the 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 EPEP funds, the Mining Act also requires the Company to maintain a trust fund deposited in a government bank. As of 31 December 2019, the trust amounted to a total of Php 289 million for the Final Mine Rehabilitation/ Decommissioning Plan (FMRDP).

In 2019, total diesel consumption went down by almost 120,000 liters while electricity consumption went down by over 10,000 kWh, compared to the previous year. Although there was an increase in fuel and electricity consumption for in-house activities – which can be attributed to the increase in manpower and man-hours worked, construction of new buildings, increase in equipment, and site preparations for environmental facilities – it is offset by the decrease on the contractors’ consumption attributed to the utilization of new equipment that are more fuel efficient.

In 2019, PGMC was able to maintain the level of electrical intensity while noting a decrease in fuel intensity. This is mainly due to the electricity and fuel conservation initiatives of the Company, including:

- Monitoring of electricity consumption per facility and fuel consumption per vehicle
- Replacement of ordinary bulbs into LED type
- Purchase of energy-efficient appliances and equipment
- Intensification of employees’ awareness on energy and fuel conservation
- Conduct of electrical inspections
- Routine check-up and regular maintenance of equipment and transportation vehicles
- Carpooling and eliminating unnecessary trips
- Strict enforcement of 20-25 kph allowable speed limit

For 2020, PGMC conservation initiatives include plans to convert our streetlights to solar-powered options

RESOURCE CONSUMPTION: ENERGY GRI 103-1, GRI 103-2, GRI 103-3, GRI 302-4

We purchase our electricity from Surigao del Norte Electric Cooperative (SURNECO) and maintain five (5) generators as a back-up source in case of brownouts. These generators, along with transportation and ancillary activities in the mine site, consume diesel fuel. Ancillary activities were mine rehabilitation, road maintenance, construction and maintenance of settling ponds, riverbank stabilization, port maintenance, dust suppression, etc.



Energy Consumption GRI 102-48, GRI 302-1, GRI 302-2

Indicator	2019		2018	
	In-house	Contractors	In-house	Contractors
Genset – Diesel (liters)	23,580	45,527	16,621	43,970
Vehicles - Diesel (liters)	2,563,528	11,226,596	2,145,283*	11,772,972*
Electricity from local supply (kWh)	833,345	391,501	796,405*	439,004

*restatement of information



Energy Intensity

Indicator	2019		2018	
	In-house	Contractors	In-house	Contractors
Electrical (kWh/man-hour)	0.24	0.11	0.24	0.10
Fuel (L/WMT)	1.36		1.45	

GHG EMISSION GRI 103-1, GRI 103-2, GRI 103-3

As PGMC institutionalized its Sustainability Reporting practice and metrics in 2018, we were able to determine the baseline data from where to track and monitor the Company’s greenhouse gas (GHG) emissions. The idea in monitoring GHG emissions is to form strategies to keep the Company’s carbon footprint within reasonable levels.



This is important because GHG traps heat in the atmosphere and companies monitor their emissions in attempts to maintain it within sustainable levels. The primary sources of GHG emission include fossil fuel-burning activities such as electricity production, transportation, industrial plant and factory operations, commercial and residential activities.

For 2019, PGMC was able to maintain a stable level of GHG emissions from 2018 even with an increase in production for the year. We manage our GHG emissions by controlling our energy consumption, particularly for the following operations: ore production and barging, ancillary activities, transportation, power generation, and facilities usage. These activities are the Company’s primary sources of GHG emissions.

Utilizing new technologies also allows us to better manage our GHG emissions. For instance, in 2019, PGMC was able to replace 28% of our operational air-conditioning equipment with those using R-410A, a non-ozone-depleting alternative refrigerant.

Other initiatives that the Company has rolled out in this area include:

- Setting target reduction in electricity and fuel consumption
- Regular assessment and preventive maintenance of all equipment and vehicles
- Gradual phasing out of old vehicles and equipment
- Observance of maximum limit on equipment use: 12,000 hours for heavy equipment and 80,000 km mileage for dump truck units

Further contributing to GHG reduction, this time through carbon sequestration, are the Company’s Progressive Rehabilitation Program, Mine Forest Program, and participation in NGP activities.



GHG Emissions (T CO₂ e) GRI 305-1, GRI 305-2

Indicator	2019	2018
GHG (Scope 1)	37,434	37,795
GHG (Scope 2)	755	761

AIR QUALITY GRI 103-1, GRI 103-2, GRI 103-3

Maintaining healthy air quality is important for the well-being of our people in the mine site and for our host communities and neighboring barangays. PGMC proactively implements air pollution mitigation strategies to ensure this while regularly monitoring air quality, specifically the Total Suspended Particles (TSP) levels to check that our strategies are effective.

For 2019, 45 sampling activities were conducted which showed that PGMC was able to suppress and control our dust emission and total suspended particles were well within the regulatory limits of DENR's ambient standard.

The Company uses various strategies for dust suppression and control:

- **Water spraying is done on main and secondary haulage roads using pressurized water trucks. For 2019, the Company has increased the number of water trucks to increase its capacity to suppress and control dust.**
 - **Street sweeping is done on the national Highway, and 2,957 man-days were devoted solely for this purpose.**
- We also implements ballasting and graveling of haul roads
- **to prevent disturbance of unpaved roads which would lead to increased dust emissions. This year, at least four (4) km of our main haul road were properly maintained to ensure the success of this measure.**
 - **Another measure used by the Company is the establishment of buffer zones through our reforestation programs. These buffer zones serve as dust and erosion control. For 2019, we have established 8.9 hectares of buffer zones along riverbanks and haul roads.**



Average Total Suspended Particles by Station (in $\mu\text{g}/\text{Ncm}$) GRI 305-7

Location	2019	2018
Contractors Camp	6	40
Punta Naga Basketball Court	5	28
Cagdianao Barangay Hall	11	26
Platinum Heights	9	34
Admin Building	20	38
DENR Standard		230

PGMC also maintains noise level to avoid noise pollution by regulating the allowed speed of vehicles in the mine site and performing regular maintenance. For 2019, 96 sampling activities were conducted to measure noise quality and ensure that noise levels at night are within DENR standard.

WATER RESOURCES: USE AND DISCHARGE

GRI 103-1, GRI 103-2, GRI 103-3, GRI 303-1, GRI 303-2

Water is considered an essential resource for our people’s well-being, our communities’ health, and for the company’s sustainable operations. Managing this resource and optimizing its use is therefore particularly important in the Company’s strategic approach to sustainability.



The Company sources our water through shallow wells, deep well, and surface water. We have three (3) shallow wells supplying water to our facilities in the mine site. The deep well located at the Contractors area, meanwhile, supplies water to the contractors’ premises. And the two surface water sources located at the Mine Base Area and at Platinum Heights supply water to distant facilities. We are also sometimes called upon to do water lorry deliveries to the community for domestic and industrial uses.

PGMC has also been practicing water recycling or reusing water from settling ponds for dust control activities when needed.

The 35% increase in PGMC’s water withdrawal in 2019 is attributed to several factors such as high temperature and evaporation rates, an increase in manpower, and a growing demand for water in our dust control activities. Keenly monitoring the use of water, the Company employs various strategies to ensure an efficient water



Water withdrawal and discharge (in cu. m.)

GRI 303-3, GRI 303-4

Indicator	2019	2018
Extraction	Shallow Well	3,163
	Deep Well	74,960
	Surface Water	202,957
	TOTAL	281,080
Discharge Kinalablaban River and/or Ground		281,080
	Silt collected/discharged	198,545

consumption throughout our operations. PGMC conducts regular inspections of water pumps, pipes, and faucets as well as monthly monitoring and evaluation of our water consumption. The Company had also installed a cistern solely to capture and store rainwater. Employees also receive regular orientation and visual reminders on the importance of water conservation.

Monitoring the impact our operations on the quality of the nearby bodies of water is a regular practice, as we proactively seek to control sedimentation which could affect their turbidity and biodiversity as well as to ensure waste products and materials do not enter the water systems.

For concerns on sedimentation, PGMC employs several strategies for river siltation control:

- **Stormwater and sediment control. Augmenting the current systems in controlling stormwater and sediments from mining operations, there are additional settling ponds, check dams, collector sumps, silt traps, and peripheral canal.**
- **Ground cover measures to prevent soil erosion.**
- **Dredging, to remove silt that accumulated in rivers.**

Using mechanical and slurry pumps, the Company was able to take out 57,174 cubic meters of silt.

For concerns of effluents, PGMC maintains 26 wastewater sampling stations to receive effluents from identified settling ponds. These are checked for Total Suspended Solids (TSS) to ensure levels conform to DENR standards.



Average Total Suspended Solids by Station

Location	2019	2018
Settling Pond 5	21	10
Settling Pond 14	-*	1
Settling Pond 16	<1	4
Settling Pond 17	-*	3
Settling Pond 18	3	20
Settling Pond 1	1	9
Settling Pond 30	-*	17
Settling Pond 33	-*	19

*No effluent discharge

An additional risk in relation to water pollution is the potential improper handling of the Company's and our clients' domestic and industrial wastes and bilge water coming from our clients' ships. Contamination of nearby water bodies may lead to elevated levels of coliform, biochemical oxygen demand, and oil and grease. To prevent this, PGMC implements proper Solid and Hazardous Waste Management and conducts monthly spillage monitoring to ensure that our clients follow these policies as well.

PGMC had constructed and designated a watertight tank to partially treat raw domestic sanitary wastewater. We also have an established EMS guideline for the design and construction of septic tanks and in the extraction, collection, and disposal of domestic waste sludge and septage.

The Company's main strategy for improving wastewater quality is to focus on stormwater drainage management and stabilization of environmental structures. Its drainage systems serve as chain waterways, connecting to constructed environmental structures such as collector sumps, in-pit check dams, check dams, and settling ponds. These structures allow the retention and settlement of suspended solids before the discharge of excess wastewater to the receiving water bodies.

As of December 2019, the Company has 93 settling ponds, 41 check dams, and 32 collector sumps with a total capacity of 814,309 cubic meters.



The Company also implements riverbank stabilization along barren river channels. We have stabilized a total of 20,093 cubic meters of riverbanks in 2019. The Company's rehabilitation, reforestation, and temporary re-vegetation efforts are also initiatives that reduce the possibility of soil erosion.

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SOLID AND HAZARDOUS WASTE MANAGEMENT

GRI 103-1, GRI 103-2, GRI 103-3

The Company's operations produce waste material that we responsibly manage according to the guidelines of the DENR on Solid and Hazardous Waste Management. In 2019, we were able to reduce our overall solid waste generation by 33% through the effective implementation of our Solid Waste Management (SWM) Program.

PGMC's SWM Program includes the practice of 4Rs: Refuse, Reduce, Reuse, and Recycle.

Refuse – in-house and contractors' employees are discouraged to use disposable plastic bags as food packaging. The Company is also implementing a Paperless Program.

Reduce – the Company is gradually refraining from purchasing and distributing disposable plastic water bottles intended for visitors.

Reuse – papers are reused for office operations

Recycle – waste materials are used for site beautification while PET bottles and cellophane wrappers are donated to LGU Claver Recycling Plant

PGMC spreads environmental awareness to our in-house and contractors' employees through orientations and visual reminders, monitoring, evaluation, analysis, and monthly cascading of waste generation performance.

Furthermore, in accordance with our Environment Policy, PGMC's solid waste management system includes the following components: segregation, collection, sorting, and treatment.

Waste collection from all facilities is done regularly while treatment strategies depend on the type of waste – biodegradable wastes are composted, residual wastes are brought to a landfill, and recyclable wastes are stored and sold to DENR-accredited recyclers.



Since improper handling of solid waste could affect nearby communities and water bodies, PGMC ensures the proper implementation of our solid waste management system through the conduct of regular training of all workers on proper waste management and provision of suitable waste containment and treatment facilities at key areas.

On the other hand, we manage our hazardous wastes through proper collection and storage for eventual collection and treatment by accredited waste transporters and treaters.

In 2019, delays in the processing of relevant permits of the Company's hazardous waste transporters forced us to keep a greater quantity in the storage facility even though the actual amount of used oil was lower for the year. To resolve this, there will be a new schedule for used oil disposal in 2020. Furthermore, a new central solid and hazardous waste facility was constructed to increase the capacity to temporarily store solid and hazardous waste.

The construction of this new facility, as well as the repair and construction of the new Admin building and new warehouse, has predictably increased the annual total residual waste recorded.

Notably, though, PGMC was able to compost almost 18 tons of biodegradable waste. The resulting compost is used for our Temporary Revegetation Program (TRP) which aims to provide short term vegetation growth to prevent soil erosion in areas that are currently inactive. 46.30 hectares of TRP areas were properly maintained through watering, replanting, and applying fertilizer which was derived from the composting process.

Overall, we saw a decrease in hazardous waste generation which can be related directly to the reduction in mining equipment used in 2019 compared to that of 2018. Most of the running equipment and vehicles are new and operate within the standards set by our Mechanical and Maintenance Department which lead to lesser maintenance activities, thus generating less used oil.



Solid and Hazardous Waste Generated GRI 306-2, GRI 306-4

WASTE TYPE		2019	2018	Disposal Method	
SOLID WASTE		Biodegradable waste (kg)	17,954	27,122	Composting
		Residual Waste (kg)	22,870	31,702	Landfill
		Recyclable Waste (kg)	8,620	14,887	Storage
HAZARDOUS WASTE		Used Batteries (pcs.)	750	359	Storage
		Toxic Containers (pcs.)	0	1,969	Storage
		Busted Bulbs (pcs.)	1,049	1,151	Storage
		Used Filters (pcs.)	8,977	5,705	Storage
		Cooking Oil (liters)	240	94	Storage
		Used Oil (liters)	62,084	88,924	Storage and treatment



LAND REHABILITATION AND REFORESTATION GRI 103-1, GRI 103-2, GRI 103-3



The ability to demonstrate responsible mining through effective land rehabilitation and reforestation initiatives makes this a crucial aspect of the Company's sustainability approach. Even as PGM operations are not located near areas of high biodiversity value, we make every effort to preserve the biodiversity of the area for the benefit of the communities.

Among the Company's many programs being implemented include:

- **Establishment of a three-hectare Botanical Garden to preserve and showcase existing plant species within the MPSA area. As of 2019, it houses 82 plant species.**
- **Construction of Clonal Facility to propagate rare, endemic, and/or indigenous tree species within the MPSA area**
- **Establishment of Biodiversity Conservation Nursery to supply the needed seedlings for rehabilitation and National Greening Program activities**



- **Vermiculture Project which increases the quality of trees, crops, and soil structure by restoring the soil nutrient**
- **Establishment of 3,000-square meter Natural Forest Nursery in CAGA 2 and 4**

In support of the national government's National Greening Program (NGP), PGM's land development activities use organic fertilizers to improve the level of the soil's macronutrients and micronutrients to improve root growth, nutrient absorption, and soil quality for the long-term.

The Company maintains our integrated biodiversity management program that began in 2018, with 50 hectares within the Mining area of CAGA 5 devoted to flora and fauna biodiversity conservation. We also maintains a Biodiversity Conservation Nursery and plantation that supplies the needed trees, shrubs and plants for our NGP projects.

With the Nursery's definitive collection of endemic climax species of seedling and wildlings, the Company hopes to fully restore all plant species present in the area before our mining operations begin. With species such as Maribuhok, Mancono, Lokinai, Kamagong gubat, Tiga, Sagimsim, and Kalingag helping to bring back the previous environment, it could attract and support a resurgence of endemic fauna as well.

PGMC provides buffer zone plantation, mangrove enrichment, plantation maintenance, and nursery operation. Mined-out areas undergo rehabilitation which is divided into three (3) activities: reshaping and backfilling, topsoil incorporation, and progressive rehabilitation. For 2019, we were able to reshape and backfill 40 hectares of newly declared mined-out areas for progressive rehabilitation.

Aside from the land environment, PGMC also supports Barangay Cagdianao's Coastal Resource Management Plan as we adopted Lambason Island where we launched our Coral Rehabilitation Project. Coral reefs are widely recognized to be of great ecological and biological importance. But coral reefs around the world are threatened by natural and man-made disturbances. The same is true with the coral reefs in Lambason island in Surigao del Norte which have been under stress because of destructive fishing methods.



To remedy the situation, the local government of Cagdianao, Surigao del Norte, through the support of PGMC, declared portions of the island's reef area as a marine sanctuary for protection and enhancement.

The Company has supported the deployment and installation of artificial reef modules to promote the resurgence of marine life in the area. Its technical team also worked alongside local fisherfolks in conducting coral transplantation.

Meanwhile, as an essential part of its AEPEP, the Company also conducts research studies relevant to our operations, as recommended by the MGB and DENR.

For 2019, we were able to finish the following research studies:

- **Trial Planting of Selected Dipterocarp Species in Mined-out Areas of Platinum Group Metals Corporation**
- **Plantation Establishment of Selected Bamboo Species with economic value**





LAND USE GRI 304-1, GRI 304-3, GRI 304-4

Disclosure

	2019	2018
Area distributed (hectares)	375	494
Area used for other purposes (hectares)	320	336
Area rehabilitated (hectares)	139	99
Area reforested (hectares)	144	135
Area of land used for extractive use (hectares)	77	90
% of land requiring biodiversity management plans		15%
Operational sites owned, leased, managed in, or adjacent to, protected area and areas of high biodiversity value outside protected areas	NONE	
Habitats protected or restored (ha)	CAGA 5/50 ha	
IUCN Red List species and national conservation list species with habitats in areas affected by operations		

•

CLIMATE-RELATED RISKS AND OPPORTUNITIES

With the onset of climate change, PGMC faces climate-related risks that may affect our day-to-day operations: energy shortage and extreme weather conditions such as intense typhoons and flooding, and higher heat indices. This could lead to an increase in generator use, interruptions in the Company's operations, equipment and facility damage, and greater risk for occupational injuries and ill-health.

We these risks, along with other financial and operational risks, through our Enterprise Risk Management (ERM) system. This system ensures that risks to the Company are identified, measured, and managed effectively. At the helm of this initiative is the Board, supported by the Audit and Board Risk Oversight Committee, Corporate Internal Audit, SVP for Legal and Compliance, SVP for Operations, and SVP for Finance.

The Management is primarily responsible for overseeing all risks to the Company and maintaining communication with the Board and stakeholders on the performance of our ERM system. Consequently, an ERM core team is assigned to help the management assess the effectiveness of the Company's Risk Management System and, therefore, identify opportunities for improvement.



The impacts of climate-related risks are measured through the following metrics:

- **hours of generator use**
- **frequency of operation interruptions due to weather conditions**
- **heat index**
- **number and frequency of occupational injuries and ill health caused by extreme heat**
- **number of days that operation had stopped or been interrupted due to climate-related risks**

Through the ERM, the Company is able prepare and respond properly to these climate-related risks. These include having alternative sources of energy in case of energy shortage, improving the stability of facilities and equipment, and ensuring the consistency of manpower through taking care of the health of our employees.



GRI CONTENT INDEX FOR "IN ACCORDANCE" - CORE OPTION

	PAGE No.	OMISSION
GRI 101: Foundation 2016		
General Disclosures		
GRI 102: General Disclosures 2016		
Organizational Profile		
GRI 102-1	Name of the organization	Front Cover
GRI 102-2	Activities, brands, products, and services	
GRI 102-3	Location of headquarters	
GRI 102-4	Location of operations	
GRI 102-5	Ownership and legal form	
GRI 102-6	Markets served	
GRI 102-7	Scale of the organization	
GRI 102-8	Information on employees and other workers	
GRI 102-9	Supply chain	
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
Strategy		
GRI 102-14	Statement from senior decision-maker	12
Ethics and Integrity		
GRI 102-16	Values, principles, standards, and norms of behavior	4
Governance		
GRI 102-18	Governance Structure	30
Stakeholder engagement		
GRI 102-40	List of stakeholder groups	47
GRI 102-41	Collective bargaining agreements	55
GRI 102-42	Identifying and selecting stakeholders	47
GRI 102-43	Approach to stakeholder engagement	47
GRI 102-44	Key topics and concerns raised	47

Reporting practice		
GRI 102-45	• Entities included in the consolidated financial statements	
GRI 102-46	• Defining report content and topic Boundaries	
GRI 102-47	• List of material topics	
GRI 102-48	• Restatements of information	
GRI 102-49	• Changes in reporting	None
GRI 102-50	• Reporting period	2019
GRI 102-51	• Date of most recent report	June 2019
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	
GRI 102-55	• GRI content index	
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	
GRI 201: Economic Performance 2016	GRI 201-1	• Direct economic value generated and distributed	
	GRI 201-2	• Financial implications and other risks and opportunities due to climate change	
GRI 202: Market Presence 2016	GRI 202-1	• Ratios of standard entry level wage by gender compared to local minimum wage	
	GRI 202-2	• Proportion of senior management hired from the local community	
GRI 203: Indirect Economic Impacts 2016	GRI 203-1	• Infrastructure investments and services supported	
	GRI 203-2	• Significant indirect economic impacts	
Compliance			
GRI 103: Management Approach 2016	GRI 103-1	• Explanation of the material topic and its Boundary	
	GRI 103-2	• The management approach and its components	None
	GRI 103-3	• Evaluation of the management approach taken	
GRI 205: Anti-corruption 2016	GRI 205-1	• Operations assessed for risks related to corruption anti-trust, and monopoly practices	None
	GRI 205-3	• Confirmed incidents of corruption and actions taken and regulations	There were no such incidents in 2019
GRI 307: Environmental Compliance	GRI 307-1	• Non-compliance with environmental laws and regulations environmental criteria	None
GRI 308: Supplier Environmental Assessment 2016	GRI 308-1	• New suppliers that were screened using environmental data chain and actions taken	None
	GRI 308-2	• Negative environmental impacts in the supply chain and actions taken	None

Energy

GRI 103: Management Approach 2016 2016	GRI 103-1	• Explanation of the material topic and its Boundary	61
	GRI 103-2	• The management approach and its components	62
	GRI 103-3	• Evaluation of the management approach	
GRI 302: Energy 2016	GRI 302-1	• Energy consumption within the organization	
	GRI 302-2	• Energy consumption outside of the organization	
	GRI 302-3	• Energy intensity	
	GRI 302-4	• Reduction of energy consumption	

Water

GRI 103: Management Approach 2016	GRI 103-1	• Explanation of the material topic and its Boundary	None of the operational mining sites are located in, or near any areas of high biodiversity
	GRI 103-2	• The management approach and its components	
	GRI 103-3	• Evaluation of the management approach	
GRI 303: Water 2016	GRI 303-1	• Interactions with water as a shared resource	
	GRI 303-2	• Management of water discharge-related impacts	
	GRI 303-3	• Water withdrawal	
	GRI 303-4	• Water discharge	

Biodiversity

GRI 103: Management Approach 2016	GRI 103-1	• Explanation of the material topic and its Boundary	
	GRI 103-2	• The management approach and its components	
	GRI 103-3	• Evaluation of the management approach	
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	
	GRI 304-2	• Significant impacts of activities, products, and services on biodiversity	
	GRI 304-3	• Habitats protected or restored	
	GRI 304-4	• IUCN Red List species and national conservation list species with habitats in areas affected by operations	

Emissions

GRI 103: Management Approach 2016	GRI 103-1	• Explanation of the material topic and its Boundary	
	GRI 103-2	• The management approach and its components	
	GRI 103-3	• Evaluation of the management approach	
GRI 305: Biodiversity 2016	GRI 305-1	• Direct (Scope 1) GHG Emissions	
	GRI 305-2	• Energy indirect (Scope 2) GHG Emissions	
	GRI 305-7	• Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	

Waste

GRI 103: Management Approach 2016	GRI 103-1	• Explanation of the material topic and its Boundary	61
	GRI 103-2	• The management approach and its components	62
	GRI 103-3	• Evaluation of the management approach	
GRI 302: Energy 2016	GRI 306-2	• Waste by type and disposal method	
	GRI 306-3	• Significant spills	None
	GRI 306-4	• Transport of hazardous waste	

Labor Practices & Employee Relations

GRI 103: Management Approach 2016	GRI 103-1	•	None of the operational mining sites are located in, or near any areas of high biodiversity.
	GRI 103-2	•	
	GRI 103-3	•	
GRI 401: Employment 2016	GRI 401-1	•	
	GRI 401-2	•	
	GRI 401-3	•	
GRI 402: Labor/Management Relations 2016	GRI 402-1	•	Minimum notice periods regarding operational changes is implemented.
GRI 403: Occupational Health & Safety 2018	GRI 403-1	•	
	GRI 403-3	•	
	GRI 403-4	•	
	GRI 403-5	•	
	GRI 403-6	•	
	GRI 403-7	•	
	GRI 403-8	•	
	GRI 403-9	•	
	GRI 403-10	•	
	GRI 404: Training & Education 2016	GRI 404-1	•
GRI 404-2		•	
GRI 405: Diversity & Equal Opportunities 2016	GRI 405-1	•	
	GRI 405-2	•	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 operations as well as our local suppliers' have any incidents of child labor practice
	GRI 409-1	* Operations and suppliers at significant risk for incidents of forced or compulsory labor	None
GRI 409: Force or Compulsory Labor 2016	GRI 410-1	* Security personnel trained in human rights policies or procedures	All our security personnel are outsourced and are regularly trained by agency on human rights topics
GRI 410: Security Practices 2016	GRI 411-1	* Incidents of violations involving rights of indigenous peoples	
GRI 411: Rights of Indigenous Peoples 2016	GRI 412-1	* Operations that have been subject to human rights reviews or impact assessments	None
GRI 412: Human Rights Assessment 2016			None

Community Development

GRI 103: Management Approach 2016	GRI 103-1	* Explanation of the material topic and its Boundary	
	GRI 103-2	* The management approach and its components	
	GRI 103-3	* Evaluation of the management approach	
GRI 413: Local Communities 2016	GRI 413-1	* Operations with local community engagement, impact assessments, and development programs	
	GRI 413-2	* Operations with significant actual and potential negative impacts on local communities	
GRI 414: Supplier Social Assessment 2016	GRI 414-1	* New suppliers that were screened using social criteria	

Customer Service

GRI 103: Management Approach 2016	GRI 103-1	* Explanation of the material topic and its Boundary	
	GRI 103-2	* The management approach and its components	
	GRI 103-3	* Evaluation of the management approach	
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
GRI 417: Marketing & Labeling 2016	GRI 417-1	* Requirements for product and service information and labeling	
	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

The image features a central circular opening that looks like a tunnel. The walls of the tunnel are composed of many thin, blue, curved lines that create a woven or mesh-like texture. Inside the tunnel, there are numerous small, bright orange dots scattered throughout. The tunnel leads to a bright, cloudy sky. In the center of the tunnel, the words "MARKET OUTLOOK" are written in a bold, white, sans-serif font.

MARKET OUTLOOK



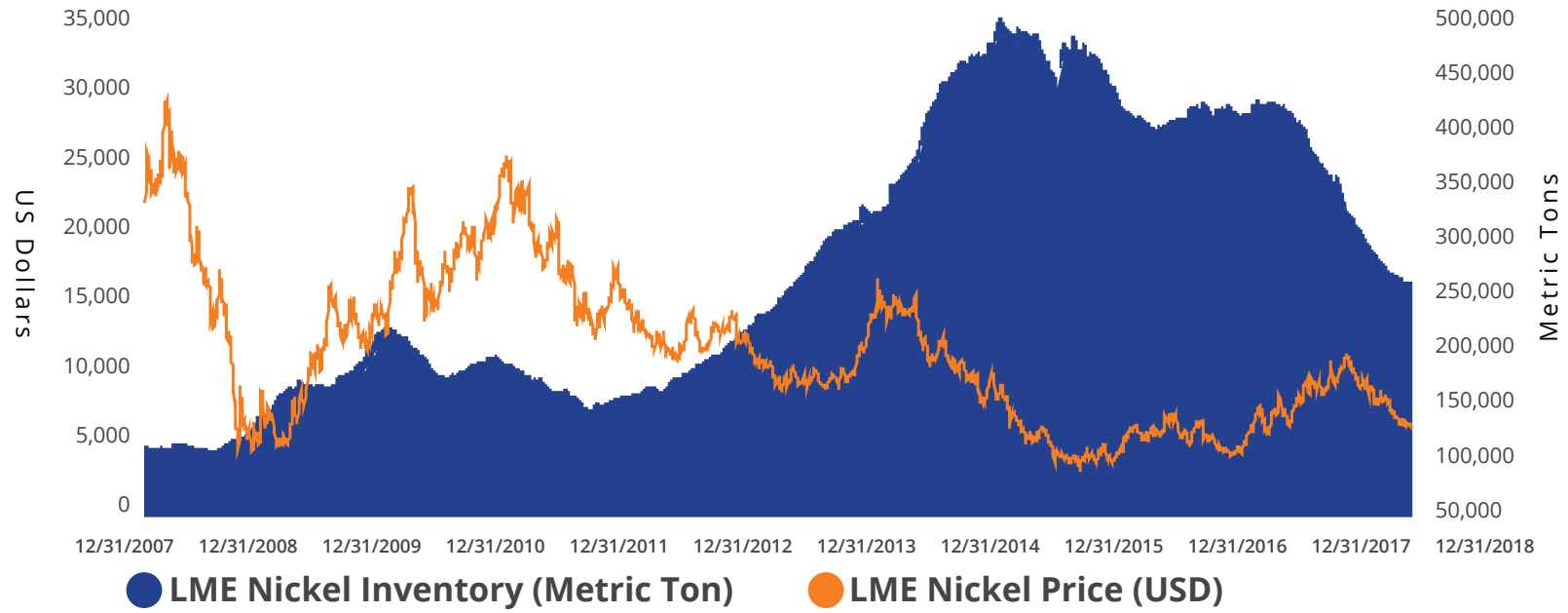
Use of Nickel and its Emerging Demand

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.

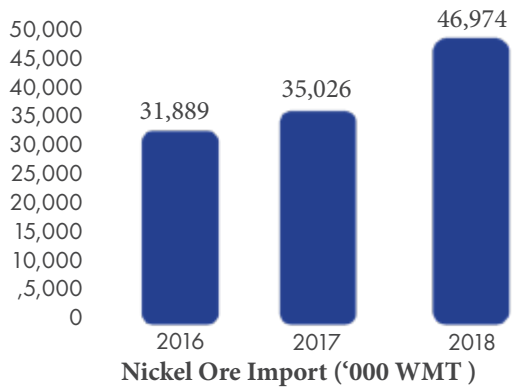
Based on the 2018 London Metals Exchange (LME) Index, the average price of pure Nickel showed continuous recovery from the previous year. Nickel prices were concluded at an average price of US\$ 13,118, which is 26% higher than in 2017, despite price hiccups in the latter part of the year. Consequently,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

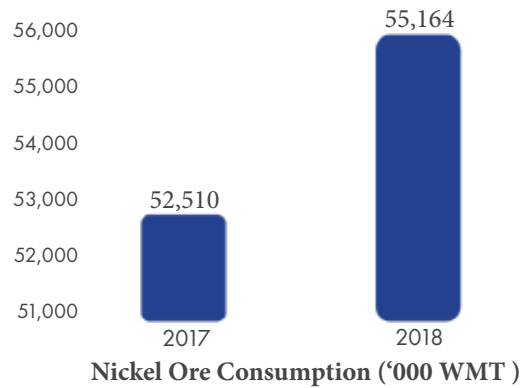
► LME Nickel Inventory



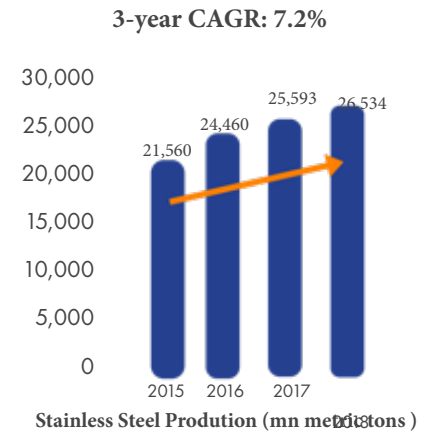
► China Nickel Ore Import



► China Nickel Ore Consumption



► Average Daily Production Capacity



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.

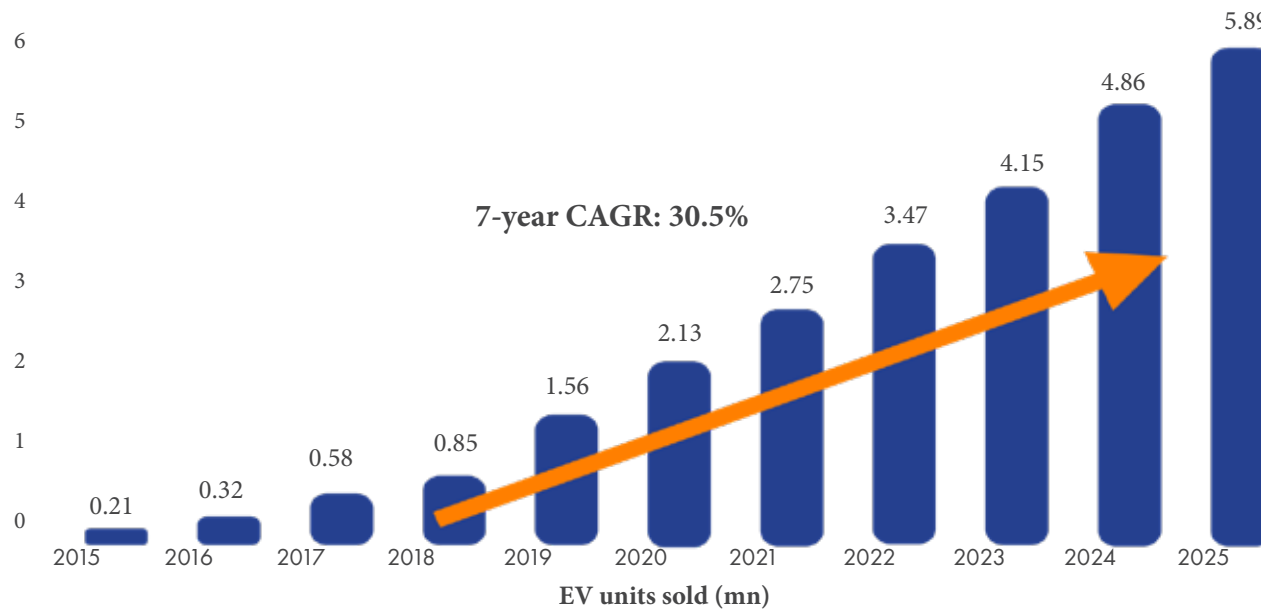
Aside from its massive contribution to the global stainless-steel business, China is also a front-runner in the worldwide production of electric vehicles (EVs). Driven by the advocacy to reduce pollution and decrease its dependence on imported fuel, the government of China promotes the ramp-up production, 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)





Global Ferronickel Holdings, Inc.

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Telephone No.:(632) 8121494 & (632) 519 7888 Fax No.:(632) 812 0833 & (632)519 7999

STATEMENT OF MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Global Ferronickel Holdings, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the audited consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018 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


JOSEPH C. SY
Chairman



DANTE R. BRAVO
President


MARY BELLE D. BITUIN
Chief Finance Officer


Signed this 17th day of April 2020

SUBSCRIBED AND SWORN TO BEFORE THIS _____ DAY OF
JUN 10 2020 IN CITY OF MAKATI METRO M.A. PHILIPPINE
PLANT EXHIBITING HIS/HER COMPETENT ID _____
MADE IN _____ ON _____

ASC. No. 309
*AGE No. 63
BOOK No. 07
SERIES OF 2020


ATTY. HERBERT M. LUZ
NOTARY PUBLIC
Until December 31, 2021
Appt. No. M-37 Makati City
IBP #092955 for 2020 - RSM
PTR #8112274, Jan 02, 2009-Makati
S.C. Roll No. 59557
MCLE Compliance No. VFC025451 28 April 2019
Unit 301 3rd Flr. Campes Pineda Bldg.
103 Urban Ave., Brgy. Pineda, Makati City

INDEPENDENT AUDITOR'S REPORT

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

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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 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 Matter

Key audit matter, in our professional judgment, was that matter of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter. For the 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 matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements

Recoverability of Deposits for Future Acquisition

As at December 31, 2019, the Group's investment in an associate, Southeast Palawan Nickel Ventures, Inc. (SPNVI) includes deposits for future acquisition amounting to ₱2,174.5 million. The significant portion of these deposits will form part of the purchase price for the acquisition of additional interest in SPNVI. PAS 36 requires the Group to assess whether any internal or external indicators of impairment exist in relation to deposits for future acquisition. If an indicator exist, an impairment assessment is required to be performed by comparing the carrying value of the deposits for future acquisition to its recoverable amount to determine whether an impairment is required to be recognized. The recoverable amount is determined to be the higher of the fair value less cost of disposal and the value in use, determined by discounting future cash flows. SPNVI has a subsidiary, Ipilan Nickel Corporation (INC), which is still under exploration and evaluation stage and has pending legal cases. We considered this as a key audit matter because of the materiality of the amount involved and the significant management's judgment and estimations required in assessing whether there is an impairment such as ore reserves estimate, 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 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 29 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 ore reserves, future capital requirements, production costs, commodity prices, price inflation and foreign exchange rates. We involved our internal specialist in evaluating the discount rate, valuation methodologies used in the impairment assessment.

We reviewed the specialist's report on the ore reserves and obtained an understanding of the nature, scope and objectives of his work, basis of the estimates including the changes in the reserves during the year and evaluated the significant factors considered by the specialist in preparing and producing the report.

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 and has been applied for renewal. We discussed with management the status of INC's pending legal cases, and obtained and reviewed correspondences with the relevant authorities and opinions from the external legal counsel.

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, 2019, 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, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

- are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

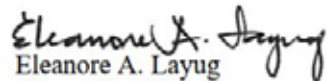
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

SYCIP GORRES VELAYO & CO.


Eleanore A. Layug

Partner

CPA Certificate No. 0100794

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

February 28, 2019, valid until February 27, 2022

Tax Identification No. 163-069-453

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

February 2, 2018, valid until February 1, 2021

PTR No. 8125246, January 7, 2020, Makati City

April 17, 2020

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Global Ferronickel Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 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 Matter

Key audit matter, in our professional judgment, was that matter of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter. For the 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 matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Deposits for Future Acquisition

As at December 31, 2019, the Group's investment in an associate, Southeast Palawan Nickel Ventures, Inc. (SPNVI) includes deposits for future acquisition amounting to ₱2,174.5 million. The significant portion of these deposits will form part of the purchase price for the acquisition of additional interest in SPNVI. PAS 36 requires the Group to assess whether any internal or external indicators of impairment exist in relation to deposits for future acquisition. If an indicator exist, an impairment assessment is required to be performed by comparing the carrying value of the deposits for future acquisition to its recoverable amount to determine whether an impairment is required to be recognized. The recoverable amount is determined to be the higher of the fair value less cost of disposal and the value in use, determined by discounting future cash flows. SPNVI has a subsidiary, Ipilan Nickel Corporation (INC), which is still under exploration and evaluation stage and has pending legal cases. We considered this as a key audit matter because of the materiality of the amount involved and the significant management's judgment and estimations required in assessing whether there is an impairment such as ore reserves estimate, 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 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 29 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 ore reserves, future capital requirements, production costs, commodity prices, price inflation and foreign exchange rates. We involved our internal specialist in evaluating the discount rate, valuation methodologies used in the impairment assessment.

We reviewed the specialist's report on the ore reserves and obtained an understanding of the nature, scope and objectives of his work, basis of the estimates including the changes in the reserves during the year and evaluated the significant factors considered by the specialist in preparing and producing the report.

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 and has been applied for renewal. We discussed with management the status of INC's pending legal cases, and obtained and reviewed correspondences with the relevant authorities and opinions from the external legal counsel.

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, 2019, 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, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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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 to the date of our auditor's report.



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

However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug

Partner

CPA Certificate No. 0100794

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

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November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Global Ferronickel Holdings, Inc. and Subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated April 17, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug

Partner

CPA Certificate No. 0100794

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

February 28, 2019, valid until February 27, 2022

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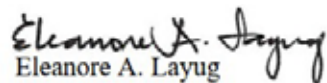
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November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Global Ferronickel Holdings, Inc. and Subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated April 17, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.


Eleanore A. Layug

Partner

CPA Certificate No. 0100794

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February 28, 2019, valid until February 27, 2022

Tax Identification No. 163-069-453

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

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Global Ferronickel Holdings, Inc.

2019 Integrated Annual Report

7th Floor, Corporate Business Centre
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Makati City, 1228, Metro Manila, Philippines